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Sidama Bank

PROSPECTUS FOR REGISTRATION
OF EXISTING SHARES HELD BY
SHAREHOLDERS

NO NEW EQUITY SHARES ARE
PROPOSED TO BE SOLD OR
OFFERED PURSUANT TO THIS
PROSPECTUS

JULY 20, 2026
ADDIS ABABA, ETHIOPIA

IMPORTANT INFORMATION

This Prospectus relating to Sidama Bank Share Company (the “Company” or the “Bank” or the “Issuer”) is issued under Article 75 and 76 of the Capital Market Proclamation No. 1248/2021 and Public Offering and Trading of Securities Directive No. 1030/2024 for the purpose of the giving information to the public regarding the Securities — specifically the registration of 1,447,002 existing subscribed ordinary shares, each with a par value of ETB 1,000, held by the existing shareholders of the Bank.

This Prospectus has been approved, and the securities that it offered have been registered by the ECMA. 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 Bank (the Issuer), the Board of Directors, Chief Executive Officer, Chief Corporate Services Officer, and the Finance and Treasury Department Director of the Bank accept full responsibility for the information contained in this Prospectus. To the best of their knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the importance of such information or make the expression of such information or opinion misleading or untrue. Investing in these securities carries risks. This Prospectus outlines those risk factors in Section 9, which should be carefully reviewed by prospective investors.

THE APPROVAL OF THE PROSPECTUS AND THE REGISTRATION OF THE SECURITIES SHOULD NOT BE CONSTRUED AS AN ENDORSEMENT BY THE ETHIOPIAN CAPITAL 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.

INFORMATION ON THE ISSUER AND SECURITIES BEING REGISTERED

Name of the Issuer: Sidama Bank Share Company (Sidama Bank S.C.)

Commercial Registration Number: MT/AA/10/0053062/2014

License Number: LBB/TM/031/2022 (Banking Business License issued by the National Bank of Ethiopia)

Type of Security: Ordinary Shares

Par Value per Share: ETB 1,000.00

Total Number of Subscribed Shares to Be Registered: 1,447,002 Ordinary Shares, of which 1,160,180 are fully paid ordinary shares and 286,822 are subscribed but not yet fully paid.

Type/Purpose of Registration: Registration of Existing Subscribed Ordinary Shares with the Ethiopian Capital Market Authority

Issuer Information

Sidama Bank S.C. is a share company legally established and registered under Ethiopian law. The Bank is licensed by the National Bank of Ethiopia (NBE) to engage in banking business. Since its establishment, Sidama Bank S.C. has provided a range of banking and financial services to individuals, businesses, and institutions in Ethiopia.

Type / Purpose of Registration

In this Prospectus, Sidama Bank S.C. seeks to register 1,447,002 existing subscribed ordinary shares with the Ethiopian Capital Market Authority (ECMA) in accordance with the Capital Market Proclamation and applicable directives. The registration covers a total of 1,447,002 subscribed ordinary shares, each having a par value of ETB 1,000. As of 24 November 2025, there are 1,160,180 fully paid ordinary shares. The registration does not involve the issuance of new shares but is intended to formally register the Bank's existing shares currently held by its shareholders.

Issuer	Legal Advisor	Transaction Advisor	External Auditor
<u>Sidama Bank S.C</u>	<u>Liku Worku Law Office</u>	<u>Wegagen Capital Investment Bank S.C</u>	<u>Tewodros and Fikre Audit Service Partnership Authorized Auditors, Chartered Certified Accountants</u>

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Sidama Bank

SECTION 1

**GENERAL
INFORMATION**



SECTION ONE - GENERAL INFORMATION

1.1. Definition and Abbreviations

This Prospectus employs acronyms and abbreviated forms. Unless the context requires otherwise, such terms shall carry the meanings assigned in the table below.

Table 1: List of Abbreviations

Abbreviation Term	Meaning
AML	Anti-Money Laundering
API	Application Programming Interface
ATM	Automated Teller Machine
CBE	Commercial Bank of Ethiopia
CSD	Central Securities Depository
CFT	Combating Financing of Terrorism
DBE	Development Bank of Ethiopia
ECMA	Ethiopian Capital Market Authority
ESS	Ethiopian Statistical Services
ESG	Environmental, Social, and Governance
ESX	Ethiopian Securities Exchange
ETB	Ethiopian Birr
FCY	Foreign Currency
FDI	Foreign Direct Investment
FDRE	Federal Democratic Republic of Ethiopia
FY	Financial Year
GDP	Gross Domestic Product
IFB	Interest-Free Banking
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
KPI	Key Performance Indicator
KYC	Know Your Customer
L/C	Letter of Credit
MFI	Microfinance Institution
MOA	Memorandum of Association
NBE	National Bank of Ethiopia
NPL	Non-Performing Loan
SDB	Sidama Bank S.C
SME	Small and Medium Scale Enterprises

Abbreviation Term	Meaning
TIN	Taxpayer Identification Number
WCIB	Wegagen Capital Investment Bank

1.2. Corporate Directory

Sidama Bank S.C. is legally registered as a share company with a commercial registration number MT/AA/10/0053062/2014 and is licensed to undertake banking business by the National Bank of Ethiopia (NBE) under registration/license number LBB/TM/031/2022.

The registered office of the Bank and Ministry Trade and Regional Integration

Table 2: Corporate Directory

category	Sidama Bank S.C.
Address	Registered Office: Kirkos Sub-City, Woreda 04, House No. 892, Addis Ababa, Ethiopia, Principal/Head Office: Addis Ababa, Sera Leone Avenue, Lancha Mekor Plaza, 3rd Floor
P.O. Box	P.O. Box: 1157
Phone Number	+251-11-470-4726 / +251-11-470-6740 / +251-11-470-6927
Website	www.sidamabanksc.com
Email	info@sidamabanksc.com

The Company Registrar is addressed at:

Ministry of Trade and Regional Integration (MOTRI)

Bole Sub City, Addis Ababa, Ethiopia

+251 1111 51536

<https://motri.gov.et>

As of the 30th of June 2025, the Bank has 48 branches located throughout Ethiopia. Addresses of the branches are given in Annex 1 of this Prospectus.

1.3. Persons Responsible for the Information Disclosure

Sidama Bank S.C. (the Issuer), together with its Board of Directors (BoDs), the Chief Executive Officer, Chief Corporate Services Officer (In compliance with the applicable Directive requiring the inclusion of the Chief Financial Officer among the persons responsible for the information disclosed, the Bank confirms that it does not maintain a position titled “Chief Financial Officer”) the responsibilities typically associated with the Chief Financial Officer function are undertaken by the Chief Officer – Corporate Services. Accordingly, the Chief Officer – Corporate Services is included among the persons responsible for the information contained in this document), and Director

Finance and Treasury of the Bank (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, they have taken all reasonable care to ensure that the information in the prospectus is in accordance with the 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.

The Responsible Parties can be reached at the Bank’s registered address as indicated in Section 1.2 of this Prospectus.

Table 3: List of Responsible Persons

S. No.	Name	Responsible Authorities	Shareholding Percentage
1.	Ato Abrham Marshalo Etiso	Chairperson, Board of Directors	0.067%
2.	Ato Tsegaye Anebo Alemaso	Vice Chairperson, Board of Directors	0%
3.	Ato. Timotwos Hayeso Borsamo	Member, Board of Directors	0.010%
4.	Dr. Wogene Markos Dumo	Member, Board of Directors	0%
5.	W/ro. Woinshet Mengesha Sinkale	Member, Board of Directors	0%
6.	W/ro. Muluwork Derese Degisew	Member, Board of Directors	0.010%
7.	Ato Haile Harsisa Haro	Member, Board of Directors	0.004%
8.	Ato. Shimelis Hatiso Hankalo	Board of Directors	0%
9.	Ato Shebeku Magane Gafa	BoDs Member and Chief, Corporate Service Officer	0.004%
10.	Ato Tadesse Hatiya Oge	Chief Executive Officer	0.0021%
11.	Ato Dawit Gueiye	Director Finance and Treasury	0.0007%

In accordance with Article 81(3) of the ECMA Public Offering and Trading Directive No. 1030/2024, the Responsible Parties hereby confirm that they do not have any material interest, direct or indirect, in the Issuer or in the Offer beyond their respective roles and ordinary shareholdings held on the same terms and conditions applicable to all shareholders.

1.3.1. Transaction Advisor Responsibility Statement

Wegagen Capital Investment Bank (WCIB) has been appointed by the Company as its Transaction Advisor solely for the purpose of providing advisory services in connection with the preparation and submission of the registration statement and this Prospectus to the Ethiopian Capital Market Authority (ECMA). WCIB is a duly licensed and regulated Investment Bank under the Capital Market

Service Providers Licensing and Supervision Directive No. 980/2024 (the “Capital Market Service Providers Directive”) and is authorized to provide Transaction Advisory services in accordance with the Public Offer Directive.

Wegagen Capital to the best of its knowledge and belief, and having taken reasonable care, to ensure that such is the case, the information contained in this Prospectus is in accordance with the 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, and has given its consent to the inclusion of information it provided and has not withdrawn its consent.

The role of WCIB is limited to providing professional advisory services, coordinating the preparation of documentation, and facilitating regulatory submissions to the ECMA. WCIB does not assume any additional duty, responsibility, or liability in respect of this Prospectus or its contents and, to the fullest extent permitted by applicable law, accepts responsibility only for information expressly attributed to it. WCIB has provided consent for the inclusion of its opinion on this prospectus and has not withdrawn

The Transaction Advisor is responsible for the information it supplied in the prospectus and shall be liable to pay compensation for losses or damage suffered by persons relying on information it included in the Prospectus that is inaccurate, misleading, or incomplete.

In accordance with Article 81(3) of the ECMA Public Offering and Trading Directive No. 1030/2024, the Transaction Advisor hereby confirms that it does not have any material interest, direct or indirect, in the Issuer or in the Offer beyond its respective role.

1.3.2. External Auditor’s Responsibility Statement

Tewodros and Fikre Audit Service Partnership – Authorized Auditors (the “External Auditor”) is responsible for issuing audit opinions on the financial statements of Sidama Bank S.C. (the “Bank”) included in the Historical Financial Information (“HFI”), in accordance with International Standards on Auditing and the directives of the National Bank of Ethiopia (NBE).

The External Auditor is legally registered in Ethiopia and licensed by the Accounting and Auditing Board of Ethiopia (AABE), in compliance with the Council of Ministers Regulation No. 332/2014. The appointment of external auditors follows a transparent and competitive bidding process, aligned with the Company's internal procurement policies. The selected auditor is formally appointed by resolution of the shareholders during the Annual General Meeting (AGM) and is

subject to annual review and approval by the NBE. Tewodros and Fikre Audit Service Partnership – Authorised Auditors, has served the Bank continuously, holding License No: ADF00007 which is valid until the expiry date on 02/07/2026.

To the best of its knowledge and belief, and having taken all reasonable care to ensure that such is the case, hereby confirms that the information contained in this Prospectus relating to the audit opinions and matters within the scope of its audit is in accordance with the facts and does not contain any omission likely to affect the importance of such information or make the expression of such information or opinion misleading or untrue.

The External Auditor's responsibilities under the Public Offer Directive extend to all persons who rely on the information in this Prospectus and are not limited solely to the Bank. The External Auditor shall be liable to pay compensation for losses or damage suffered by any person relying on information it supplied in this Prospectus that is inaccurate, misleading, or incomplete. In accordance with Article 81(3) of the ECMA Public Offering and Trading Directive No. 1030/2024, the External Auditor hereby confirms that it does not have any material interest, direct or indirect, in the Issuer or in the Offer beyond its respective role.

1.3.3. Legal Advisor's Responsibility Statement

Liku Worku Law Office (the "Legal Advisor"), represented by Liku Worku Haile, has served as independent legal counsel to Sidama Bank Share Company (the "Bank") in relation to the registration of its existing ordinary shares with the Ethiopian Capital Market Authority (ECMA). On July 9, 2026, the Legal Advisor issued a legal opinion and granted consent for the inclusion of its name and opinion within this Prospectus.

The Legal Advisor's responsibility is explicitly confined to matters addressed in the issued legal opinion and to the specific statements that are attributed to it within this Prospectus. No responsibility is taken for other information contained herein. To the best of its knowledge and belief, and having taken all reasonable care to ensure that such is the case, hereby confirms that the information contained in this Prospectus relating to legal and regulatory matters within the scope of its Legal Opinion is in accordance with the facts and does not contain any omission likely to affect the importance of such information or make the expression of such information or opinion misleading or untrue.

The Legal Advisor is responsible for the information it reviewed in the Prospectus and shall be

liable to pay compensation for losses or damage suffered by persons relying on information it reviewed in the Prospectus that is inaccurate, misleading, or incomplete.

In accordance with Article 81(3) of the ECMA Public Offering and Trading Directive No. 1030/2024, the Legal Advisor hereby confirms that it does not have any material interest, direct or indirect, in the Issuer or in the Offer beyond its respective role.

Table 4: Registered Offices of Experts

Party		Contact Details
Transaction Advisor	Wegagen Capital Investment Bank S.C.	Ras Mekonnen Street, Wegagen Tower, 10th Floor Addis Ababa, Ethiopia Tel: +251 11 130 9928 / +251 11 130 9936 Email: info@wegagencapital.com.et Website: www.wegagencapital.com.et Licence: Capital Market Services Provider Licence, issued by ECMA
Legal Advisor Liku Worku Law Office		likuworku@legalserviceethiopia.com Bole Medhanialalem, Gulf Aziz Bid, 1st floor, office No. 120 Addis Ababa, Ethiopia +251912168579
External Auditor	Tewodros and Fikre Audit Service Partnership – Authorised Auditors	Tewodros and Fikre Audit Service Partnership P.O. Box 8118, Addis Ababa, Ethiopia P.O. Box: 8118 Tel: +251-011-466 11 57 Mobile: +251-96-621 59 21 / +251-90-380 61 90 Email: chatewodros@gmail.com AABE Licence No.: ADF00007 Renewed: 02/05/2025 Valid Until: 02/07/2026

1.4. Third-Party Information

The information presented in this Prospectus regarding macroeconomic conditions, the banking industry, and broader sectoral trends has been sourced or derived from publicly available reports issued by reputable governmental and international institutions. Specifically, data on financial developments, macroeconomic indicators, and banking sector performance have been obtained from the National Bank of Ethiopia's recent Financial Stability Reports and Quarterly Bulletins. National inflation, GDP figures, and demographic indicators have been sourced from the most recent releases of the NBE's and Ethiopian Statistics Service.

Global and regional economic outlooks, as well as Ethiopia-specific macroeconomic projections, have been drawn from the International Monetary Fund's latest World Economic Outlook, Regional Economic Outlook for Sub-Saharan Africa, and Article IV Consultation Reports. Selected development indicators, financial-sector metrics, and financial-inclusion data have been obtained from the World Bank's World Development Indicators, Global Financial Development Database, and Ethiopia Economic Updates. Population and social-development indicators have been sourced from the latest UN DESA World Population Prospects and UNDP Human Development Report.

In addition, certain market assessments, surveys, and operational data have been derived from annual reports, external audit reports, and other internal reports of the Bank over the past three fiscal years.

The Bank has endeavored to reproduce all third-party information accurately and, to the best of its knowledge and belief, has omitted no facts that would render such information inaccurate or misleading. While the Bank believes these sources to be reliable, it has not independently verified the underlying data. Where third-party information has been included, the specific source has been duly identified.

1.5. External Auditors

In appointing external auditors, Sidama Bank S.C. complies with the Commercial Code of Ethiopia and the relevant directives issued by the National Bank of Ethiopia (NBE). The Bank's external auditor is selected through a competitive bidding process 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 Council of Ministers Regulation No. 332/2014. The external auditors responsible for auditing the historical financial information set out in Section 3 of this prospectus and who served the Bank during the referenced fiscal years are as follows:

Table 5: List of External Auditors

Financial Year	External Auditor	Address & Contact	AABE License Details
2022/23	Tewodros and Fikre Audit Service	Tel: +251-011-466 11 57 Mobile: +251 -96-621 59 21 +251 -90-380 61 90	License No.: ADF00007
2023/24	Partnership – Authorized Auditors, Chartered Certified	Email: chalatewodros@gmail.com	Renewed Date: 02/05/2025
2024/25	Accountants	P.O. Box: 8118 Olympia area, in front of Genet Hotel, Addis Ababa, Ethiopia	Valid Until: 02/07/2026

1.6. Summary Section of the Prospectus

This Section constitutes the introductory part of the Prospectus and provides a concise summary thereof. It must be read in conjunction with the other sections of the Prospectus. Any decision by a prospective investor should be made only after carefully reviewing the Prospectus as a whole.

1.6.1. Key Information about the Bank

Sidama Bank Share Company traces its origins to July 1, 1996 (E.C.), when it was established as Sidama Microfinance Institution S.C. under Proclamation No. 592/2008, which governs the establishment and regulation of banking businesses in Ethiopia. Pursuant to National Bank of Ethiopia Directive No. SBB/74/2020, the institution was subsequently transformed and relicensed as a full-fledged commercial bank, receiving its banking business licence on July 1, 2022 (Licence No. LBB/TM/031/2022) and its commencement licence on March 14, 2023. Sidama Bank therefore inherits the grassroots orientation and social mission of its predecessor microfinance institution, with a shareholder base comprising a diverse mix of individuals, cooperatives, regional government institutions, churches, associations, and private companies — reflecting the Bank's inclusive foundation and broad community ownership.

The Bank's registered office is at Kirkos Sub-City, Woreda 04, House No. 892, Addis Ababa, Ethiopia, with its principal/head office at Addis Ababa, Sera Leone Avenue, Lancha Mekor Plaza, 3rd Floor. The Bank operates as a full-service commercial bank providing deposit mobilisation, loans and advances, digital and mobile banking services, international banking services including foreign exchange and trade finance, and Interest-Free Banking (IFB) products.

Capital History: At the time of its initial banking license in July 2022, the Bank had a subscribed capital of ETB 1.45 billion and a paid-up capital of ETB 574.9 million, contributed by 1,988

shareholders. The Bank's authorized capital and subscribed capital are each ETB 1,447,002,000 throughout all periods. The table below sets out the Bank's capital history across all relevant dates:

Table 6: Capital History

Category	March 31, 2026 (Prospectus Date — Unaudited)	24 November 2025	30 June 2025 (Audited)	30 June 2024 (Audited)	30 June 2023 (Audited)
Authorised Capital (ETB)	1,447,002,000	1,447,002,000	1,447,002,000	1,447,002,000	1,447,002,000
Subscribed Capital (ETB)	1,447,002,000	1,447,002,000	1,447,002,000	1,447,002,000	1,447,002,000
Paid-up Capital — Opening (ETB)	1,160,180,000	1,054,121,000	913,092,000	590,266,000	95,480,000
Proceeds from Shares Issued (ETB)	30,964,000	106,059,000	141,029,000	322,826,000	494,786,000
Paid-up Capital — Closing (ETB)	1,191,144,000	1,160,180,000	1,054,121,000	913,092,000	590,266,000
Total Fully Paid Shares	1,191,144	1,160,180	1,054,121	913,092	590,266
Outstanding Subscribed but Not Fully Paid Shares	255,858	286,822	392,881	533,910	856,736
Par Value per Share (ETB)	1,000	1,000	1,000	1,000	1,000
Number of Registered Shareholders	3,257	3,257	2,900	2,104	1,988

Note: The March 31, 2026 figures are derived from unaudited internal management accounts and have not been audited or reviewed by an independent external auditor

As at the date of this Prospectus (March 31, 2026), the Bank's paid-up capital is ETB 1,191,144,000 (1,191,144 fully paid ordinary shares at a par value of ETB 1,000 each), with 255,858 subscribed but not yet fully paid shares outstanding, and 3,257 registered shareholders. The total subscribed capital remains ETB 1,447,002,000, representing 1,447,002 ordinary shares.

As at 30 June 2025, the Bank recorded total assets of ETB 5.52 billion, customer deposits of ETB 3.67 billion, and net loans and advances of ETB 2.39 billion. The Bank operated 49 branches,

employed 843 staff, and served more than 333,000 customers. Looking ahead, the Bank's strategic objectives focus on financial inclusion, digital transformation, sustainable banking practices, and supporting economic development through financing of SMEs and priority sectors.

Corporate Governance of the Bank

The Bank is governed by a Board of Directors composed of nine (9) working/active members whose names are presented in Section 1.3. Supporting the Board is a core management team led by Chief Executive Officer Mr. Tadesse Hatiya, assisted by senior executives overseeing corporate resources, risk and compliance, internal audit, and legal services, among others.

In accordance with NBE directives, the Board has established standing committees, including the Nomination and Remuneration Committee, the Audit Committee, and the Risk & Compliance Committee, each operating under approved charters. The Board discharges its oversight responsibilities by approving annual operational plans and budgets, reviewing quarterly performance reports, endorsing key policies and strategic investments, and considering the reports of its subcommittees.

The Chief Executive Officer provides strategic leadership and manages the Bank's day-to-day operations in the best interests of shareholders and stakeholders, ensuring that activities are carried out in compliance with applicable laws, regulations, and internal policies.

1.6.2. Information about the securities being registered

Key Characteristics of the Securities Being Registered:

- Type of Security: Ordinary shares of Sidama Bank S.C.
- Par Value: ETB 1,000 per share
- Total Subscribed Shares: 1,447,002 ordinary shares
- Fully Paid Shares: 1,160,180 ordinary shares (as at 24 November 2025)
- Subscribed but Not Fully Paid: 286,822 ordinary shares
- Number of Shareholders: 3,257
- Voting Rights: Each fully paid ordinary share carries one vote at general meetings
- Dividend Rights: All ordinary shares rank equally for dividend entitlement as declared by the Bank
- Transferability: The shares are freely transferable in accordance with applicable law and the Bank's Articles of Association, subject to any statutory requirements

Intended Trading Arrangement: Following registration with ECMA, the securities will be listed in the

Market operated by the Ethiopian Securities Exchange (ESX) or such other regulated trading platform as may be designated by ECMA, in accordance with applicable trading rules and procedures. Further details on trading arrangements are set out in Section 10 of this Prospectus.

1.6.3. Summary of Key Historical Financial Information

The following table's present selected key financial information for the fiscal years indicated, as reported in accordance with International Financial Reporting Standards (IFRS). This data has been extracted, without material adjustment, from Sidama Bank S.C.'s audited annual financial statements for the fiscal years 2024/25, 2023/24, and 2022/23.

Prospective investors are strongly encouraged to review the full financial statements and accompanying notes set out in Section 3 – Financial Statements and Information of this Prospectus for a comprehensive understanding of the Bank's financial position and performance.

Table 7: Summary of Profit or Loss and Other Comprehensive Income (ETB'000)

Particular	31 Dec 2025 (6 Months, Reviewed)	30 June 2025	30 June 2024	30 June 2023
Net interest income	246,205.0	248,558.9	234,376	156,661
Net operating income	513,512.4	475,092.7	299,609	237,591
Profit before tax	174,639.1	90,787.6	29,427	63,951
Tax charge (expense)	(56,925.7)	(18,473.6)	(2,291)	(10,475)
Profit for the year	117,713.4	72,314.1	27,136	53,476
Other comprehensive income (net of tax)	-	54,629.2	44,490	2,821
Total comprehensive income for the year	-	126,943.2	71,626	56,298
<u>Related Operational data</u>	-			
Return on Assets (ROA)	-	1.31%	1.04%	4.04%
Return on Equity (ROE)	-	5.52%	2.49%	6.47%
Cost – to – income ratio	-	82.67%	91.48%	74.38%
EPS (earning Per share) (ETB)	-	74.74	33.41	155.97

Note: In the table "-" represents "Not Available"

During the year ended 30 June 2025, net interest income amounted to ETB 248.6 million, compared to ETB 234.4 million in 2024 and ETB 156.7 million in 2023, representing a year-on-year increase of ETB 14.2 million (6.0%). Net operating income increased by ETB 175.5 million (58.6%) to ETB 475.1 million in 2025 from ETB 299.6 million in 2024.

Profit before tax rose by ETB 61.4 million to ETB 90.8 million in 2025 from ETB 29.4 million in 2024, while profit for the year increased by ETB 45.2 million (167%) to ETB 72.3 million. Other comprehensive income increased by ETB 10.1 million (22.8%) to ETB 54.6 million. As a result, total comprehensive income increased by ETB 55.3 million (77.2%) to ETB 126.9 million in 2025.

The Bank's operational performance shows mixed trends over the period, with a notable improvement in 2025. From 2023 to 2024, ROA declined from 4.04% to 1.04% and ROE fell from 6.47% to 2.49%, reflecting the sharp expansion in the Bank's asset and equity base, which outpaced the growth in profits, as profit for the year decreased from ETB 53.5 million to ETB 27.1 million. Over the same period, the cost-to-income ratio increased from 74.38% to 91.48%, indicating reduced cost efficiency, while EPS dropped from ETB 155.97 to ETB 33.41. However, from 2024 to 2025, performance improved significantly, with ROA rising to 1.31% and ROE increasing to 5.52%, supported by strong profit growth to ETB 72.3 million, while the cost-to-income ratio declined to 82.67%, reflecting better cost control, and EPS more than doubled to ETB 74.74, indicating enhanced returns to shareholders.

Interim Statement of Profit or Loss (Six Months Ended 31 December 2025)

For the six-month period ended 31 December 2025, Sidama Bank S.C. recorded net interest income of ETB 246.2 million, after interest income of ETB 309.4 million and interest expense of ETB 63.1 million. Fees and commission income amounted to ETB 167.3 million, and other operating income contributed ETB 117.2 million, bringing total operating income to ETB 530.6 million. After deducting loss allowances on financial assets of ETB 17.1 million, net operating income stood at ETB 513.5 million. Operating expenses totalled ETB 338.9 million, comprising salaries and employee benefits of ETB 138.4 million, general and administrative expenses of ETB 158.2 million, depreciation and amortisation of ETB 15.5 million, amortisation of right-of-use assets of ETB 22.0 million, and interest expense on lease liabilities of ETB 4.8 million. Profit before tax amounted to ETB 174.6 million, and after a taxation charge of ETB 56.9 million, profit for the period was ETB 117.7 million, compared to a full-year profit of ETB 72.3 million for the year ended 30 June 2025.

Table 8: Summary of Financial Position (ETB'000)

Financial Metric	31 Dec 2025 (Unaudited)	30 June 2023	30 June 2024	30 June 2025
	ETB'000	ETB'000	ETB'000	ETB'000
Total Assets	6,666,811	1,322,137	2,620,268	5,519,427
Total Liabilities	5,196,811	496,102	1,531,456	4,208,329
Equity:				
Share Capital	1,160,180	590,266	913,092	1,054,121
Reserves	309,820	235,769	175,721	256,977
Total Equity	1,470,000	826,035	1,088,813	1,311,098
Total Liabilities & Equity	6,666,811	1,322,137	2,620,268	5,519,427
Capital Adequacy Ratio	—	79.19%	122.44%	39.00%
Equity-to-Asset Ratio	22.05%	62.49%	41.55%	23.76%

Note: In the table "-" represents "Not Available"

As at 30 June 2025, total assets amounted to ETB 5,519.4 million, compared to ETB 2,620.3 million in 2024 and ETB 1,322.1 million in 2023. This reflects an increase of ETB 2,899.2 million (about 111%) year-on-year. Non-current assets increased to ETB 713.8 million, up by ETB 328.7 million (85.3%) from 2024, while current assets rose by ETB 2,570.4 million (115.0%) to ETB 4,805.6 million over the same period.

Total liabilities increased to ETB 4,208.3 million in 2025 from ETB 1,531.5 million in 2024, an increase of ETB 2,676.9 million (174.8%). This was mainly attributable to an increase in current liabilities, which rose by ETB 2,557.7 million to ETB 3,887.1 million. Non-current liabilities increased by ETB 119.2 million (59.0%) to ETB 321.2 million.

Total equity amounted to ETB 1,311.1 million as at 30 June 2025, compared to ETB 1,088.8 million in 2024, representing an increase of ETB 222.3 million (20.4%). Share capital increased by ETB 141.0 million (15.4%) to ETB 1,054.1 million, while reserves and surplus increased by ETB 81.3 million to ETB 257.0 million.

The related operational indicators reflect the impact of the Bank's rapid asset growth on its capital structure. From 2023 to 2024, the equity-to-asset ratio declined from 62.49% to 41.55%, and further decreased to 23.76% in 2025, indicating that asset expansion was primarily funded through increased liabilities rather than equity. This trend is consistent with the sharp growth in total assets from ETB 1.32 billion in 2023 to ETB 2.62 billion in 2024 and ETB 5.52 billion in 2025, alongside a faster increase in total liabilities. Similarly, the capital adequacy ratio decreased from 79.19% in 2023 to 39.00% in 2025, after peaking at 122.44% in 2024, reflecting the Bank's growing risk-weighted assets as operations expanded, while still remaining well above regulatory minimum requirements.

Interim Statement of Financial Position (As at 31 December 2025)

As at 31 December 2025, total assets amounted to ETB 6.7 billion, compared to ETB 5.5 billion as at 30 June 2025, an increase of ETB 1.1 billion (+20.8%) over the six-month period. Net loans and advances to customers increased from ETB 2.4 billion to ETB 3.7 billion (ETB 1.4 billion; +56.5%), reflecting credit disbursement activity during the period. Investment securities totalled ETB 576.0 million, comprising financial assets at amortised cost of ETB 348.3 million and financial assets at fair value through OCI of ETB 227.7 million, compared to ETB 477.0 million at 30 June 2025. Cash and cash equivalents declined from ETB 2.0 billion to ETB 1.6 billion, as liquidity was deployed into earning assets. Property, plant and equipment stood at ETB 309.7 million, while right-of-use assets amounted to ETB 125.7 million.

On the liabilities side, total liabilities increased to ETB 5.2 billion from ETB 4.2 billion at 30 June 2025 (ETB 1.0 billion; +23.5%), driven by growth in customer deposits, which rose from ETB 3.7 billion to ETB 4.6 billion (ETB 886.2 million; +24.1%). Borrowings declined modestly from ETB 196.8 million to ETB 187.4 million. Total equity increased from ETB 1.3 billion at 30 June 2025 to ETB 1.5 billion at 31 December 2025 (ETB 158.9 million; +12.1%), with paid-up share capital rising from ETB 1.1 billion to ETB 1.2 billion. The equity-to-asset ratio stood at 22.05% at 31 December 2025, compared to 23.76% at 30 June 2025, reflecting the faster pace of asset growth relative to equity accumulation during the period.

Table 9: Summary of Cash Flows (ETB'000)

Particulars	30 June 2025	30 June 2024	30 June 2023
Net cash inflow/(outflow) from operating activities	1,390,764.2	388,081.4	(12,767.31)
Net cash inflow/(outflow) from investing activities	(298,088.6)	(256,731.7)	(88,123.1)
Net cash inflow/(outflow) from financing activities	100,174.5	240,038.3	531,277.81
Net increase/(decrease) in cash and cash equivalents	1,192,850.0	371,389.99	430,386.42
Cash and cash equivalents at the beginning of the year	841,576.2	470,187.12	39,801.76
Cash and cash equivalents at the end of the year	2,034,426.2	841,576.17	470,187.17
<u>Related operational data</u>			
Loan- To- Deposit Ratio	65.04%	90.86%	246.11%
Cash- To- Deposit ratio	35.36%	68.71%	205.18%

For the year ended 30 June 2025, net cash inflow from operating activities amounted to ETB 1,390.8 million, compared to ETB 388.1 million in 2024 and a net cash outflow of ETB 12.8 million in 2023, representing an increase of ETB 1,002.7 million year-on-year. Net cash outflows from investing activities increased to ETB 298.1 million in 2025, compared to ETB 256.7 million in 2024 and ETB 88.1 million in 2023.

Net cash inflow from financing activities declined to ETB 100.2 million in 2025 from ETB 240.0 million in 2024 and ETB 531.3 million in 2023. As a result, net increase in cash and cash equivalents amounted to ETB 1,192.9 million in 2025, compared to ETB 371.4 million in 2024. Cash and cash equivalents increased from ETB 841.6 million at the beginning of the year to ETB 2,034.4 million at year end.

The related operational indicators reflect a significant improvement in the Bank's liquidity position over the period, consistent with the trends in cash flows. From 2023 to 2024, the loan-to-deposit ratio declined sharply from 246.11% to 90.86%, and further to 65.04% in 2025, this improvement aligns with the net cash inflows from operating activities, which increased from a net outflow of ETB 12.8 million in 2023 to inflows of ETB 388.1 million in 2024 and ETB 1.39 billion in 2025. Similarly, the cash-to-deposit ratio decreased from 205.18% in 2023 to 68.71% in 2024 and 35.36% in 2025, reflecting more efficient deployment of excess cash into earning assets as the Bank scaled its operations, while still maintaining a solid liquidity buffer supported by the rising cash and cash equivalents balance.

Interim Statement of Cash Flows (Six Months Ended 31 December 2025)

For the six-month period ended 31 December 2025, cash and cash equivalents decreased by ETB 448.3 million, resulting in a closing balance of ETB 1.6 billion from an opening balance of ETB 2.0 billion at 1 July 2025. Operating activities recorded a net cash outflow of ETB 354.1 million, compared to a net inflow of ETB 1.4 billion for the full year ended 30 June 2025. The outflow is attributable primarily to the growth in net loans and advances, which increased by ETB 1.4 billion during the six-month period, absorbing a significant portion of available liquidity.

Investing activities resulted in a net cash outflow of ETB 126.0 million, comprising ETB 27.0 million for the purchase of property, plant and equipment and ETB 99.0 million for purchases of investment securities. Financing activities generated a net cash inflow of ETB 31.8 million, reflecting proceeds from the issuance of new shares of ETB 106.1 million, partially offset by settlement of borrowings of ETB 9.4 million and dividend payments of ETB 64.9 million. The loan-to-deposit ratio as at 31 December 2025 stood at 82.02%, compared to 65.04% at 30 June 2025, reflecting the

increase in the loan portfolio relative to deposits. The cash-to-deposit ratio declined to 34.78% from 35.36%, consistent with the drawdown of cash balances to fund loan growth.

1.6.4. Summary of Key Risks

An investment in the Ordinary Shares of Sidama Bank S.C. involves material risks relating to the Bank, the Ethiopian financial sector, the macroeconomic environment, and the securities offered. The occurrence of any of these risks may have a material adverse effect on the Bank's business, financial condition, results of operations, capital adequacy, liquidity, and the value of its shares. Prospective investors should carefully consider the following principal risks, which are consistent with and further described in Section 9 – Risk Factors of this Prospectus.

1.6.4.1. Regulatory Capital Requirement and Compliance Risk

The Bank must reach a minimum paid-up capital of ETB 5 billion by March 2030 (NBE Directive SBB/78/2021). As at 31 March 2026, paid-up capital stood at only ETB 1.16 billion (approximately 23% of the target). Failure to close this gap within the fixed timeframe could restrict lending, branch expansion and dividend payments, weaken capital buffers and impair the Bank's ability to pursue rapid balance-sheet growth.

1.6.4.2. Concentration Risk

The Bank's activities are heavily concentrated in the Sidama region (approximately 83% of branches, 89% of customers, 76% of deposits and 88% of term loans) and in the domestic trade and services sector (approximately 75% of gross loans). This concentration exposes the Bank to simultaneous deterioration in asset quality, liquidity pressure from correlated deposit outflows and earnings volatility if regional economic shocks, agricultural disruptions or sector-specific downturns occur.

1.6.4.3. Credit Risk

Credit risk is the Bank's largest exposure due to its focus on higher-risk SMEs, micro-enterprises, cooperatives and rural borrowers in Sidama, combined with rapid loan growth (gross loans from ETB 0.62 billion in June 2023 to ETB 2.48 billion in June 2025) and legacy microfinance underwriting practices. These factors could lead to a material rise in non-performing loans (currently 2.58%), higher provisions, reduced profitability and potential constraints on future lending.

1.6.4.4. Liquidity Risk

Approximately 99% of deposits are demandable or short-term, creating vulnerability to sudden

withdrawals. Asset-liability maturity mismatches (longer-tenor loans funded by short-term deposits), regional funding concentration in Sidama and gaps in forward-looking liquidity planning during rapid growth could result in funding instability, forced asset sales at a loss, higher funding costs or emergency liquidity needs if depositor confidence weakens.

1.6.4.5. Market Risk

Foreign exchange volatility following the 2024 market-based regime, interest-rate changes and persistent inflation (11.7% in October 2025) directly affect the Bank's growing trade-finance activities, short-term funding costs and rural/SME borrower repayment capacity. These exposures could increase defaults, compress net interest margins, raise provisioning needs and erode capital adequacy.

1.6.4.6. Operational Risk

Foreign exchange volatility following the 2024 market-based regime, interest-rate changes and persistent inflation (11.7% in October 2025) directly affect the Bank's growing trade-finance activities, short-term funding costs and rural/SME borrower repayment capacity. These exposures could increase defaults, compress net interest margins, raise provisioning needs and erode capital adequacy.

1.6.4.7. Competition Risk

The Bank faces intense competition in a market with over 32 domestic banks, where the top six institutions hold a significant share of assets and deposits. The anticipated entry of foreign banks and growing competition from digital platforms such as Telebirr and M-Pesa may further pressure the Bank's market share, pricing, customer retention, and overall profitability.

1.6.4.8. Political and Security Risk

Political instability and security challenges in Ethiopia, particularly in the Sidama region where the Bank has heavy concentration (83% of branches and 89% of customers), may disrupt operations, reduce deposit mobilization, impair loan collections, damage infrastructure, and weaken borrower repayment capacity, materially affecting the Bank's financial performance and growth prospects.

1.6.4.9. Strategic and Execution Risk

The Bank's long-term growth depends on successful execution of its strategic plan, including

branch expansion, digital transformation, product diversification, and capital mobilisation to ETB 5 billion by 2030. Rapid growth and integration challenges during the transition from microfinance to commercial banking may lead to execution delays, higher costs, slower revenue growth, and failure to meet regulatory requirements.

1.6.4.10. Technology and Cyber Security Risk

The Bank's growing reliance on digital platforms, mobile banking (26,400 users in 2025), and electronic payment systems across 48 branches significantly increases its exposure to system failures, outages, and cyber threats such as hacking and phishing. Any material incident could cause service disruptions, financial losses, data breaches, regulatory penalties, and reputational damage, adversely affecting customer trust and the value of the Bank's shares.

1.6.4.11. Risks Related to the Ordinary Shares

The shares have a par value of ETB 1,000. There is no assurance that an active or liquid trading market will develop on the Ethiopian Securities Exchange. Given the early stage of the market and potentially low trading volumes, the future market price of the shares may fluctuate significantly and may not correspond to their par value. As a result, investors may face difficulty in selling their shares at desired prices and could incur a material loss of capital.

1.6.4.12. Macroeconomic Risk

The Bank operates in an environment characterised by persistent inflation, foreign exchange shortages, currency volatility following the 2024 market-based reforms, and frequent monetary and fiscal policy changes. These conditions can impair borrowers' repayment capacity, reduce the real value of collateral, disrupt trade finance, constrain credit growth, compress margins, and materially affect the Bank's asset quality, profitability, liquidity position, and long-term sustainability.

1.6.4.13. Reputational Risk

Regulatory breaches, operational failures, or negative publicity related to regional instability could erode customer and investor confidence, leading to deposit withdrawals, reduced new business, and erosion of the Bank's market position and ability to raise capital.



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Sidama Bank

SECTION 2
**INFORMATION
ON THE ISSUER
AND THE
BUSINESS**



SECTION TWO - INFORMATION ON THE ISSUER AND THE BUSINESS

2.1. Information on the Bank

2.1.1. The Name and Domicile of the Company

Sidama Bank S.C. is domiciled in Addis Ababa, with its registered office situated at Kirkos Sub City, Woreda 04, House Number 892, Addis Ababa, Ethiopia. The Bank obtained its commercial banking license on July 1, 2022 G.C, and after making necessary preparations as per NBE directive No. SBB/74/2020 got its commencement license on March 14, 2023G.C.¹.

Table 10: Domicile of the Bank

Detail	Information
Commercial Name	Sidama Bank Share Company (Sidama Bank S.C.)
Legal Name Name	Sidama Bank Share Company (Sidama Bank S.C.)
Commercial Registration No.	MT/AA/10/0053062/2014
Country of Incorporation	Ethiopia
Type of Business	Commercial Bank
Telephone	+251-11470 4726
Email	info@sidamabanksc.com
Website	https://sidamabanksc.com
P.O. Box	1157
Address	Sera Leone Avenue, Lancha Mekor Plaza, 3rd Floor, Addis Ababa, Ethiopia

2.1.2. Brief History of the Bank

The Bank traces its incorporation to July 01,1996 E.C., when it was established as a microfinance institution. Subsequently, pursuant to National Bank of Ethiopia Directive No. SBB/74/2020, the institution was relicensed as a commercial bank and commenced full-fledged banking operations upon obtaining the requisite commencement license. Now, Sidama Bank S.C. is a fully licensed commercial bank in Ethiopia, officially relicensed by the National Bank of Ethiopia and granted a banking business license on July 1, 2022 and got the commencement license on March 14, 2023.

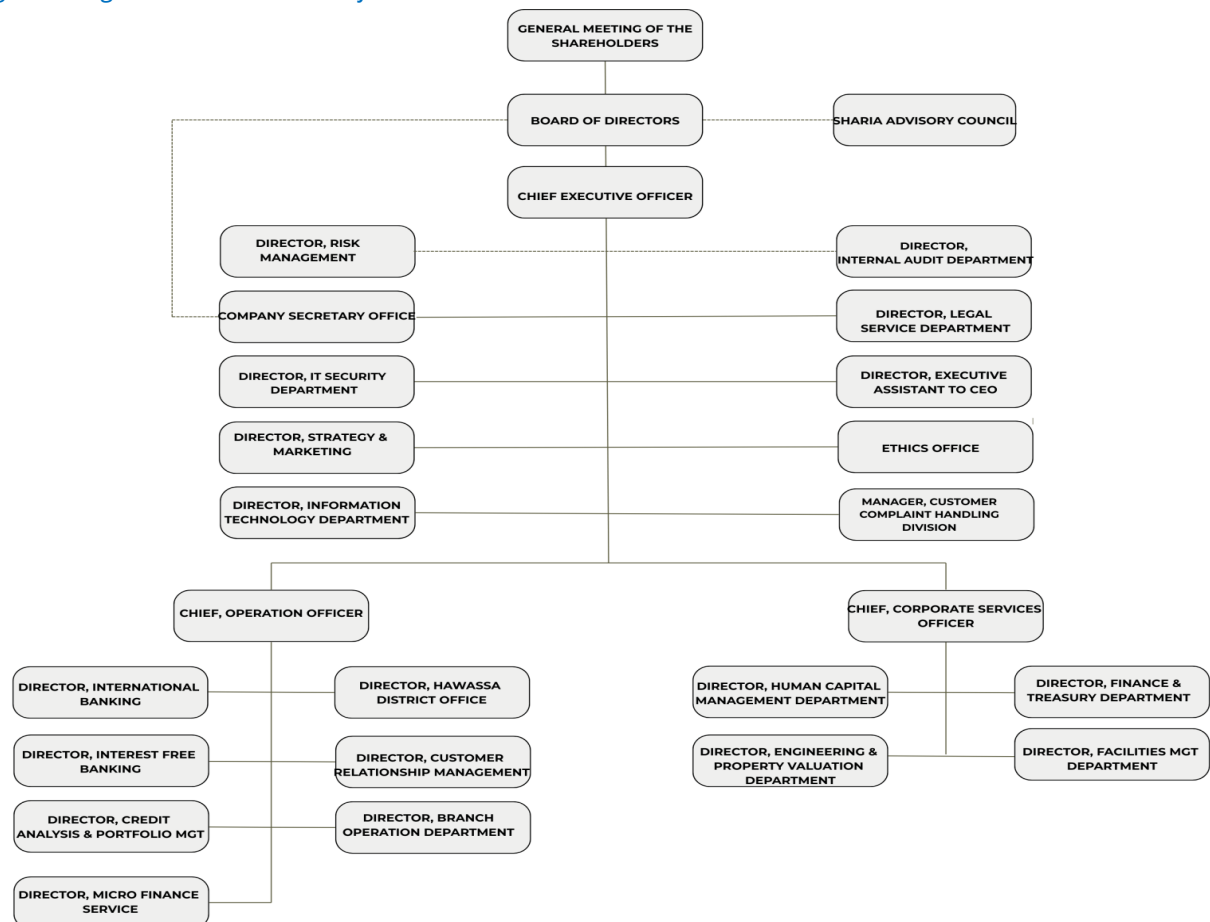
¹ The Bank obtained its commercial banking license and commencement license on different dates because it was relicensed from a microfinance institution. In accordance with NBE Directive No. SBB/74/2020, a transition period was allowed to enable the Bank to meet regulatory and operational requirements before commencing full-fledged banking operations.

The Bank was established under Proclamation No. 592/2008, which governs the establishment and regulation of banking businesses in Ethiopia. At the time of its licensing, SDB had a subscribed capital of Birr 1.45 billion and a paid-up capital of Birr 574.9 million, contributed by 1,988 shareholders. Its shareholder base represents a diverse mix of individuals, cooperatives, regional government institutions, churches, associations, and private companies, reflecting the Bank's inclusive foundation and broad community ownership.

Sidama Bank emerged from the transformation of the Sidama Microfinance Institute S.C., inheriting its strong grassroots orientation and social mission. The Bank is therefore deeply rooted in inclusivity, aiming to provide accessible financial services to a wide range of stakeholders. The transitional shareholders' meeting, held on October 01, 2021, marked a significant milestone where a 7-member Board of Directors led the transition period, who can be considered as promoters.

Since its establishment, Sidama Bank has experienced remarkable growth. As of June 30, 2025, the Bank's paid-up capital has nearly doubled to Birr 1.05 billion, while its shareholder base has expanded to more than 2,700 investors. In line with its strategic expansion, the Bank's branch network has grown to 48 outlets across Ethiopia, supported by a dedicated workforce of 843 employees.

Figure 1: Organizational structure of the Bank



The financial achievements of the Bank underscore its strong performance trajectory. By the close of the 2024/25 fiscal year, Sidama Bank's total assets had exceeded Birr 5.52 billion, while loans and advances to customers grew to more than Birr 2.47 billion. Customer deposits also showed significant growth, reaching over Birr 3.67 billion, supported by a broad and expanding customer base of more than 333,000 individuals and businesses.

These achievements highlight SDB's ability to mobilize resources, extend credit, and contribute to the financial inclusion agenda in Ethiopia. Looking ahead, the Bank is well-positioned to play an increasingly vital role in fostering economic development and supporting its diverse customers through innovative and inclusive banking services.

Table 11: Shareholder Base Summary (June 30, 2023 – June 30, 2026)

As of	S. No	Sharehold er Base	No. of Holders	Subscribe d Shares	Subscribed Amount (Birr)	Paid Up Shares	Paid Up Capital (Birr)
June 30, 2023	1	Retail	1,762	115,822	115,822,000.00	70,516	70,515,500.00
	2	Institutional	216	1,330,930	1,330,930,000.00	519,501	519,500,500.00
	3	Other	10	250	250,000.00	250	250,000.00
	4	Total	1,988	1,447,002	1,447,002,000.00	590,266	590,266,000.00
June 30, 2024	1	Retail	1,877	81,379	81,378,500.00	81,379	81,378,500.00
	2	Institutional	217	831,464	831,463,500.00	831,464	831,463,500.00
	3	Other	10	250	250,000.00	250	250,000.00
	4	Total	2,104	913,092	913,092,000.00	913,092	913,092,000.00
June 30, 2025	1	Retail	2,649	172,429	172,428,500.00	172,429	172,428,500.00
	2	Institutional	241	881,443	881,442,500.00	881,443	881,442,500.00
	3	Other	10	250	250,000.00	250	250,000.00
	4	Total	2,900	1,054,121	1,054,121,000.00	1,054,121	1,054,121,000.00
June 30, 2026	1	Retail	2,996	220,613	220,613,000.00	220,613	220,613,000.00
	2	Institutional	250	1,226,129	1,226,129,000.00	1,017,890	1,017,890,000.00
	3	Other	11	260	260,000.00	260	260,000.00
	4	Total	3,257	1,447,002	1,447,002,000.00	1,238,763	1,238,763,000.00

The Bank does not have any subsidiaries. Accordingly, there are no subsidiary entities for which disclosure of incorporation details, ownership interests, or voting rights is required under Article 85(3) of the Directive.

2.1.3. Recent Events Affecting the Bank's Solvency

A review of the Bank's recent operational and financial performance confirms that no major events have occurred that would have a material impact on its solvency.

2.2. Business Overview of the Bank

2.2.1. Overview of the Bank

Sidama Bank is operating primarily through branches located across Ethiopia, licensed by National Bank of Ethiopia (NBE). As of September 30, 2025, the Bank serves more than 335,000 corporate and individual clients through 48 branches nationwide. Sidama Bank manages a total asset base of Birr 5.6 billion and offers a variety of banking and financial services.

Table 12: List of Branches by Region

S.No	Region	No of Branch
1	Addis Ababa	6
2	Oromia	1
3	SNNPRS	1
4	Sidama	40
Total		48

Sidama Bank S.C. is guided by its core purpose of effectively addressing the financial needs of both rural and urban communities. This commitment is clearly reflected in its mission statement: “to provide professionally and technologically driven inclusive banking services by motivated employees, thereby enhancing stakeholders’ value proposition.” In pursuit of this mission, the Bank delivers a comprehensive suite of financial products and services. These include mobilizing deposits through savings accounts, current (checking) accounts, and fixed-term deposits; providing credit facilities such as personal loans, business loans, mortgages, microloans, Women Entrepreneurship Development Project (WEDP) loans, SME financing, and facilities under the Rural Financial Intermediation Program III (RUFIP III).

Table 13: Number of customer and deposit By Region

Region	No. of Customers June 2025	Deposit June 2025	No. of Customers June 2024	Deposit June 2024	No. of Customers June 2023	Deposit June 2023	Region
Addis Ababa	26,690	836,913,464.26	14,417	120,733,613.63	1,108	46,033,641.45	Addis Ababa
Oromia	3,350	19,443,463.37	1,550	4,234,845.37			Oromia
SNNPRS	5,802	21,391,427.73	3,611	8,019,315.87			SNNPRS
Sidama	297,287	2,797,414,937	195,223	1,090,713,919	87,002	183,120,531	Sidama
Total	333,129	3,675,163,292.72	214,801	1,223,701,694.04	88,110	229,154,172.79	Total

The Bank further supports its customers through payment and settlement services, including checks, electronic transfers, and payment processing, as well as through foreign exchange services, covering currency conversion and international trade financing.

To strengthen its service delivery and expand its operational reach, Sidama Bank has entered into strategic partnerships with international money transfer operators such as Dahabshiil, EthioDash, etc., while also maintaining correspondent banking relationships with reputable global financial institutions, including:

- East Africa Bank
- CAC International Bank (Djibouti),
- Aktif Bank (Turkey),

- Bank of Beirut Ltd. (UK), and
- Zhejiang Chaozhou Commercial Bank Co., Ltd. (China).
- ECO BANK

In addition to its financial operations, the Bank has invested in key physical assets to support its growth and visibility. It owns a modern G+7 building that serves as a strategic hub. Moreover, in recognition of the Bank's growing presence, the Addis Ababa City Administration has allocated a 5,000-square-meter plot of land for the development of the Bank's future headquarters, underscoring Sidama Bank's long-term vision and commitment to sustainable growth.

In addition to its range of financial products and services, Sidama Bank has been a pioneer in community banking services in Ethiopia, extending financial access to clients in regions without traditional branch infrastructure. This initiative reflects the Bank's strong commitment to serving underserved communities and reinforces its inclusive strategy to make banking accessible to all. To further promote community-focused financial literacy and inclusion, the Bank has established strategic partnerships with a variety of organizations and local authorities. Key partners include the Ethiopian Commodity Exchange and water enterprises in Hawassa, Aleta Wondo, Daye, Leku, and Yirgalem, as well as the Shamena Hurufa Water Enterprise, Awada Boricha Water Project, and the city administrations of Hawassa, Wondo Genet, and A/Chuko. These collaborations enable the Bank to extend its reach, deliver tailored financial solutions, and actively contribute to the socio-economic development of local communities.

Table 14: Sidama Bank at a glance

No	KPI's	First Quarter Ended 30 Sept	30 June 2025	30 June 2024	30 June 2023
1	Loan disbursement	1,200,000,000.00	2,800,000,000.00	800,000,000.00	530,000,000.00
2	NPL Ratio	2.85%	2.58%	2.31%	2.63%
3	Customer base	514,000.00	423,256.00	256,723.00	123,653.00
4	Mobile banking users	153,243,691.00	78,253,621.00	0	0
5	ATM banking users	121,243,123.00	83,256,271.00	0	0
6	Profit before tax	65,319,963.28	90,787,638.00	71,625,550.00	56,297,586.00
7	Total asset	5,681,180,139.27	5,519,426,992.00	2,620,268,279.00	1,322,137,002.00

Revenue Segmentation

Sidama Bank's revenue is primarily generated from interest income on loans and advances, complemented by non-interest income such as fees, commissions, and other operating income.

Interest Income

During the year ended 30 June 2025, the Bank recorded net interest income of ETB 337.41 million, up from ETB 270.77 million in 2024 and ETB 177.86 million in 2023, reflecting strong growth in the loan portfolio. The largest contributors to interest income in 2025 were:

- SME and Individual Loans: ETB 118.89 million
- Term Loans: ETB 82.28 million
- Overdraft Facilities: ETB 21.65 million
- Pre-shipment Export Loans: ETB 13.10 million

These figures demonstrate the Bank's strategic shift from a microfinance-oriented model where petty trade and general loans were dominant toward a commercial banking structure emphasizing business and longer-term lending, trade finance, and working capital facilities.

Non-Interest Income

Non-interest income, which includes fees, commissions, and other operating income, showed a strong recovery in 2025 following a decline in 2024:

- Fees and Commissions: ETB 81.93 million in 2025 (up from ETB 26.10 million in 2024)
- Other Operating Income: ETB 169.81 million in 2025 (up from ETB 47.84 million in 2024)

The growth in non-interest income reflects increased transactional activity, foreign exchange gains, and expansion in other service-related activities.

2.2.2. Business Strategy and Objectives

Sidama Bank's business strategy is anchored in its vision and guided by a structured five-year Business Strategic Plan covering FY 2024/25–2028/29, which was formally approved and published in July 2024. The Strategic Plan was developed following an in-depth strategic assessment of the Bank's internal and external operating environment, aimed at ensuring alignment with market realities, regulatory expectations, and long-term sustainability objectives.

The strategic assessment involved a comprehensive analysis, evaluation, and synthesis of multiple

dimensions, including stakeholder and customer needs, the Bank's financial and non-financial capacities, its competitive positioning, and prevailing global and domestic banking industry trends. The assessment also incorporated Porter's Five Forces analysis to evaluate industry structure and competitive dynamics, as well as a review of relevant government policies and strategic directives, including those issued by the National Bank of Ethiopia.

Based on the outcomes of this assessment, Sidama Bank has structured its business strategy around four core areas of excellence: Operational Excellence, Digitalization, Strategic Partnership, and Resource Mobilization. These strategic pillars collectively form the foundation for the Bank's long-term objectives and are designed to promote sustainable growth while enhancing value for shareholders, customers, and other stakeholders.

Under Operational Excellence, the Bank is committed to delivering high-quality, efficient, and innovative banking services by enhancing service standards, reducing customer waiting times, minimizing operational errors, and improving productivity and profitability. Through Digitalization, Sidama Bank aims to leverage modern banking technologies to provide fast, secure, and cost-effective financial services, improve customer experience, and strengthen its competitive position in an increasingly digital financial ecosystem.

The Strategic Partnership pillar focuses on establishing and strengthening collaborations with key stakeholders to create mutual value, enhance trust, expand market reach, and gain access to complementary resources, expertise, and new business opportunities. Under Resource Mobilization, the Bank seeks to support business growth and market expansion through increased deposit mobilization, enhanced foreign currency generation, and continuous broadening of its customer base.

The Bank Vision Statement

Aspire to be bank of customers' choice in Ethiopia by 2033

The Bank Mission Statement

Provide professionally and technologically driven inclusive banking services by motivated employees thereby enhancing stakeholder's value proposition.

The Bank Value Statement

- Integrity
- Service Excellence
- Team Work
- Socially responsible
- Multiculturalism

The strategic objectives of the Bank are designed to guide its growth, ensure sustainability, and strengthen its contribution to Ethiopia's economic development. These objectives include:

- I. **Promoting Financial Inclusion** – Extend banking services to underserved urban and rural communities, supporting deposit mobilization growth of 69% in F2026, moderating to a sustainable 38%–52% annual range through F2030, reaching projected customer deposits of Birr 32.5 billion by F2030.
- II. **Supporting Local Economic Development** – Finance SMEs, agriculture, and other priority sectors, driving net loan growth from 24% in F2026 to 96% in F2030, expanding the loan book from Birr 5.2 billion in F2026 to Birr 28.26 billion by F2030.
- III. **Enhancing Customer Service** – Deliver innovative, efficient, and customer-friendly products, contributing to fee and commission income growth from Birr 34.5 million in F2026 to Birr 92.7 million in F2030, alongside growth in other operating income from Birr 63.3 million in F2026 to Birr 169.9 million in F2030.
- IV. **Sustainable Banking Practices** – Embed social and environmental responsibility into operations while maintaining a prudent risk profile, reflected in a managed loans-to-deposits ratio declining from 81% in F2026 to 68% in F2030, preserving liquidity buffers as the balance sheet scales.
- V. **Financial Stability and Growth** – Maintain strong financial performance and capital adequacy, targeting growth in profit before tax from Birr 244.5 million in F2026 to Birr 1.91 billion in F2030, supported by total equity growth from Birr 2.0 billion in F2026 to Birr 6.37 billion in F2030, and share capital expansion from Birr 1.79 billion in F2026 to Birr 6.06 billion in F2030, underpinning the Bank's capital planning and regulatory capital adequacy over the forecast horizon.
- VI. **Digital Transformation** – Leverage technology to improve cost efficiency and service delivery, supporting a declining cost of funding from 0.95% in F2026 to 0.75% in F2030,

and an improving yield on interest-earning assets from 28% in F2026 to 32% in F2030, contributing directly to net interest income growth from Birr 404.8 million in F2026 to Birr 1.31 billion in F2030.

VII. Community Development – Contribute to community well-being through inclusive outreach programs, funded sustainably by the Bank's projected profitability growth (profit before tax rising from Birr 244.5 million in F2026 to Birr 1.91 billion in F2030) and a dividend payout ratio held constant at 40% across F2026–F2030, balancing shareholder returns with reinvestment in community initiatives.

VIII. Empowering Marginalized Groups – Design tailored products for historically excluded groups, supported by the Bank's equity growth assumption of 40% in F2026–F2027, rising to 42% in F2028–F2029 and moderating to 20% in F2030, reinforcing long-term capital resilience while expanding access to formal financial services.

2.2.3. Future Challenges and Prospects

As a newly transformed commercial bank, Sidama Bank operates in an evolving financial sector characterized by regulatory reform, technological change, and increasing competition. While the Bank currently maintains stable operations, its future performance may be influenced by both external market conditions and internal capacity constraints. The following discussion outlines key challenges and growth prospects that may affect the Bank's strategy, operational performance, and financial position.

Future Challenges

I. Digital Transformation and Cybersecurity Risk

The Bank's ongoing transition toward digital banking requires substantial investment in core systems, cybersecurity infrastructure, and digital delivery channels. As transaction volumes increase through mobile banking, card services, and electronic channels, exposure to cyber threats, data breaches, and system disruptions may rise. To mitigate these risks, the Bank must continuously upgrade its IT infrastructure, invest in cybersecurity solutions, and enhance staff technical capabilities. These requirements may increase operating expenses and capital expenditure in the short to medium term. Failure to effectively manage cyber risks could result in financial loss, service disruption, and reputational damage.

II. Regulatory Compliance and Implementation Capacity

Sidama Bank operates within an evolving and increasingly rigorous regulatory framework governed by the National Bank of Ethiopia, which includes capital adequacy requirements, liquidity standards, AML/CFT obligations, foreign exchange exposure limits, and extensive reporting requirements. While these regulatory standards are designed to strengthen financial stability and enhance institutional resilience, compliance entails continuous system upgrades, recruitment and retention of dedicated compliance personnel, regular staff training programs, strengthening of internal control mechanisms, and ongoing reporting and monitoring processes. The challenge does not stem from compliance itself, but rather from the operational complexity and cost implications associated with implementing and maintaining adherence to evolving regulatory requirements. Rising compliance costs, system integration constraints, or limited implementation capacity may affect operational efficiency and short-term profitability. Furthermore, failure to meet regulatory standards could result in supervisory actions, financial penalties, or reputational damage.

III. Internal Capacity and Institutional Transition

As a bank recently transformed from a microfinance institution into a commercial bank, Sidama Bank continues to strengthen its capital base, risk management systems, credit monitoring frameworks, internal control mechanisms, and overall governance structures. The Bank's rapid expansion in loan disbursements and branch operations may place increasing pressure on operational systems and human resource capacity. In this context, maintaining strong asset quality particularly within newly introduced commercial lending segments remains a key priority. Any weaknesses in credit appraisal standards, loan monitoring procedures, or recovery processes could lead to an increase in non-performing loans and adversely affect the Bank's profitability and financial stability.

IV. Macroeconomic and Political Environment

External macroeconomic and political factors, including inflationary pressures, exchange rate volatility, and regional political instability, may materially affect the Bank's operating environment. Such conditions can weaken borrowers' repayment capacity, slow deposit growth, increase the cost of funds, and constrain foreign exchange availability. Adverse developments in the broader economic landscape may therefore elevate credit risk, affect liquidity conditions, and ultimately impact the Bank's overall financial performance and profitability.

Future Prospects

I. Expansion of Digital Banking Services

The Bank plans to expand its mobile banking application, USSD services, and card-based delivery channels to enhance its digital footprint. Increased adoption of these digital platforms is expected to improve transaction efficiency, reduce reliance on physical branches, lower long-term operating costs, enhance customer retention, and boost fee-based income. In addition, the Bank's digital transformation initiatives provide opportunities to leverage data-driven decision-making, enabling better customer segmentation, targeted product offerings, and overall improvement in service delivery.

II. Technological Innovation (AI and Data Analytics)

Sidama Bank intends to leverage artificial intelligence and data analytics to enhance operational effectiveness across its banking operations. Practical applications include AI-assisted credit scoring to accelerate loan approvals and reduce default risk, predictive analytics to detect early warning signals for non-performing loans, customer behavior analysis to tailor financial products, and advanced fraud detection systems to minimize financial losses. While implementing these technologies requires significant investment in systems and skilled personnel, the adoption of advanced analytics is expected to strengthen risk management, improve portfolio performance, and support more informed strategic decision-making.

III. Growth in SME, Trade Finance, and Commercial Lending

The Bank's loan portfolio is increasingly on SME financing, term loans, overdrafts, and pre-shipment export loans. Continued growth in these lending segments is expected to strengthen interest income generation, diversify revenue sources, and contribute to national economic development by supporting businesses and facilitating trade and investment activities across key sectors.

IV. Capital Market Development

The establishment of the Ethiopian Securities Exchange creates new opportunities for funding diversification, investment activities, and capital raising. Participation in capital market operations may enhance the Bank's long-term growth strategy and funding structure.

V. Talent Development and Institutional Strengthening

Sustained growth will require skilled professionals in banking, risk management, digital finance, and compliance. The Bank plans to invest in staff training, governance enhancement, and institutional capacity building to support long-term competitiveness.

In addition, the Bank is actively working with government institutions, fintech companies, and international organizations to broaden its service offerings and access new sources of funding. Maintaining high standards of compliance and sound risk management remains a top priority, as these practices foster a secure banking environment that enhances client trust and confidence. Through these strategic efforts, the Bank aims to generate strong returns for its shareholders while reinforcing its competitive market standing. In conclusion, despite potential challenges ahead, Sidama Bank's solid financial performance and expanding growth opportunities position it favorably for continued success and sustainable long-term value creation for investors.

2.2.4. Events and milestones

The major events and milestones of the Bank are presented chronologically below.

Table 15: Major Events and Milestones

Date	Year (in G.C)	Major Events and Milestones
December 1	1994	The Sidama Rural Women's Credit & Savings Scheme' was initiated
July 1	1996	Sidama Micro-Finance Institution S.C was autonomously established.
October 1	2021	Sidama Micro-Finance Institution S.C. was reincorporated as Sidama Bank S.C with DARS
July 1	2022	Sidama Micro-Finance Institution S.C was relicensed as Sidama Bank S.C. with 36 branches
July 3	2022	SDB first introduced USSD Mobile Banking System
July 3	2023	Inaugurated its regional 8 stories Head Quarters Building around Shafeta suburb, in Hawassa city
January 18	2023	The Bank connected its branches through 'Bankers Realm' Core Banking System
February 1	2024	SDB first introduced Card Banking
November 4	2025	Launched Mobile Banking Application System in collaboration with the Kenyan Craft Silicon Co.

2.2.5. Major Developments

Following its re-licensing from a microfinance institution to a commercial bank, in July 1, 2022, the Bank undertook a series of major institutional and technological developments aimed at strengthening its operational capacity, expanding service offerings, and supporting its transformation into a full-fledged banking institution. In this regard, the following key developments were implemented during the period under review.

Table 16: Major Developments of the Bank

Date	Major Development	Strategic Impact
18-Jan-23	Core Banking System Implementation	All branches are connected via Bankers Realm Core Banking System, enabling centralized processing, real-time transactions, improved data management, operational efficiency, stronger internal controls, and enhanced customer service.
3-Jul-23	USSD Mobile Banking System	Introduced USSD-based mobile banking, allowing customers to perform essential banking transactions via basic mobile phones without internet connectivity, supporting financial inclusion and customer convenience.
1-Feb-24	Card Banking System Launch	Implemented payment card services to broaden access to banking, improve customer convenience, expand outreach, and complement existing mobile banking channels.
4-Nov-25	Mobile Banking Application Launch	Launched mobile banking app in partnership with Craft Silicon Co. (Kenya), providing account access, fund transfers, and digital customer services, reinforcing the Bank's digital transformation and strategic growth initiatives.

2.2.6. Major awards and recognitions

I. Geneva International Star Award for Quality (2007 G.C.)

Sidama Bank received the Geneva International Star Award for Quality in 2007, an internationally recognized award that acknowledges excellence in quality management, customer service, and operational performance.

II. Recognition by Addis Ababa Hotel and Tourism Professional Association (2023 G.C.)

In 2023, the Addis Ababa Hotel and Tourism Professional Association recognized Sidama Bank for its support as a Platinum Sponsor of a major industry event. The recognition was granted in appreciation of the Bank's contribution to the promotion and development of the hospitality and tourism sector.

III. Fiche Chambalala Cultural Award – Sidama National Regional State (2025 G.C.)

In 2025, Sidama Bank was awarded the Fiche Chambalala Cultural Award by the Sidama National Regional State in recognition of the Bank's contribution to the successful organization of the Fiche Chambalala cultural ceremony. This recognition highlights the Bank's support for cultural heritage and its active role in community and social development initiatives.

2.3. Operations and Principal Activities

Sidama Bank operates as a commercial bank under a license issued by the National Bank of Ethiopia, providing banking services through its nationwide branch network. For performance evaluation and operational management, the Bank's activities are organized into two primary segments: Conventional Banking and Microfinance Banking Services, each offering a diverse range of products designed to meet the varied needs of its customers.

In addition to these core services, Sidama Bank offers Community Banking services, a distinctive initiative aimed at expanding access to finance for underserved groups, including SMEs, participants in the Women Entrepreneurship Development Project (WEDP), beneficiaries of the Rural Financial Intermediation Program (RUFIP), and small group traders. By empowering these segments, the Bank not only supports financial inclusion but also fosters mutually beneficial outcomes for both the clients and the broader community.

Furthermore, Sidama Bank, like other domestic, international, or specialized banks, primarily focuses on addressing the financial needs of its target communities and business sectors. While specific operations and principal activities may evolve over time, the Bank's core functions generally encompass a range of commercial, microfinance, and community-oriented banking services that support economic development, financial inclusion, and sustainable growth.

2.3.1. Product and Services

- I. **Retail Banking Services** - Sidama Bank offers a comprehensive range of banking products and services to meet the diverse needs of its customers. For individual and business clients, the Bank provides checking and business accounts, ordinary and special savings accounts, fixed-term deposits, and foreign currency accounts, alongside. Deposit products specifically tailored to the needs of local customers. In addition, personal banking services include loans, overdraft facilities, and remittance services. Under its Microfinance operations, the Bank offers both voluntary and compulsory savings products, as well as a variety of microloan products designed to support small-scale entrepreneurs, underserved

communities, and low-income groups. The detail of deposit breakdown attached as annex

- II. **Commercial Banking Services** - The Bank provides a range of credit facilities to support the growth of small and medium-sized enterprises (SMEs), cooperatives, and local businesses. These include trade finance solutions, working capital loans, and equipment financing, designed to meet the diverse financing needs of its business clients and promote sustainable economic development.
- III. **Agricultural and Microfinance Lending** - Sidama Bank actively supports local farmers and agribusinesses through specialized credit products tailored to the unique needs of the agricultural sector. In addition, the Bank promotes financial inclusion by providing microfinance services to underserved populations, ensuring access to essential financial resources for individuals and communities that have historically been excluded from the formal banking system.
- IV. **Payment and Settlement Services** - Sidama Bank offers a range of electronic banking services, including ATMs, POS terminals, mobile banking, and internet banking, to provide customers with convenient and accessible financial solutions. These services enable the secure and efficient transfer of funds both within Ethiopia and across the country, enhancing overall customer experience and operational efficiency.

In addition to providing a variety of savings products, Sidama Bank's traditional banking and microfinance operations offer a comprehensive suite of services to meet the diverse needs of its clients. These services include credit and lending facilities, domestic and international money transfers, trade finance solutions, foreign exchange transactions, and digital banking services. The Bank also provides foreign currency accounts, payment instruments, specialized packages for institutional clients, financing and investment products, as well as payroll and provident fund collection and disbursement services, ensuring a full range of banking solutions for individuals, businesses, and institutions alike.

Conventional and Microfinance Banking Products and Services

The services provided under Sidama Bank's conventional and microfinance banking products encompass a wide range of offerings, including savings and demand deposit products, voluntary and compulsory savings, personal and business loans, guarantee facilities, international banking services, and corporate banking solutions.

I. Deposit Products

The Bank offers a comprehensive range of deposit products, including both interest-accruing and non-interest-bearing accounts, designed to serve the needs of both corporate clients and individual customers across all age groups, starting from infancy. Below is a comprehensive list of the Bank's deposit options.

Table 17: Types of deposit products

No.	Account Categories	Eligibility	Interest rate	Minimum Deposit
1	Ordinary Saving	It is a type of deposit product that bears interest and can be maintained by physical or legal persons, and an Identification and National ID card, for individuals above the age of 18	It is an interest-bearing account that is compounded monthly at 7%	It can be opened with a 100-birr balance,
2	Ordinary Demand Deposits (Current Accounts)	Valid and renewed national ID card and d. Tax Identification Number (TIN).	It is a non-interest-bearing bank account usually operated by cheque.	It can be opened with a minimum balance of Birr 500 and Birr 1,000 for individual and business customers, respectively.
3	Fixed Time Deposit Accounts	All natural and legal persons recognized by the Ethiopian laws; and Identification and National ID card, for individuals above the	Interest as per the differentiated interest rate table provided by the bank, based on the amount of deposit to be maintained, but not More than 15%	Minimum initial deposit is Birr 200,000.00 or USD 5,000.00 or its equivalent in EURO or Pound Sterling.
4	Furra Women's Saving Account	Individual women whose age is above or equal to 18 years, irrespective of their monthly earnings, National ID card, for individuals above, and Taxpayer registration certificate (TIN) in case of checking accounts only.	An increased savings interest rate of 0.2% on the minimum rate shall be paid for the savings account, but currently not approved.	Minimum initial deposit balance of ETB 500;
5	Wolima Youth Saving Account	All individuals whose age is greater than or equal to 18 and less than 35 years old, whose earnings are less than or equal to Birr 5,000 per month, and who have Valid introductory documents like identification cards (ID) or National ID, driver's license ID issued by a legal organization, passport,	Relatively Higher and Attractive Deposit Interest Rate by adding 0.2% on top of the prevailing minimum savings deposit rate, but currently not approved.	Minimum initial deposit balance of ETB 500; but Minimum initial deposit balance of ETB 200; but not less than Birr 5,000 per month;

No.	Account Categories	Eligibility	Interest rate	Minimum Deposit
		trade license, work permit, or residence permit.		
6	Osso Accounts for Minors	It is a minor's savings account opened for individuals below the age of 18, and the account shall be opened and operated by parents	7% interest rate	It can be opened with zero balance, given that there is a reasonable source of funds
7	Golden age Saving Account)	Individuals whose age is above or equal to 50 years, irrespective of their monthly earnings, and b. Valid introductory documents like identification cards (ID), driver's license, ID issued by a legal organization, passport, trade license, work permit, or residence permit.	7.2% interest rate	Minimum amount of birr 500 within a month

Deposit products are vital to a bank's functioning, playing a key role in managing liquidity, generating income, and shaping the overall strategic direction of the bank. Expanding the customer base by offering inclusive deposit options is important for building a diversified deposit portfolio, which strengthens financial stability and promotes long-term growth.

To enhance its deposit levels and composition, the Bank adopted strategies aimed at expanding its customer base across various segments, including retail clients, corporate entities, public institutions, and members of the diaspora. These initiatives decreased dependence on a small group of depositors, thereby bolstering the Bank's liquidity management throughout the past fiscal year.

Table 18: Breakdown of Deposits by Product Type

Deposit Type	30 June 2025	%	30 June 2024	%	30 June 2023	%
Saving Deposit	1,906,665,395.42	51.90%	786,997,727.24	64.30%	187,151,160.00	81.60%
Demand Deposit	1,759,556,649.18	47.90%	412,873,110.34	33.70%	19,701,754.00	8.60%
Time Deposit	8,249,173.95	0.22%	23,635,512.31	1.90%	22,258,549.00	9.70%
Interest Payable on Deposit	444,526.91	0.01%	1,368,670.48	0.10%	45,184.00	0.02%
Total Deposits	3,674,915,745.46	100%	1,224,875,020.37	100%	229,156,647.00	100%

The deposit portfolio of Sidama Bank has grown significantly over the three-year period. As of June 30, 2025, total deposits reached ETB 3.67 billion, up from ETB 1.22 billion in 2024 and ETB 229.16 million in 2023. Saving deposits remain the largest component, accounting for 51.9% of total

deposits in 2025, although their share has declined from 64.3% in 2024 and 81.6% in 2023, reflecting a diversification in deposit types. Demand deposits have grown substantially both in absolute terms and as a percentage of total deposits, representing 47.9% in 2025 compared to just 8.6% in 2023. Time deposits and interest payable on deposits remain relatively small portions of the total, together contributing less than 1% in 2025.

Table 19: Deposit Amount and Number of Customer by Region

Region	No. of Customer s June 2025	Deposit June 2025	No. of Customer s June 2024	Deposit June 2024	No. of Customer s June 2023	Deposit June 2023
Addis Ababa	26,690	836,913,464.26	14,417	120,733,613.63	1,108	46,033,641.45
Oromia	3,350	19,443,463.37	1,550	4,234,845.37		
SNNPRS	5,802	21,391,427.73	3,611	8,019,315.87		
Sidama	297,287	2,797,414,937	195,223	1,090,713,919	87,002	183,120,531
Total	333,129	3,675,163,292.72	214,801	1,223,701,694.04	88,110	229,154,172.79

Note: Detailed information on the users of each major product, along with their deposit performance for each branch as February 13, 2026, is provided in the annex 5.

The Bank's top ten depositors together held a total of approximately ETB 999 million as of June 30, 2025. The majority of deposits are in the form of demand deposits, representing around ETB 881 million, while savings deposits account for approximately ETB 118 million. There were no significant time deposits among the top ten depositors during the period. This indicates that the Bank's largest depositors maintain highly liquid balances, which can provide stable funding for lending and operational activities.

II. Personal and Business Loans Products

Based on the financial statement data, as of June 30, 2025, and June 30, 2024, the Bank provided credit facilities to different sectors for both individual and corporate customers. The categories under business segments in which the Bank had availed credit include agriculture, consumer loans, housing and construction, domestic trade and services, export, overdraft facility, staff loan, gross loans to customers, and institutional customers. Additionally, during the period ended on 30 June 2025, as per credit policy of the Bank personal loans have been offered only to diaspora and for companies who has a credit agreement with the bank for their employees².

As of June 30, 2024, the Bank's loan portfolio is distributed across multiple regions with varying

² In line with the Bank's current policy, personal (consumer) loans are disbursed exclusively to diaspora clients or employees of institutions that have a credit agreement with the Bank.

levels of exposure and borrower concentration. Addis Ababa accounted for a total of ETB 653.77 million across 182 borrowers, primarily from term loans of ETB 597.79 million. The Oromia region recorded a smaller portfolio of ETB 22.52 million with 17 borrowers, largely in term loans. Sidama represents the largest regional exposure, totaling ETB 1,720.07 million across 7,614 borrowers, with term loans constituting the majority at ETB 1,586.23 million. The Southern Ethiopia Regional State portfolio stood at ETB 20.13 million covering 34 borrowers, entirely in term loans. Overdraft facilities constitute a minor portion of the portfolio across all regions.

Table 20: Loan Products by Region

S.No	Region	Amount (in millions)	As of June 30, 2024 No. of borrowers	Amount (in millions)	As of June 30, 2025 No. of borrowers
1	Addis Ababa	186.5	75	653.77	182
	term loan	158.94	72	597.79	176
	Overdraft	27.56	3	55.98	6
2	Oromia	0.24	2	22.52	17
	Term loan	0.24	2	21.51	16
	Overdraft			1.02	1
3	Sidama	887.68	10,929	1,720.07	7,614
	Term Loan	820.44	10,923	1,586.23	7,606
	Overdraft	67.24	6	133.84	8
4	Southern Ethiopia Regional State	10.95	8	20.13	34
	Term Loan	10.95	8	20.13	34

Note: The non-performing loan (NPL) performance for each branch, along with the outstanding balances as of December 31, 2025, is provided in Annex 6.

As of June 2025, the Bank's Non-Performing Loans (NPL) ratio improved to 2.58% from 2.96% in June 2024, reflecting enhanced credit quality and portfolio management. The provision coverage ratio stood at 1.83%, slightly lower than 2.01% in the previous year.

Table 21: Loan portfolio Performance Indicators

Portfolio Performance Indicators	Ratio as of June 2024	Ratio as of June 2025
Non-Performing Loans (NPL) Ratio	2.96%	2.58%
Provision coverage ratio	2.01%	1.83%

Note: The non-performing loan (NPL) performance for each branch, along with the outstanding balances as of December 31, 2025, is provided in Annex 6.

The Bank's top ten borrowers both on balance sheet and off balance sheet amount as of 2025 is attached on annex 3.

Distribution of Loans across Economic Sectors

The Bank's current business focus is on domestic trade and services, providing tailored financial solutions to support the growth and operational needs of businesses within Ethiopia. The table below illustrates the distribution of loans across various sectors as of June 30, 2025, and June 30, 2024. These figures are sourced directly from the Bank's records and have not been modified or adjusted.

Table 22: Loans and Advances by sector

Sector	30 June 2025 Birr	30 June 2024 Birr
Agriculture	8,047,021	21,783,530
Other (Consumer Loans)	74,894,999	150,647,780
Housing And Construction	24,599,509	69,564,524
Domestic Trade and Services	1,845,352,594	766,259,058
Export- Pre-shipment Loan	202,890,239	-
Overdraft Facility	190,832,393	94,799,142
Staff Loan	129,227,103	70,677,471
Gross loans to customers	2,475,843,858	1,173,731,505

Note: In the table "-" represents "Not Available"

I. Issuance of Letter of Guarantee Performance

Issuance of a letter of guarantee is one of the new service product categories to the Bank that is considered to diversify and expand its revenue base.

For the operational period just ended on June 30, 2025, the Bank has issued various forms of letters of guarantee, out of which, the Bank was able to generate revenue in the form of Guarantee Commission of Birr 43,251,183. The commissions from the letters of Guarantee process include issuance of Bid Bond guarantee for Birr 554,759.41, Advance Payment Guarantee amassed Birr 26,478,391.50, and Performance Guarantee earned Birr 16,218,031.93.

Table 23: Comprehensive Details for Guarantees

S.no	Guarantee Type	Number of Guarantee Issued	Commission earned	Amount
1	Advance Payment Guarantee	14	26,478,391.50	32,078,038.60
2	Bid Bond Guarantee	80	554,759.41	15,940,480.19
3	Customs Duty Guarantee	1		1,982,214.14
4	Performance Bond Guarantee	17	16,218,031.93	261,794,061.81
5	Supplier Credit Guarantee	1		40,000,000
	Total	113	43,251,182.84	351,794,794.74

II. International Banking Services

Sidama Bank emphasizes the importance of attracting foreign exchange and diversifying its

revenue streams. During the 2024/25 FY, the Bank had planned to mobilize foreign currency of USD 5,000,000 from different sources, which include export proceeds, remittance, FOREX bureaus, and NBE dealings. During the year under review, the Bank was able to mobilize USD 5.8 million (116% of expectations). On the other hand, the Bank had planned to generate income from international banking sources amounting to Birr 22.7 million during the annual period of the 2024/25 FY. The Bank was successfully able to generate Birr 112.3 million (494% of expectation) within the period under review. The key factors behind achieving 494% of the expected income include: first, prior to the issuance of NBE Circular Ref Gov/0057/2025 (effective 26 May 2025), banks were allowed to recognize income from multiple international banking sources; second, the impact of the market-based FX reform; and third, the Circular later limited banks to deduct only a 4% service charge on international transactions. Since this regulation was not in effect for most of the review period, the Bank was able to recognize income from a wider range of charges.

Sidama Bank has established partnerships with more than one international money transfer service provider, including Dahabshiil, which has supported the mobilization of foreign currency (FCY). The Bank maintains strong relationships with several international correspondent banks such as East Africa Bank and CAC International Bank (Djibouti), Aktif Bank (Turkey), Bank of Beirut Ltd. (UK), and Zhejiang Chaozhou Commercial Bank Co., Ltd. (China). These collaborations improve the Bank's capacity to generate foreign exchange through remittances and other incoming transfers. However, recent changes in financial policies, such as the liberalization and standardization of foreign exchange rates, are anticipated to boost the Bank's foreign currency revenue and foster a more competitive environment within the banking sector.

III. Digital Banking

Sidama Bank provides a comprehensive digital banking system designed to offer customers convenient, secure, and real-time access to financial services across multiple channels. The Bank operates a network of 11 ATMs, enabling 24/7 cash withdrawals, balance inquiries, fund transfers, and mini-statements, all securely connected to the core banking system for real-time transaction updates and reconciliation. In addition, the Bank offers debit and prepaid card services that support both local and international transactions via ATMs and POS terminals. To further enhance customer experience, Sidama Bank provides an advanced omni channel platform, including a Mobile Banking App for account management, transfers, and bill payments; Internet Banking for comprehensive web access for retail and corporate clients; and USSD Banking, allowing customers without smartphones to perform essential transactions through basic mobile networks. All digital

channels are seamlessly integrated with the core banking system via WSO2 API Manager, ensuring real-time synchronization, robust security, and scalable service delivery. Since the Bank launched its comprehensive digital banking products over the last two years, it is challenging to fully quantify their financial impact in detail. However, these services have begun contributing to the Bank's revenue by expanding transaction volumes, improving customer engagement, and increasing the uptake of card, mobile, and internet banking channels. Over time, as adoption grows, the Bank expects these digital channels to enhance fee-based income, operational efficiency, and overall profitability.

Table 24: Digital Banking KPI's

No	Digital Banking	30 June 2025	30 June 2024
1	Mobile banking users	26,400	6,163
2	Cardholders	14,000	5,573
3	Number of ATMs	11	11

III. Interest-Free Banking

The Bank does not currently offer any Interest-Free Banking (IFB) products or services.

Revenue Composition

Sidama Bank generates the majority of its revenue from interest on loans and advances, supplemented by non-interest income such as fees, commissions, and other operating activities.

I. Interest Income

For the year ending 30 June 2025, net interest income reached ETB 337.41 million, up from ETB 270.77 million in 2024 and ETB 177.86 million in 2023, reflecting robust growth in the Bank's lending portfolio. The main contributors to interest income in 2025 were:

- SME and Individual Loans: ETB 118.89 million
- Term Loans: ETB 82.28 million
- Overdraft Facilities: ETB 21.65 million
- Pre-shipment Export Loans: ETB 13.10 million

II. Non-Interest Income

Non-interest income, encompassing fees, commissions, and other operating revenue, rebounded strongly in 2025 following a dip in 2024:

- Fees and Commissions: ETB 81.93 million
- Other Operating Income: ETB 169.81 million

Table 25: Commission income from Bank's products as of Audited Financial Statement 2025

Income Source	30 June 2025 (Birr)	30 June 2024 (Birr)
Service charge income	21,374,758	12,462,847
Gain on foreign currency transactions	8,032,036	636,018
Loan Process and Evaluation	19,928,043	12,654,949
Income from Guarantee	32,593,264	351,052
Total	81,928,100	26,104,866

At present, the Bank has no new products or services under planning or development that would require additional capital investment or material operational work prior to commercialization.

2.3.2. Major Interruptions in the Bank's Business

Within the past 12 months, there have been no major interruptions or significant disruptions specifically related to Sidama Bank.

2.3.3. Key Dependencies

The Bank makes payments related to its core banking system and other technology infrastructure in accordance with the terms and conditions of the respective service and licensing agreements entered into with its technology providers. These payments primarily consist of software licensing, maintenance, support, and related technology service fees incurred in the ordinary course of business.

The Bank does not have any royalty-based or revenue-sharing arrangements with its core banking system, software, or technology infrastructure providers. All payments are made pursuant to contractual agreements and are recognized in accordance with the applicable accounting standards. Sidama Bank's key dependencies primarily include the following areas:

- I. **Regulatory Compliance:** As of June 2026, the Bank's paid-up capital of Birr 1.24 billion represents only approximately 25% of the Birr 5 billion minimum required under NBE Directive SBB/78/2021, leaving a capital shortfall of approximately Birr 3.76 billion. Unlike longer-established peers with larger retained earnings bases, the Bank relicensed from a microfinance institution in July 2022 has limited internal capital-generation capacity to close this gap organically, making the success of this Prospectus itself a direct precondition for the Bank's continued licensure. Failure to reach the threshold would expose the Bank to regulator-driven consolidation measures, including potential merger or acquisition by a better-capitalized institution, under the same directive.

- II. Capital and Liquidity:** The Bank's paid-up capital growth from Birr 590.27 million (June 2023) to Birr 1.24 billion (June 2026) a compound trajectory still short of the regulatory floor illustrates a structural dependency on external capital mobilization rather than retained-earnings accumulation, given the Bank's short operating history as a commercial bank. Government securities holdings (Treasury Bonds of approximately Birr 313.26 million and DBE Bonds of approximately Birr 35.03 million) represent the Bank's principal liquid buffer; given the Bank's relatively young deposit franchise and branch network still scaling toward maturity, these holdings are proportionately more important to funding-shock resilience than they would be for a bank with a longer track record of stable, diversified deposit relationships.
- III. Human Resources:** Workforce growth from 623 employees (June 2023) to 1,058 employees (June 2026) must keep pace with a projected 5.7x expansion in total assets (Birr 8.5 billion in F2026 to Birr 48.5 billion in F2030). Because the Bank's distribution model relies on branch-level relationship banking to build trust in communities newly transitioning from cooperative/microfinance-based financial relationships to commercial banking including cultivating deposit relationships with SMEs, "Edir," and "Equb" associations the Bank's growth is directly constrained by its ability to recruit and retain branch managers and frontline staff capable of executing this community-trust-building model, not merely generic banking staff.
- IV. Financial and Technology Infrastructure:** Given the Bank's mandate to serve rural Sidama and other underserved communities where physical branch access is limited, digital channels USSD mobile banking, agent banking, and mobile wallets function as the Bank's primary distribution mechanism rather than a supplementary convenience channel. Continuity of third-party technology and telecommunications arrangements is therefore fundamental not only to transaction processing but to the Bank's core strategy of reaching customers who are geographically or economically excluded from conventional branch banking; disruption would disproportionately affect the rural customer segments central to the Bank's growth strategy, more so than for banks with predominantly urban, branch-based footprints.

Table 26: Technology Dependency

Area	Dependency Description	Service Provider
A. Network	Reliable telecommunications infrastructure connects branches with headquarters and supports digital services.	Ethio Telecom
B. Core Banking Solution	The Bank operates on the CRAFT SILICON core banking platform to enhance operational efficiency and integration.	Craft Silicon Ltd.
C. Card Payment System	Since 2023, the Bank has utilized a card switch system supporting its card banking services.	Etswitch
D. SWIFT	Membership in SWIFT enables secure international financial communication, payments and settlements.	SWIFT Network

- V. Strategic Partnerships and Networks:** The Bank depends on relationships with correspondent banks, payment service providers, and telecommunication partners to support interbank settlement, digital channels, and payment infrastructure. Disruption to these arrangements would directly affect the Bank's transaction processing capability and customer experience.
- VI. Customer Base:** Projected deposit growth from Birr 6.2 billion (F2026) to Birr 32.5 billion (F2030) a 5.2x increase must be achieved from a currently modest base of approximately Birr 31 million in average deposits per branch, below more established peers. On the asset side, approximately 65% of the Bank's loan book is concentrated in housing finance; while this has supported a low non-performing loan ratio of 2.96% (against an industry average of 5.6%), it also means the Bank's income depends disproportionately on continued demand and performance in a single asset class, with limited diversification into other sectors such as the Bank's targeted expansion into coffee and agricultural export finance.
- VII. Macroeconomic Environment:** The Bank's projected margin expansion yield on interest-earning assets rising from 28% (F2026) to 32% (F2030) against a cost of funds declining from 0.95% to 0.75% is particularly sensitive to interest rate movements given the concentration of the loan book in housing finance, where repricing dynamics differ from more diversified commercial portfolios. The Bank's stated strategic expansion into coffee export finance additionally introduces incremental foreign exchange exposure not present in the Bank's current, largely domestic-currency loan book, making planned diversification itself a source of new macroeconomic sensitivity.

Sidama Bank does not have any material dependency on a single customer, supplier, or key employee that is fundamental to its business operations, financial performance, or profitability.

The Bank maintains a diversified customer base, and its income is not significantly dependent on any individual customer or specific group of customers. Likewise, the Bank procures goods and services from multiple suppliers and service providers in the ordinary course of business and is not materially reliant on any single supplier to sustain its operations. Furthermore, the Bank has established an appropriate organizational structure, governance framework, and succession planning arrangements to ensure the continuity of its operations and to mitigate any material dependence on any individual employee, senior executive, or member of management.

2.4. Principal Markets and Competition

This section describes Sidama Bank S.C.'s operating environment within Ethiopia's banking sector and highlights the macroeconomic and external factors that influence the Bank's business activities, financial performance, and risk profile. The section provides context for assessing how prevailing economic conditions affect the Bank's lending, asset quality, liquidity, and capital position.

2.4.1. The Ethiopian Banking Industry Analysis

2.4.1.1. Branch Network of the Banking Industry

As of June 2025, Ethiopia's banking sector comprised 32 licensed commercial banks, including 2 state-owned and 30 private banks (NBE, Quarterly Bulletin Vol. 41 (2)). The sector's branch network expanded modestly over the period, reflecting ongoing efforts to increase access to banking services and deepen financial intermediation across the country. The total number of branches rose to 13,120 in June 2025.

NBE resorts the following Bank categories:

- I. **Large Bank:** The state-owned Commercial Bank of Ethiopia (CBE) is the only large bank. Despite a slight decline in market share, it remains systemically important, holding 49.1% of total assets, 48.1% of deposits, and 43.1% of capital at the end of June 2025.
- II. **Medium Banks:** Five medium-sized banks increased their combined market share, with assets rising to 29.1%, while deposits and capital declining slightly to 29.8% and 24.8% respectively, of the sector's totals as of June 2025. The medium-sized banks are Awash Bank, Bank of Abyssinia, Cooperative Bank of Oromia, Dashen Bank, and Hibret Bank.
- III. **Small Banks:** NBE named 25 small banks in their 2024 report. The small-sized banks, according to the NBE classification, are Abay Bank, Ahadu Bank, Addis Bank, Berhan Bank, Bunna Bank, Enat Bank, Gadaa Bank, Global Bank Ethiopia, Goh Betoeh Bank, Hijra Bank, Lion Bank, Nib Bank, Omo Bank, Oromia Bank, Rammis Bank, Shabelle Bank, **Sidama Bank**,

Siinqee Bank, Siket Bank, Tsedey Bank, Tsehay Bank, Wegagen Bank, ZamZam Bank and Zemen Bank.

2.4.1.2. Capital Position of the Banking Industry

Capital buffers strengthened relatively as regulatory capital-to-risk-weighted assets ratio (CAR) increased to 19.1% in June 2025 from 15.4% in June 2024 and 14.7 in June 2023, comfortably above the 8% regulatory minimum; the leverage ratio (capital to total assets) edged up to 8.4% from 8.1%. Stress-testing exercises reported by NBE indicate the system starts from adequate capitalization, with all banks above minimum CAR ahead of modeled credit-shock scenarios, although results highlight sensitivity to severe asset-quality deterioration given the system's rapid loan growth.

Table 27: Capital Position of the Banking Sector (June 2024 vs. Q-II 2024/25)

S. No	Bank Category	Capital (30 June 2024)	Share (%)	Capital (31 December, 2025)	Share (%)
1	Total Private Banks	201,235.0	68.0%	226,466.4	59.3%
2	Total Public Banks	94,875.6	32.0%	155,701.7	40.7%
Grand Total		296,110.6	100%	382,168.0	100%

Source: NBE Quarterly Bulletin Vol. 41 (1) and (2); NBE Financial Stability Report, November 2024

Table 28: Commercial Banking Industry Market Share (%)

Deposit Type	30 June 2024	30 June 2025
Total Assets	23.3%	21.8%
Total Loans & Bonds	23.6%	21.1%
Total Deposits	22.7%	22.1%
Total Capital	42.8%	32.1%

Source: NBE Quarterly Bulletin Vol. 41 (1) and (2); NBE Financial Stability Report, March 2026

In June 2025, small banks accounted for 21.8% of total assets, 22.1% of total deposits, and 32.1%, all recording declines of 150bps, 60bps and 1,070bps respectively, attributed to stiff competition among other reasons. According to the NBE's 2025 Financial Stability Report, total assets held by commercial banks reached ETB 4.7 trillion by the end of June 2025, reflecting a 44.5 % year-on-year increase, with loans, advances, and bonds accounting for 64.2% of total assets, declining slightly from 66.9% contribution in 2024. Aggregately, Loans and Bond securities accounted for ETB 3.0 trillion in 2025. Meanwhile, total deposits amounted to ETB 3.5 trillion, up 40.7% from the prior year.

2.4.1.3. Liquidity Conditions

Key liquidity indicators also point to a gradual erosion of buffers over the review period. The liquid-assets-to-deposit ratio declined from 24.2% in June 2023 to 22.4% in June 2024, reflecting

sustained balance-sheet expansion and higher asset deployment. Notwithstanding this decline, the ratio remained comfortably above the NBE's minimum regulatory requirement of 15%, indicating continued compliance with prudential liquidity standards at the system level.

2.4.2. Financial Performance and Market Position of Sidama Bank S.C.

2.4.2.1. Resource Mobilization of Sidama Bank S.C.

Since commencing operations in the 2021/22 fiscal year, Sidama Bank S.C. has expanded its deposit base steadily, reflecting its gradual establishment within Ethiopia's small-bank segment. As of 30 June 2025, the Bank's total assets reached ETB 5.52 billion, supported primarily by growth in customer deposits and other current liabilities. Total liabilities increased from ETB 1.53 billion in June 2024 to ETB 4.21 billion in June 2025, indicating an expansion in funding mobilization over the period.

For market-positioning purposes, June 2024 (Q-IV 2023/24) figures are used as a consistent benchmark with industry data published by the NBE. As of 30 June 2024, Sidama Bank reported total deposits of ETB 1.225 billion. In comparison with the broader banking system, this represented approximately 0.05% of total industry deposits and 0.22 % of deposits held by small banks, whereas 0.09% of the private banks in aggregate deposit. While modest in absolute terms, this positioning is consistent with Sidama Bank's relatively recent entry into the sector and its classification within the small-bank cohort.

The Bank's balance-sheet structure indicates a funding profile dominated by customer deposits and other short-term liabilities, consistent with prevailing sector patterns where demand and savings deposits account for the majority of funding. This structure aligns Sidama Bank with industry-wide funding characteristics, while also exposing it to the same liquidity-management considerations faced by other small and emerging banks.

Table 29: Deposit Position of Sidama Bank vs. Banking Industry (June 2024, ETB Billion)

Metric	Sidama Bank	Small Banks Total	Private Banks Total	Total Industry
Deposits	1.225	566.3 (0.22%)	1,319.7* (0.09%)	2,496.6 (0.05%)
YoY Growth (%)	-	15.4%	16.9%	15.4%

*Private-bank total derived from NBE Financial Stability Report aggregates.

Sources: NBE Quarterly Bulletin Vol. 41 (1); NBE Financial Stability Report (Nov. 2024); Sidama Bank audited financial statements (FY2023/24).

Note: In the table "-" represents "Not Available"

Overall, Sidama Bank's deposit mobilization performance reflects an early-stage growth trajectory within a highly competitive and concentrated banking system. While its system-wide market share

remains limited, the Bank's expanding balance sheet between June 2024 and June 2025 indicates strengthening resource mobilization capacity. This provides a foundation for future credit expansion and deeper market participation, subject to continued progress in branch development, customer diversification, and liquidity management.

2.4.2.2. Loans and Advances of Sidama Bank S.C

Sidama Bank S.C.'s lending activity has expanded in line with its balance-sheet growth since the commencement of operations. As of 30 June 2025, the Bank reported net advances and loans to customers of 2.4 billion, according to the Bank's 2025 audit report. Whereas, as of 30 June 2024, the Bank reported gross loans and advances of ETB 1.174 billion, with net loans of ETB 1.113 billion, according to its audited financial statements for the year ended 30 June 2024. This loan portfolio represented a substantial portion of the Bank's total assets of ETB 2.62 billion in June 2024, indicating an active intermediation role despite the Bank's relatively recent entry into the sector.

2.4.2.3. Income and Profitability

As of 30 June 2025, Sidama Bank S.C. recorded operating income of ETB 475.1 million, reflecting a substantial improvement from ETB 299.6 million in the prior year. This performance was supported by steady growth in net interest income, which increased to ETB 248.6 million in 2024/25 from ETB 234.4 million in 2023/24, indicating continued expansion of interest-earning assets and effective balance-sheet deployment.

Profitability improved markedly over the period. Profit before tax rose to ETB 90.8 million in June 2025, compared with ETB 29.4 million in June 2024, while profit for the year increased to ETB 72.3 million from ETB 27.1 million. This reflects improved revenue generation, controlled operating costs, and a stable tax charge relative to income growth. Total comprehensive income reached ETB 126.9 million in 2024/25, up from ETB 71.6 million in the previous year, supported by both higher net profit and positive other comprehensive income.

For purposes of industry benchmarking, June 2024 (Q-IV 2023/24) is used as a consistent reference point. At that time, the Ethiopian banking sector reported total income of ETB 361.4 billion and profit before tax of ETB 57.9 billion (NBE Financial Stability Report, Nov. 2024). Against this backdrop, Sidama Bank's net operating income of ETB 299.6 million and profit before tax of ETB 29.4 million represented a modest but growing contribution within the private-bank segment, consistent with the Bank's scale and stage of development.

Table 30: Income and Profitability of Sidama Bank vs. Banking Industry (ETB Billion)

Metric	Sidama Bank (30 June 2024)	Sidama Bank (30 June 2025)	YoY Change	Banking Industry (30 June 2024, NBE)	SDB% Share (30 June 2024)
Total Income	0.2996	0.4751	+58.6%	646	0.07%
Profit Before Tax	0.294	0.908	+208.5%	93	0.97%
Profit for the Year	0.271	0.723	+166.5%	-*	-

Note: Industry net profit not separately disclosed; profit before tax used as reference.

Note: In the table “-” represents “Not Available”

Sources: Sidama Bank S.C. Audited Financial Statements (2023–2025); NBE Quarterly Bulletin Vol. 41 (1); NBE Financial Stability Report (Mar 2026)

The observed improvement in income and profitability between June 2024 and June 2025 indicates strengthening earnings capacity and improved operating leverage. While Sidama Bank's absolute contribution to system-wide income remains limited, the growth trajectory aligns with sector trends of expanding credit activity and widening revenue bases among emerging private banks.

Overall, despite the requirement under article 88 (1) of the ECMA directive 1030/2024, the current banking systems could not generate the specific data on revenue distribution by geography or segment and the Company effectively issued a justifying statement to ECMA on the same.

2.5. Regulatory Environment

The National Bank of Ethiopia (NBE) is the primary regulator of the country's financial system, overseeing banks and other financial institutions. Under Proclamation No. 1359/2025, the NBE is responsible for licensing and supervision, maintaining financial stability, regulating foreign exchange, managing the Deposit Insurance Fund, and issuing national currency. Ethiopia's banking sector operates under a strict regulatory framework that promotes stability, compliance, and public confidence.

I. Banking Business Proclamation No. 1360/2024

The Banking Business Proclamation No. 1360/2024 has significantly reshaped Ethiopia's banking sector by formally allowing foreign participation through shareholding, subsidiary formation, branch openings, or representative offices. While this reform modernizes the sector and introduces new competition, it also establishes limits on foreign ownership to maintain domestic control of the industry. For Sidama Bank, the proclamation impacts strategic planning by highlighting the need to remain competitive amid potential international entrants, encouraging operational efficiency, innovation, and strengthened governance. Compliance with the ownership regulations ensures that Sidama Bank maintains its domestic control while positioning itself to respond effectively to evolving market dynamics and foreign competition.

II. Interest Rates Directive (As Amended) – Directive No. NBE/INT/13/2026

Pursuant to Proclamation No. 1359/2025 (Articles 6(5) and 54(5)), the National Bank of Ethiopia (NBE) is mandated to regulate the supply and availability of money and credit, including the determination of applicable interest rates and charges, with the objective of maintaining price and financial stability while promoting balanced economic growth. In accordance with this authority, the NBE issued Directive No. NBE/INT/13/2026, which is applicable to all banks licensed in Ethiopia, including Sidama Bank.

Under the Directive, banks are permitted to freely determine interest rates on demand, savings, and time deposits, provided that such rates are formally approved and documented by the Board of Directors. Similarly, interest rates on loans and advances may be set independently by each bank, except where otherwise specified in contractual agreements. Interest rates applicable to loans and standing facilities extended by the banks are determined by the NBE, while interbank lending rates are negotiated between participating banks in accordance with prevailing market conditions.

The Directive further requires banks to comply with the Interbank Money Market Code of Conduct and to refrain from any prohibited practices that could undermine the integrity, transparency, and efficiency of the market.

For Sidama Bank, this Directive provides operational flexibility in pricing deposit and lending products, enabling the Bank to respond to market dynamics and enhance competitiveness, while ensuring sound governance, regulatory compliance, and alignment with national financial stability objectives.

III. Licensing of a Bank Branch to Operate in Special Economic Zones – Directive No. SBB/99/2026

The Special Economic Zone (SEZ) framework in Ethiopia is established to promote economic diversification, attract investment, and serve as a platform for business and regulatory reforms that may subsequently be extended to the broader economy. The availability of efficient and reliable financial services within SEZs is essential to support enterprises operating in these zones and to enhance overall economic performance.

Pursuant to Article 34(2) of the Special Economic Zone Proclamation No. 1322/2024 and Article 91(2) of the Banking Business Proclamation No. 1360/2025, the National Bank of Ethiopia (NBE) issued Directive No. SBB/99/2026, which sets out the criteria, standards, and procedural requirements for banks seeking to establish branches within SEZs. The Directive applies to all

licensed banks in Ethiopia, including Sidama Bank.

Under the Directive, any bank intending to operate a branch in an SEZ must obtain prior approval and a license from the NBE. The Bank is required to provide foreign exchange services within the SEZ branch and ensure that its full range of banking services is accessible to individuals and business entities operating in the zone. Applicants must submit a signed provisional lease agreement from the authorized SEZ body and comply with the requirements of the National Bank Branch Opening Directive No.SBB/66/2018, as amended.

The Directive further sets minimum eligibility criteria, including: (i) a minimum market share threshold in total sector assets, (ii) a capital adequacy ratio exceeding the regulatory minimum by at least two percentage points over the preceding four consecutive quarters, (iii) compliance with the minimum liquidity ratio requirement for the preceding three months, and (iv) maintenance of a non-performing loan ratio within regulatory limits for the preceding four quarters. In addition, the Bank must demonstrate a sound track record in meeting foreign exchange and other international banking obligations.

Branches licensed under this Directive are restricted to serving customers resident within the respective SEZ and may not provide services to clients outside the Zone. The NBE may also limit the number of branches permitted in a particular SEZ. Banks are required to pay the applicable licensing fee, and institutions operating in areas subsequently designated as SEZs must regularize their operations in accordance with the Directive within the specified compliance period.

As a relatively young and growing commercial bank following its transition from a microfinance institution, Sidama Bank is focused on strengthening its key financial and operational performance indicators to align with the regulatory thresholds set out under this Directive. The Bank's strategic objective includes gradual expansion into high-potential economic areas, including SEZs, subject to full compliance with capital adequacy, liquidity, asset quality, and governance requirements. Any future entry into SEZ operations will be undertaken prudently, ensuring adherence to regulatory standards while supporting economic development and safeguarding the Bank's financial soundness and reputation.

IV. Investment on DBE Bonds (Repealing) – Directive No. SBB/98/2025

Pursuant to Articles 6(5) and 53(2) of the National Bank of Ethiopia (NBE) Proclamation No. 1359/2025 and Article 91(2) of the Banking Business Proclamation No. 1360/2025, the NBE issued Directive No. SBB/98/2025, which repeals the previous Investment on DBE Bonds Directive No. SBB/81/2021.

Under the repealing Directive, any commercial bank that, as at June 30, 2025, had not invested at least 1% of its audited outstanding loans and advances in Development Bank of Ethiopia (DBE) bonds or had any shortfall from prior years, unless formally exempted by the NBE is required to settle the outstanding amount by investing in DBE bonds no later than January 31, 2026. Upon expiry of this compliance period, the mandatory DBE bond investment requirement is discontinued for future periods.

For Sidama Bank, this Directive primarily serves to ensure that any historical DBE bond investment obligations are regularized within the prescribed timeline, thereby maintaining full regulatory compliance and avoiding supervisory measures. Following settlement of any outstanding requirement, the repeal enhances the Bank's financial flexibility by removing the obligation for additional mandatory investments in DBE bonds. This enables Sidama Bank to optimize its capital allocation strategy, strengthen its lending capacity, and support its growth plans in alignment with its risk management framework and strategic priorities.

V. Reserve Requirements (9th Replacement) – Directive No. SBB/97/2025

The National Bank of Ethiopia (NBE), in exercising its monetary policy and supervisory mandate, applies statutory reserve requirements as an essential instrument for liquidity control and financial system stability. Directive No. SBB/97/2025 replaces the previous framework and introduces a revised reserve regime incorporating partial reserve averaging and a lagged reserve maintenance period. The Directive is applicable to all deposit-taking commercial banks in Ethiopia, including Sidama Bank.

Under this framework, each bank is required to maintain a Birr-denominated Payment and Settlement Account with the NBE, into which the former Reserve Account has been consolidated. Banks must hold a minimum daily reserve equivalent to 5% of the average reserve base of the preceding calendar month. Any balance held above the required minimum may be utilized by the Bank, while any deficiency is automatically restricted and may attract regulatory penalties.

In addition to the daily minimum requirement, banks must comply with a progressively phased monthly average reserve requirement, determined according to bank classification, until the required ratio reaches 10% of the previous month's average reserve base. Banks are also obligated to submit timely and accurate monthly reports detailing their reserve base and statutory reserve positions through the prescribed reporting channels, including the Ethiopian Automated Transfer System.

Failure to comply with either the daily or monthly average reserve requirements, or delays in

reporting, results in financial penalties calculated based on the NBE's Standing Lending Facility rate plus an additional margin, along with specific sanctions for reporting deficiencies. For Sidama Bank, compliance with this Directive is integral to prudent liquidity management and regulatory soundness. As a growing commercial bank, the Bank places particular emphasis on strengthening its liquidity monitoring systems, maintaining adequate reserve buffers, and ensuring accurate regulatory reporting. Adherence to the revised reserve framework supports the Bank's overall risk management objectives, enhances financial stability, and reinforces stakeholder and investor confidence, while enabling efficient liquidity deployment within regulatory limits.

VI. Foreign Exchange Exposure Limits of Banks – Directive No. SBB/96/2025

Directive No. SBB/96/2025, issued by the National Bank of Ethiopia (NBE), sets prudential limits on the foreign exchange risk exposures of banks to ensure that foreign currency operations are conducted in a safe, transparent, and sustainable manner. The Directive is designed to control exchange rate risk by limiting potential losses arising from currency fluctuations, while preserving sufficient operational flexibility for banks to serve customer needs and support the proper functioning of the foreign exchange market.

In accordance with the Directive, banks are required to calculate their overall foreign exchange open position by aggregating all foreign currency-denominated on-balance sheet and off-balance sheet assets and liabilities that give rise to exchange rate risk. Exposures that are fully covered under legally binding written agreements with customers—where the exchange rate risk is contractually transferred—are excluded from the computation.

The Directive stipulates that, at the close of each business day, a bank's total net foreign exchange exposure must not exceed $\pm 18\%$ of its Tier 1 (going-concern) capital. While banks may determine internal limits for individual foreign currencies, the aggregate exposure must remain within the prescribed $\pm 18\%$ threshold. The exposure calculation must be performed on a consolidated basis, incorporating positions of foreign exchange bureaus and any relevant subsidiaries.

Adherence to this Directive for the Bank requires continuous monitoring of foreign currency positions and the implementation of sound foreign exchange risk management systems. As an expanding commercial bank strengthening its operational and risk management frameworks, Sidama Bank is committed to maintaining its foreign exchange exposures within regulatory limits. Compliance mitigates potential losses from exchange rate volatility, enhances financial resilience, and reinforces stakeholder confidence, while enabling the Bank to prudently grow its foreign exchange business in alignment with regulatory standards.

VII. Risk Based Capital Adequacy Requirement Directive No. SBB/95/2025

The Risk-Based Capital Adequacy Requirement Directive No. SBB/95/2025 establishes a risk-sensitive framework aimed at strengthening the resilience of financial institutions by defining regulatory capital requirements across Tier 1 and Tier 2 instruments. Tier 1 capital comprises common equity including ordinary shares, share premium, statutory reserves, and retained earnings alongside Additional Tier 1 instruments, while Tier 2 represents loss-absorbing capital, including eligible general loan-loss provisions. The Directive requires banks to maintain capital ratios above regulatory minimums at all times, supported by a board-approved capital management strategy that is reviewed and submitted to the NBE periodically. Risk-weighted assets are calculated for credit, market, and operational risk using standardized approaches aligned with Basel III principles. For Sidama Bank, this framework directly influences strategic capital planning, operational risk management, and reporting practices. The Bank is required to maintain high-quality operational loss data and submit quarterly quantitative and qualitative capital adequacy reports, explaining changes in capital composition and risk exposures. Compliance ensures that Sidama Bank maintains a robust, risk-sensitive capital structure, meeting regulatory expectations while supporting sustainable growth and prudent risk-taking. Non-compliance could result in administrative penalties, reinforcing the importance of ongoing governance and monitoring.

VIII. Requirements for Persons with Significant Influence in a bank Directive No SBB/89/2024

Directive SBB/89/2024 plays a critical role in promoting sound corporate governance across the banking sector by ensuring that individuals with significant influence, including board members, the Chief Executive Officer, and senior management, meet the “fit and proper” standards set by the NBE. Under this directive, no such appointments can proceed without prior regulatory approval, and candidates must demonstrate integrity, professional expertise, and proven competence. For Sidama Bank, the Directive impacts its governance framework by requiring rigorous vetting and evaluation of leadership candidates, strengthening the Bank’s internal controls, decision-making processes, and overall risk management. Compliance with these requirements ensures that Sidama Bank is led by capable and trustworthy individuals, supporting the institution’s long-term stability, operational effectiveness, and sustainable growth within Ethiopia’s regulated banking environment.

IX. Corporate Governance Directive No. SBB/91/2024

Corporate Governance Directive No. SBB/91/2024 strengthens the Ethiopian banking sector by aligning governance practices with international standards through enhanced transparency,

accountability, and investor protection. The Directive introduces key structural requirements, including the separation of the roles of Board Chairperson and Chief Executive Officer, limits on executive influence within boards, term limits for directors, and mandatory annual training for board members. It also reinforces the role of specialized board committees and promotes board diversity and independence by requiring a minimum board size, independent director representation, and gender inclusion. For Sidama Bank, the Directive has a direct impact on governance structure, board composition, and oversight mechanisms, requiring continuous compliance with enhanced governance and reporting standards. These requirements influence the Bank's strategic direction by strengthening decision-making, mitigating conflicts of interest, and reinforcing stakeholder confidence, thereby supporting sustainable growth and long-term institutional stability.

X. Related Party Transactions Directive No SBB/88/2024

Directive No. SBB/88/2024 on Related Party Transactions enhances corporate governance and investor protection across the banking sector by mitigating conflicts of interest and promoting transparency. The Directive prohibits banks from offering related parties more favorable terms than those available to non-related customers and establishes strict exposure limits, restricting exposure to a single related party to 15% of total capital and aggregate related-party exposures to 35%. It also requires full disclosure of related-party transactions in financial statements. For Sidama Bank, this directive directly affects credit approval processes, exposure monitoring, and financial reporting practices, necessitating robust internal controls and oversight mechanisms. Compliance with these requirements strengthens accountability, supports prudent risk management, and reinforces confidence among regulators, shareholders, and the wider public.

XI. Large Exposure to Counterparty or Group of Connected Counterparties (SBB/87/2024)

Directive No. SBB/87/2024 on Large Exposures aims to enhance the stability of the banking system by limiting concentration risk arising from excessive exposure to a single counterparty or group of connected counterparties. The Directive requires banks to establish clear policies and procedures for identifying, monitoring, and managing large exposures, treating counterparties connected through ownership, control, or economic dependence as a single borrower. It imposes a prudential cap whereby total exposure to any one counterparty or group of connected counterparties may not exceed 25% of a bank's total capital. For Sidama Bank, this Directive directly influences credit portfolio composition, sectoral diversification, and risk monitoring practices, requiring disciplined exposure management and enhanced oversight. Compliance

supports prudent lending, reduces concentration risk, and aligns the Bank's growth strategy with regulatory expectations for financial stability.

XII. Asset Classification and Provisioning Directive No SBB/90/24

Directive No. SBB/90/2024 on Asset Classification and Provisioning establishes a comprehensive framework to enhance transparency, prudence, and accuracy in banks' financial reporting in line with international regulatory and accounting standards. The Directive requires loans to be classified into defined categories Pass, Special Mention, Sub-Standard, Doubtful, and Loss based on repayment performance, with corresponding provisioning requirements charged against profits, and prohibits the recognition of interest income on non-performing loans that has not been collected. It also mandates provisions for both on-balance sheet and off-balance sheet exposures to ensure full coverage of credit risk. For Sidama Bank, this directive directly affects profitability, credit risk management, and financial reporting practices by requiring timely loan classification, adequate provisioning, and disciplined income recognition. Compliance strengthens the Bank's balance sheet integrity, supports prudent risk management, and enhances confidence among regulators, investors, and other stakeholders.

XIII. Foreign Exchange Directive No FXD/01/2024

Foreign Exchange Directive No. FXD/01/2024 marks a structural shift in Ethiopia's foreign exchange regime by introducing a market-based exchange rate system governing all foreign currency transactions, including purchases, sales, transfers, lending, borrowing, receipts, and payments. The reform is intended to alleviate foreign currency shortages, improve export competitiveness, and attract foreign investment, while increasing market transparency. From Sidama Bank's perspective, the Directive reshapes foreign exchange operations and pricing mechanisms, requiring enhanced currency risk management, liquidity planning, and compliance oversight. The evolving exchange rate environment also presents strategic opportunities for the Bank to strengthen foreign currency mobilization, improve client retention through competitive pricing, and support trade-related activities, while managing increased exposure to exchange rate volatility.

XIV. Limitations on Investment of Banks Directive No SBB/92/2024

Directive No. SBB/92/2024 sets forth prudential guidelines governing banks' investment activities, promoting sound risk management while preserving the stability of core banking operations. The Directive permits banks to hold equity stakes in insurance companies, capital market service providers, and financial infrastructure entities within specified limits and subject to prior approval

from the National Bank of Ethiopia (NBE). Direct ownership of shares in non-banking enterprises, including insurance or credit rating agencies, is prohibited, and aggregate investments in non-banking ventures may not exceed 15% of total capital, while real estate investments are capped at 10% without NBE authorization. For Sidama Bank, this Directive informs the Bank's investment strategy, guiding capital allocation decisions and ensuring that risk exposures outside core banking operations remain controlled. Compliance with these limits enables the Bank to participate in the development of financial markets while safeguarding liquidity, capital adequacy, and regulatory alignment.

XV. Emergency Liquidity Assistance Directive No ELA/001/2024

Directive No. ELA/001/2024 establishes a framework through which the National Bank of Ethiopia can provide temporary liquidity support to commercial banks facing unexpected shortfalls. The Directive defines eligibility criteria and operational procedures for accessing emergency funding, ensuring that solvent banks can manage short-term liquidity disruptions without threatening financial stability. For Sidama Bank, this framework serves as a contingency mechanism, influencing treasury planning, liquidity risk management, and internal escalation protocols. While the Directive provides a safety net during periods of temporary liquidity stress, the Bank continues to prioritize proactive liquidity management and compliance with regulatory requirements to maintain operational resilience and market confidence.

XVI. Licensing and Authorization of Payment Instrument Issuers Directive No ONPS/06/2022

Directive No. ONPS/06/2022 establishes a regulatory framework governing the licensing and operation of payment instrument issuers, including non-bank operators such as fintech companies. By setting clear eligibility criteria, operational standards, and authorization procedures, the Directive promotes the safe, efficient, and consumer-oriented delivery of digital payment services while encouraging innovation in the national payment ecosystem. For the banking industry, the Directive expands the competitive landscape and accelerates the adoption of digital financial solutions. In the context of Sidama Bank, the Directive influences the Bank's digitalization agenda and payment service offerings, requiring alignment of internal systems and controls with regulatory standards while enabling collaboration or competition with licensed fintech providers. This framework supports the Bank's efforts to expand digital channels, enhance customer convenience, and contribute to broader financial inclusion, subject to ongoing regulatory compliance.

XVII. Requirement for Undertaking Account-Based Transactions Directive No. FIS/04/2021

Directive No. FIS/04/2021 emphasizes the adoption of comprehensive Know Your Customer (KYC) and Customer Due Diligence (CDD) procedures to ensure accurate customer identification, transaction monitoring, and adherence to regulatory thresholds. Banks are required to collect and maintain detailed customer profiles, including beneficial ownership information for legal entities, to enable the timely detection of suspicious or unusual activities. For Sidama Bank, implementation of this directive shapes operational processes, strengthens internal controls, and enhances risk management frameworks. By strictly enforcing KYC and CDD standards, the Bank mitigates the risk of financial crime, ensures compliance with regulatory obligations, and safeguards its reputation, while fostering trust among clients and stakeholders.

XVIII. Requirements for Relicensing a Microfinance Institution as a Bank SBB/74/2020

The Directive sets out the key conditions that a microfinance institution must meet to obtain a banking license. The Directive requires the institution to submit to the Banking Supervision Directorate the signed minutes of shareholders, an attendance sheet, and amended Memorandum and Articles of Association confirming shareholders' approval of the plan to convert the institution into a bank. In addition, the institution's financial soundness must be evidenced by achieving a composite CAMEL rating of at least "3" in an on-site examination report conducted within one year before the date of application. Furthermore, a microfinance institution relicensed as a bank must comply with all applicable banking laws and directives of the National Bank of Ethiopia within 24 months from the date of relicensing. To ensure this, the Institution is required to submit a comprehensive action plan detailing the steps it will take to achieve full compliance before commencing operations as a bank.

XIX. Financial Consumer Protection Directive (FCP/01/2020)

Directive No. FCP/01/2020 provides a comprehensive framework to ensure that financial services are delivered fairly, transparently, and responsibly. It outlines standards for complaint handling, dispute resolution, and professional conduct, requiring banks to treat all customers equitably, protect the confidentiality of client information, and maintain accessible, efficient, and cost-free internal complaint mechanisms. For Sidama Bank, the Directive informs customer service policies, risk management procedures, and operational oversight, ensuring that client interactions comply with regulatory expectations. Adherence enhances the Bank's reputation, strengthens customer trust, and reduces the risk of regulatory penalties, while enabling Sidama Bank to cultivate sustainable relationships and reinforce its position as a responsible and client-focused financial institution.

XX. Liquidity Requirement Directive No 5th Replacement; SBB/57/2014

Liquidity Requirement Directive No. SBB/57/2014 (5th Replacement) requires banks to maintain adequate liquidity levels to preserve public confidence and ensure their ability to meet short-term obligations. The Directive obliges commercial banks to hold liquid assets equivalent to at least 15% of net current liabilities and mandates the establishment of an Asset and Liability Management Committee (ALCO) to oversee liquidity positions, asset-liability mismatches, and off-balance-sheet exposures. Non-compliance restricts banks from extending new credit without prior approval from the National Bank of Ethiopia, underscoring the directive's prudential importance. Within this framework, Sidama Bank's treasury and balance-sheet management practices are shaped by continuous liquidity monitoring and active ALCO oversight, balancing regulatory requirements with operational funding needs. Effective compliance supports the Bank's financial stability, lending capacity, and reputation for prudence within the regulated banking system.

XXI. Deposit Insurance Regulation 482/2021

Deposit Insurance Regulation No. 482/2021 establishes the Ethiopian Deposit Insurance Fund, which provides a financial safety net for depositors in the event of a financial institution's failure, thereby promoting stability in the banking system. Managed by the National Bank of Ethiopia, the Fund oversees premium collection, sets and updates insured deposit limits, assesses compensation claims, and conducts public awareness initiatives. Sidama Bank S.C. contributes annually to the Fund, ensuring full compliance with regulatory obligations. While participation in the deposit insurance scheme may increase operational costs and limit funds available for lending or investment, it strengthens depositor confidence, encourages wider participation in the banking sector, and supports the Bank's long-term stability and growth strategy.

XXII. Legal Reserve Directive No SBB/4/95

Legal Reserve Directive No. SBB/4/95 requires banks to appropriate a portion of their annual net profits to a legal reserve in order to strengthen capital buffers and enhance long-term financial resilience. Under this Directive, banks must allocate 25% of net annual profits to the legal reserve until the balance equals paid-up capital, after which a minimum of 10% of profits is required to be transferred annually. These requirements affect profit retention and dividend distribution across the banking sector. In the case of Sidama Bank, the Directive influences earnings allocation and capital accumulation policies by prioritizing balance sheet strength over short-term distributable profits. While this may moderate immediate returns to shareholders, it supports the Bank's long-term stability, capital adequacy, and capacity to sustain growth within the regulatory framework.

Other relevant regulations applicable to the Bank

XXIII. Labor law Proclamation No. 1156/2019

Labor Proclamation No. 1156/2019 provides the legal framework governing employment relationships in Ethiopia, defining the rights and obligations of both employers and employees. It covers key aspects such as working hours, wage structures, leave entitlements, occupational health and safety, and employee benefits, promoting fair treatment and safe working conditions. For Sidama Bank, the Proclamation directly informs human resource policies and practices, shaping workforce management, compensation frameworks, and workplace safety programs. Adherence to the labor law ensures compliance with national standards, fosters employee satisfaction, and supports the Bank's operational efficiency, while reinforcing its reputation as a responsible and compliant employer within the financial sector.

XXIV. Income Tax Proclamation No. 979/2016 and its amendment No. 1395/2025

Income Tax Proclamation No. 979/2016, together with its amendment No. 1395/2025, establishes the legal framework for corporate taxation in Ethiopia, covering business income tax, withholding tax, and value-added tax (VAT) obligations. Under these regulations, businesses are subject to a 30% income tax on profits and a 10% tax on income from savings deposits for both residents and non-residents, while VAT Proclamation No. 1341/2024 imposes a 15% tax on cross-border digital services. Sidama Bank S.C. fully complies with these tax requirements, ensuring transparent reporting, accurate tax remittances, and alignment with national fiscal policies. Compliance supports strong financial governance, contributes to Ethiopia's economic stability, and reinforces the Bank's standing as a responsible and law-abiding corporate entity.

XXV. Proclamation to amend the prevention and suppression of money laundering and financing of terrorism (1387/2025)

Proclamation No. 1387/2025 strengthens the legal framework for the prevention and suppression of money laundering and the financing of terrorism, updating obligations for financial institutions to enhance compliance and risk management. In response, Sidama Bank has invested in advanced technology and monitoring systems to ensure continuous adherence to legal requirements, including real-time transaction screening and automated reporting. These measures reinforce the Bank's operational controls, protect customer interests, and safeguard the integrity of the financial system. Compliance with the Proclamation also supports the Bank's strategic objective of maintaining regulatory alignment while fostering stakeholder confidence and resilience against illicit financial activities.

XXVI. Financing of Terrorism Compliance Directives No. 780/2021

Directive No. 780/2021 mandates the implementation of a comprehensive Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) compliance program, including the development of policies, manuals, and procedures in line with relevant laws and proclamations. The Directive requires banks to equip employees to monitor, detect, and prevent transactions that could facilitate criminal or terrorist activities. For Sidama Bank, adherence to this directive shapes internal controls, risk management practices, and employee training programs, ensuring that all transactions are conducted with vigilance and regulatory compliance. Implementation of these measures safeguards the Bank's operational integrity, strengthens financial system stability, and reinforces its commitment to maintaining trust among regulators, clients, and stakeholders.

Capital Market Related Regulations**XXVII. Ethiopian Capital Market Proclamation (No. 1248/2021)**

Ethiopian Capital Market Proclamation No. 1248/2021 establishes the legal framework for the development, regulation, and oversight of Ethiopia's capital markets. The law empowers the Ethiopian Capital Market Authority (ECMA) to ensure market integrity, transparency, and stability, while issuing directives that govern market participants. As a share company, Sidama Bank S.C. is required to adhere to the provisions of the Proclamation and all applicable ECMA regulations and directives. Compliance shapes the Bank's governance, disclosure, and capital-raising practices, reinforcing investor confidence and aligning its strategic objectives with the country's evolving regulatory and market framework.

XXVIII. Directive on Public Offering and Trading of Securities (No. 1030/2024)

Directive No. 1030/2024 provides the regulatory framework for issuing, offering, and trading securities, promoting transparency, fairness, and investor protection within Ethiopia's capital markets. It specifies procedural, reporting, and compliance requirements for public offerings and trading activities, thereby facilitating broader market participation and improving access to funding. For Sidama Bank, this Directive affects the registration of existing shares and any future public offerings with ECMA, ensuring that all regulatory obligations are met. Compliance influences the Bank's capital-raising strategy, corporate governance, and disclosure practices, while fostering investor confidence and supporting sustainable growth in the Bank's capital market engagement.

XXIX. Directive on Licensing and Supervision of Capital Market Service Providers (Directive No. 980/2024)

Directive No. 980/2024 sets out the regulatory framework for licensing and supervising capital market service providers, with the objectives of enhancing investor protection, fostering market confidence, and supporting sustainable development of Ethiopia's capital markets. For Sidama Bank, compliance with this Directive would become relevant if the Bank elects to operate in the capital market through a subsidiary or related entity. Adherence would influence internal governance, risk management, and operational oversight, ensuring that any capital market activities meet regulatory expectations. The Directive also strengthens investor trust and aligns the Bank's strategic initiatives in capital market participation with the regulator's standards for prudence, transparency, and market integrity.

XXX. Directive on Dematerialization of Publicly Offered Securities (Directive No. 1047/2025)

Directive No. 1047/2025 governs the transition of all publicly offered securities from physical certificates to electronic form, aiming to standardize trading and record-keeping, enhance transparency, reduce paperwork, and improve operational efficiency in the capital market. All publicly offered securities are required to be registered with the Central Securities Depository prior to trading. For Sidama Bank, compliance with this Directive affects shareholder communication and operational processes, necessitating clear and timely notifications through newspapers, SMS, email, and the Bank's website. Implementation of electronic securities management also strengthens internal controls, improves record accuracy, and supports the Bank's strategic goal of fostering investor confidence while aligning with modernized capital market infrastructure.

XXXI. Ethiopian Securities Exchange Rulebook 2024

The Ethiopian Securities Exchange (ESX) Rulebook 2024 establishes the regulatory framework for trading securities on the ESX, outlining rules and procedures applicable to listed companies, investors, and other market participants. The Rulebook aims to ensure transparency, fairness, and efficiency in the securities market, protect investor interests, and strengthen overall market confidence. For Sidama Bank, potential compliance with this Rulebook would arise in the event of a securities listing, influencing corporate governance practices, disclosure obligations, and investor relations strategies. Adhering to these requirements would enhance transparency, reinforce stakeholder confidence, and support the Bank's strategic objectives in capital markets while ensuring alignment with regulatory standards.

2.6. Employees

Sidama Bank's workforce has grown steadily and substantially, expanding from 623 employees in June 2023 to 700 in June 2024 (a 12.4% increase), then to 836 in June 2025 (up 19.4%), and reaching 1,058 by June 2026 (up 26.6% year-on-year) a cumulative growth of nearly 70% over the three-year period. This growth has been driven almost entirely by permanent staff, which rose from 623 in 2023 to 1,055 in 2026, while contract employment has remained negligible throughout (only 2 in June 2025 and 3 in June 2026), indicating that the Bank's expansion has been built on a stable, permanently employed workforce rather than temporary staffing. The gender composition has remained relatively consistent across the period, with female employees comprising roughly 25–26% of total staff each year (162 of 623 in 2023, rising to 266 of 1,058 in 2026), suggesting that workforce growth has occurred proportionally across genders without a meaningful shift in the male-to-female ratio over time.

Table 31: Number of employees

Number of Employees	June 01, 2026			30 June 2025			30 June 2024			30 June 2023		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent	791	264	1055	623	211	834	516	184	700	461	162	623
Contract	1	2	3	1	1	2	-	-	-	-	-	-
Total	792	266	1058	624	212	836	516	184	700	461	162	623

Note: In the table "-" represents "Not Available"

Of the Bank's 1,058 total employees, the workforce is heavily weighted toward clerical roles, which account for 729 staff (68.9% of the total), followed by professional staff at 251 (23.7%), and managerial staff at just 78 (7.4%) a structure typical of a retail-focused commercial bank with a broad branch network requiring substantial front-line and operational staffing relative to senior roles. Gender representation varies notably by level: women make up 31.5% of professional staff (79 of 251), but only 24.0% of clerical staff (175 of 729) and just 15.4% of managerial staff (12 of 78), indicating that while female representation is strongest at the professional/technical tier, it narrows considerably at the most senior decision-making level.

Table 32: Staff Positional Status

Staff Category	Male	Female	Total
Managerial Staff	66	12	78
Professional Staff	172	79	251
Clerical Staff	554	175	729
Total	792	266	1058

Employee Benefits and Allowances

Total employee benefit and allowance expenses rose substantially from Birr 94.39 million in FY2023 to Birr 155.94 million in FY2024 (a 65.2% increase), and further to Birr 192.77 million in FY2025 (up 23.6%), reflecting the Bank's growing workforce and rising per-employee cost base. Staff allowance has consistently been the largest single cost component, increasing from Birr 13.06 million in 2023 to Birr 28.52 million in 2025, followed by pension cost (defined contribution plan), which more than doubled from Birr 6.81 million to Birr 14.70 million over the same period together these two items account for the majority of the year-on-year growth in total benefits expense. Several smaller cost categories also emerged or expanded notably during the period: overtime expense rose from nil in 2023 to Birr 2.60 million in 2025, and a new Cash Indemnity Expense of Birr 1.68 million appeared for the first time in 2025, while leave expense fluctuated considerably (Birr 3.04 million in 2023, dropping to Birr 1.53 million in 2024, then rising sharply to Birr 4.49 million in 2025) and severance expense declined from Birr 5.92 million in 2024 to Birr 2.91 million in 2025.

Table 33: Employee Benefit and allowance in ETB

	30 June 2025	30 June 2024	30 June 2023
Pension Cost-Defined contribution plan	14,697,091	11,959,954	6,808,989
Staff allowance	28,518,912	24,382,693	13,063,861
Leave expense	4,490,254	1,528,698	3,039,296
Medical Expense	1,404,293	794,281	541,299
Over Time	2,596,404	730,972	-
Uniform	737,057	395,449	939,470
Severance expense	2,909,272	5,923,062	5,006,856
Cash Indemnity Expense	1,681,078	-	-
Total	192,765,729	155,941,853	94,388,602

N.B.: The higher cash indemnity expense reported in 2025 reflects the commencement of indemnity payments following the Bank's transition from a microfinance institution to a commercial bank. Prior to the 2024/25 financial year, no cash indemnity expense was recognized or paid to employees. The expense was introduced and first recorded in the 2024/25 financial year.

Note: In the table "-" represents "Not Available"

In addition to its workforce, Sidama Bank does not have a formal share-based payment plan but to foster employee ownership and participation through a shareholding scheme. As of June 30, 2025, 226 employees collectively hold 2,878 shares who invest on their own, representing a total investment of Birr 2,878,000. This initiative not only enhances employee engagement and loyalty but also aligns the interests of staff with the long-term success of the Bank.

2.7. Sidama Bank's Debt Position

Sidama Bank's total liabilities have grown rapidly over the three-year period, rising from Birr 496.10 million in FY2023 to Birr 1.53 billion in FY2024 (a 208.7% increase) and further to Birr 4.21 billion in FY2025 (a 174.8% increase), driven overwhelmingly by customer deposit mobilization. Deposits from customers the Bank's primary funding source grew from Birr 229.16 million in FY2023 to Birr 1.22 billion in FY2024 (up 434.5%) and Birr 3.67 billion in FY2025 (up 200.0%), increasing their share of total liabilities from 46.2% in FY2023 to 80.0% in FY2024 and 87.3% in FY2025, reflecting a structural shift toward deposit-funded growth and reduced reliance on borrowing, which grew far more modestly from Birr 143.12 million to Birr 196.84 million over the same period.

Table 34: The liability position of the Bank for the last three years

Liability Item (Birr)	30 June 2025	30 June 2024	30 June 2023
Deposit from Customers	3,674,915,745	1,224,875,020	229,156,647
Other Liabilities	202,486,491	49,234,936	44,833,744
Business Income Tax Liability	9,709,291	1,538,161	15,337,549
Deferred Tax Liability	48,248,196	16,166,568	–
Lease Liabilities	54,032,844	28,569,531	33,881,173
Deferred Grant Income Liability	8,172,073	9,626,083	12,539,171
Borrowing	196,839,578	192,007,690	143,121,075
Severance Benefit Obligations Payable	13,924,311	9,437,628	17,232,229
Total Liabilities	4,208,328,529	1,531,455,616	496,101,588

Note: In the table “-” represents “Not Available”

Sidama Bank had no off-balance sheet exposure as of FY2023, but began issuing guarantees and letters of credit in FY2024, building a combined off-balance sheet exposure of Birr 78.94 million by year-end. This exposure expanded sharply to Birr 484.41 million by FY2025 a more than six-fold increase (513.7% growth) driven by growth in guarantees from Birr 74.22 million to Birr 351.79 million (up 374.0%) and an even steeper rise in letters of credit from Birr 4.72 million to Birr 132.61 million (up roughly 28-fold), signaling the Bank's expanding trade finance and contingent guarantee activity alongside its core lending and deposit business.

Table 35: Off-Balance Sheet Items Summary (FY2023–FY2025)

Off-Balance Sheet Item (Birr)	30 June 2023	30 June 2024	30 June 2025
Loan Commitments	–	–	–
Guarantees	–	74,222,827	351,794,795
Letters of Credit	–	4,717,540	132,611,294
Total Off-Balance Sheet Exposure	–	78,940,367	484,406,088

Note: In the table “-” represents “Not Available”

At present, Sidama Bank S.C.'s only borrowings are from the Development Bank of Ethiopia under the Women Entrepreneurship Development Project (WEDP) Loan Agreement and the Rural Financial Intermediation Program III (RUFIP III) Loan Agreement, this loan is on unsecured bases. The Bank is not a guarantor of any material third-party debt obligations. There have been no material changes in the Issuer's borrowing and funding structure since the last financial year. The outstanding balance of Development bank of Ethiopia loans stood at ETB 56.74 million in 2025, compared to ETB 62.87 million in 2024.

Table 36: Summary of Development Bank of Ethiopian Loan

Item	WEDP Loan Agreement	RUFIP III Loan Agreement	Address of DBE
Lending Institution	Development Bank of Ethiopia	Development Bank of Ethiopia	Broz Tito Street, Addis Ababa, Ethiopia Tel- +251 551 1188/89
Agreement Date	30-Nov-23	17-Jun-24	
Loan Amount	ETB 70.9 million	ETB 49.7 million	
Purpose of the Loan	Financing women-owned or women-led businesses	Financing small-scale agricultural businesses	
Target Beneficiaries	Women entrepreneurs	Small-scale agricultural operators	
Interest Rate	8% per annum	8% per annum	
Repayment Period	5 years	5 years	

The Bank expects to finance its future growth and strategic activities, including branch expansion, digital investments, and other business development initiatives, through internally generated funds and existing capital resources.

2.8. Sidama Bank's Investment Activity

The Bank's investment portfolio is entirely concentrated within Ethiopia and is aligned with regulatory and strategic objectives. Government securities, including Treasury Bonds issued by the Federal Democratic Republic of Ethiopia through the Ministry of Finance, are held as part of the Bank's liquidity management and fixed-income investment strategy. Bonds issued by the Development Bank of Ethiopia are domestic public sector investments and remain outstanding. Equity investments in EthSwitch S.C. and ET Inclusive Finance Technology S.C. are domestic strategic investments aimed at supporting the national payment system and financial technology infrastructure. These investments are operational in Addis Ababa, Ethiopia.

The valuation³ of these securities was conducted using the Fair Value through OCI (FVOCI) method, in accordance with applicable financial reporting standards. Details of the Bank's major investment activities are presented in the table below:

³The valuation of its investment in EthSwitch was conducted by PricewaterhouseCoopers (PwC) on behalf of the Ethiopian Bankers' Association on a collective basis for all member banks, rather than as an individual, bank specific engagement. As the valuation was performed under an engagement with the Association, PwC is not willing to release or share the valuation report with individual member banks, including Sidama Bank, for separate disclosure purposes.

Table 37: Investment Activity of the Bank

Type of Investment	Description	No Share Held at Par Value	Par Value	Fair Value per Share	% Hold	Amount (ETB)	Purpose / Remarks
Government securities	Treasury Bond					313,263,993.87	Part of the Bank's liquidity and fixed-income investment strategy.
	DBE Bonds					35,025,000.00	
Equity Investment	EthSwitch S.C.	36,174	1,000	5,253	1.41%	190,010,704	Financial assets measured at fair value through OCI (2025 AFS); supports participation in national payment and financial technology infrastructure.
	ET Inclusive Finance Technology S.C	3,077	1,000	462	2.25%	1,421,596	

Table 38: Detail of the investment regarding Treasury Bond

S. N	Categories	Start Date	End Date	Balance	Rate
1	Treasury Bond	29-Nov-2023	27-Nov-2028	32,475,000.00	9%
2	Treasury Bond	15-Dec-2023	13-Dec-2028	5,598,000.00	9%
3	Treasury Bond	12-Jan-2024	10-Jan-2029	4,238,000.00	9%
4	Treasury Bond	13-Feb-2024	11-Feb-2029	3,923,000.00	9%
5	Treasury Bond	13-Mar-2024	12-Mar-2029	2,562,000.00	9%
6	Treasury Bond	12-Apr-2024	11-Apr-2029	1,426,000.00	9%
7	Treasury Bond	13-May-2024	12-May-2029	17,737,973.00	9%
8	Treasury Bond	12-Jun-2024	11-Jun-2029	3,545,402.00	9%
9	Treasury Bond	16-Jul-2024	15-Jul-2029	3,720,650.00	9%
10	Treasury Bond	14-Aug-2024	13-Aug-2029	5,231,709.00	9%
11	Treasury Bond	13-Sep-2024	12-Sep-2029	20,030,553.00	9%
12	Treasury Bond	15-Oct-2024	14-Oct-2029	6,228,733.00	9%
13	Treasury Bond	13-Nov-2024	12-Nov-2029	52,752,000.00	9%
14	Treasury Bond	13-Dec-2024	12-Dec-2029	15,669,117.87	9%
15	Treasury Bond	15-Jan-2025	14-Jan-2030	14,280,000.00	9%
16	Treasury Bond	13-Feb-2025	12-Feb-2030	5,532,000.00	9%
17	Treasury Bond	12-Mar-2025	11-Mar-2030	28,589,000.00	9%
18	Treasury Bond	15-Apr-2025	14-Apr-2030	25,980,000.00	9%
19	Treasury Bond	14-May-2025	13-May-2030	13,026,000.00	9%
20	Treasury Bond	12-Jun-2025	11-Jun-2030	11,942,856.00	9%
21	Treasury Bond	11-Jul-2025	10-Jul-2030	38,776,000.00	9%
Total				313,263,993.87	

Table 39: Detail of the investment regarding DBE Bond

S. N	Categories	Issue Date	Matures On	Balance	Rate
1	DBE Bond	31-Dec-2024	1-Jan-2028	10,000.00	9%
2	DBE Bond	31-Dec-2024	1-Jan-2028	10,000.00	9%
3	DBE Bond	31-Dec-2024	1-Jan-2028	10,000.00	9%
4	DBE Bond	31-Dec-2024	1-Jan-2028	50,000.00	9%
5	DBE Bond	31-Dec-2024	1-Jan-2028	100,000.00	9%
6	DBE Bond	31-Dec-2024	1-Jan-2028	100,000.00	9%
7	DBE Bond	31-Dec-2024	1-Jan-2028	100,000.00	9%
8	DBE Bond	31-Dec-2024	1-Jan-2028	100,000.00	9%
9	DBE Bond	31-Dec-2024	1-Jan-2028	1,000,000.00	9%
10	DBE Bond	31-Dec-2024	1-Jan-2028	1,000,000.00	9%
11	DBE Bond	31-Dec-2024	1-Jan-2028	5,000.00	9%
12	DBE Bond	31-Dec-2024	1-Jan-2028	1,000,000.00	9%
13	DBE Bond	6-Mar-2025	6-Mar-2028	10,000.00	9%
14	DBE Bond	6-Mar-2025	6-Mar-2028	10,000.00	9%
15	DBE Bond	6-Mar-2025	6-Mar-2028	10,000.00	9%
16	DBE Bond	6-Mar-2025	6-Mar-2028	10,000.00	9%
17	DBE Bond	6-Mar-2025	6-Mar-2028	100,000.00	9%
18	DBE Bond	6-Mar-2025	6-Mar-2028	500,000.00	9%
19	DBE Bond	6-Mar-2025	6-Mar-2028	1,000,000.00	9%
20	DBE Bond	6-Mar-2025	6-Mar-2028	1,000,000.00	9%
21	DBE Bond	6-Mar-2025	6-Mar-2028	5,000,000.00	9%
22	DBE Bond	15-Dec-2025	15-Dec-2028	23,900,000.00	9%
Total				35,025,000.00	

Sidama Bank earned no investment income in FY2023, but began generating returns in FY2024 with Birr 2,628,648.07 from Treasury Bond investments alone. This income grew nearly nine-fold to Birr 22,275,673.93 in FY2025, driven by a more diversified investment portfolio: Treasury Bond income rose to Birr 16,793,302.70 (the largest contributor), supplemented by a new Birr 5,113,971.64 in EthSwitch share dividends, Birr 206,399.59 from DBE Bond investments, and Birr 162,000.00 from its EltT Inclusive Finance Technology Share Company investment together reflecting the Bank's expanding and increasingly diversified investment income base over the three-year period.

Table 40: Income Generated from Investment

S. No	Description	Income		
		30 June 2025	30 June 2024	30 June 2023
1.	Share Dividend Eth Switch	5,113,971.64		-
2.	Investment-Treasury Bond	16,793,302.70	2,628,648.07	-
3.	Investment-DBE Bond	206,399.59		-
4.	Investment-ET Inclusive Finance Technology Share Company	162,000.00		-
Total		22,275,673.93	2,628,648.07	-

As of the date of this Prospectus, the Bank has no specific future investment plans; however, any material investment decisions will be disclosed in accordance with applicable regulatory and disclosure requirements.

Material Investments Since the date of the last Published Financial Statements

Between June 30, 2025 and the last published financial statements, the Bank increased its total investment portfolio by approximately Birr 98.85 million, or roughly 20.7%, bringing the combined value of government securities and equity investments to approximately Birr 575.90 million. The most significant increase was in DBE Bonds, which more than tripled from Birr 11.13 million to Birr 35.03 million (a 214.8% increase), reflecting a deliberate expansion of the Bank's fixed income holdings. Treasury Bond holdings also grew steadily, rising by Birr 38.78 million (14.1%) to Birr 313.26 million, reaffirming government securities as the Bank's primary liquidity management tool. On the equity side, the Bank added Birr 36.17 million to its stake in EthSwitch S.C. (a 19.0% increase, bringing the total to Birr 226.18 million), consistent with its continued participation in national payment infrastructure, while its investment in ET Inclusive Finance Technology S.C. remained unchanged at Birr 1.42 million, with no additional capital allocated during the period.

Table 41: Material Investments Since the date of the last Published Financial Statements

S. No	Type of Investment	Description	No Share Held at Par Value as of June 30, 2025	Purpose / Remarks	Additional Investment up to last published financial statements	Total
1	Government securities	Treasury Bond	274,487,993.87	Part of the Bank's liquidity and fixed income investment strategy.	38,776,000.00	313,263,993.87
		DBE Bonds	11,125,000.00	Part of the Bank's liquidity and fixed income investment strategy.	23,900,000.00	35,025,000.00
2	Equity Investment	EthSwitch S.C.	190,010,704.00	Financial assets measured at fair value through OCI (2025 AFS); supports participation in national payment and financial technology infrastructure.	36,174,000.00	226,184,704.00
		ET Inclusive Finance Technology S.C	1,421,596.26	Financial assets measured at fair value through OCI (2025 AFS); supports participation in national payment and financial technology infrastructure.	-	1,421,596.26

Note: In the table "-" represents "Not Available"

2.9. Property, Land, and Fixed Assets

As of 30 June 2025, Sidama Bank S.C.'s total Property, Land, and Equipment amounted to Birr 296.48 million (net book value). Land acquisitions referenced under Section 2 (Business Overview) are not included in the above fixed assets balance, as the related consideration had not been fully settled with the government as of the reporting date and, accordingly, ownership had not yet been fully transferred to the Bank.

All fixed assets recognized in the financial statements are fully owned by Sidama Bank S.C. and are free from any third-party claims, pledges, mortgages, liens, or other collateral arrangements. None of the Bank's fixed assets are subject to disputes or legal proceedings. The assets are held exclusively for the Bank's own operational use.

Table 42: The Bank Fixed Assets

Category (Net Book Value)	30 June 2025	30 June 2024	30 June 2023
Buildings	43,726,988	44,475,094	42,730,725
Computer & Accessories	77,249,358	65,392,065	19,101,106
Motor Vehicles	83,287,407	82,256,027	27,162,102
Furniture & Fittings	29,634,451	28,285,991	49,096,309
Office & Other Equipments	62,577,153	42,372,400	-

Total	296,475,358	262,781,577	138,090,242
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Note: In the table "-" represents "Not Available"

Table 43: List of Buildings

S.No	Region	City	kebele	Location Identification Number	Site Contract Number	KM	Original Cost	Verification certificate number
1.	Sidama	Hawassa	Hitata	AH-151597-1604	-		82,126,737.84	4080(223)
2.	Sidama	Shebedino-Leku	Moroch	-	904/2008	1170 M ²	423,633.78	896/1008
3.	Sidama	Wondo Genet	1	-	ወ/ገ/8865/1897	1050 M ²	173,805.78	ወ/ገ/8865/1897
4.	Sidama	Bona Zuria	1	717	-	2243.75M ²	724,015.35	ጦግ/10626/1
5.	Sidama	Benssa Daye	2	141/2012	-	1620.7M ²	440,969.89	423/2012
6.	Sidama	Yirba-Boricha	1	፪/ስ/ግ/4076/007	AD112	720M ²	691,389.66	፪/ስ/ግ/4076/07
7.	Sidama	Hageresalam-Hula	1	52/ፕ-26/2012	-	1485M ²	447,970.57	52/ፕ-26/2012
8.	Sidama	Dara Kawado	1	ቀ/ግ/9265/11	-	1562.5M ²	434,331.29	ቀ1/56/11
9.	Sidama	Alata chuko	1	894/94	-	1798M ²	705,296.20	475/10/12
10.	Sidama	Dara Otilcho-Tefere kela	1	78/01/94	-	466.04M ²	183,551.04	78/01/94

Note: The difference between the building cost disclosed in the PPE table (fixed asset table) and the total building cost disclosed in the above table arises from the classification of building assets into two separate categories: Property, Plant and Equipment (PPE) and Investment Properties. The amount disclosed in the PPE table relates only to buildings occupied and used by the Bank in its operations and, accordingly, classified as Property, Plant and Equipment. The amount disclosed in the above table includes both owner-occupied buildings classified under PPE and buildings held for investment purposes, which are classified separately as Investment Properties in accordance with the Bank's accounting policies.

Note: In the table "-" represents "Not Available"

2.10. Material Contracts

Sidama Bank S.C. determines the materiality of contracts by assessing their potential impact on the Bank's financial condition, performance, and ongoing operations. In this context, an agreement is regarded as material if its size, terms, or strategic importance are significant in relation to the Bank's asset base, capital, or earnings, or if it may reasonably be expected to affect the decisions of existing or prospective investors. Applying this approach, the Bank has undertaken a comprehensive review of its contractual arrangements and has identified and disclosed those agreements that are considered material to its current business and anticipated future activities. The Bank has entered into the following contracts, which are categorized as material by their financial amount or impact nature, that need to be disclosed.

I. Mobile and Internet Banking Software License Agreement

The Bank has entered into a contractual agreement with CRAFT SILICON LIMITED on 15th of May,

2025, for the Licensing of the mobile and internet banking package of software for the next 5 years. In the same contract, agreed for implementation, customization and integration, and training service provision on such software/modules.

The total price for licensing, implementation, customization, and integration service, including VAT, was ETB 24,235,445 (Twenty-Four Million Two Hundred Thirty-Five Thousand Four Hundred Forty-Five).

The mode of payment was 60% of the total price of licensing and implementation fees upon issuance of a purchase order, 20% upon successful completion of training, 10% upon successful user acceptance test signoff, and 10% within 60 days after GO-live of the solution.

II. Telecloud Service Agreement

The Bank has entered into a contractual agreement with ETHIO TELECOM, which is an Ethiopian government-owned public enterprise, for the rental of its data cloud facilities in a package that accommodates Elastic cloud server, cloud server backup, Elastic volume server, virtual private network, Web application firewall, etc. The contract period is for one year with the option of extension.

The total price for cloud facilities rental service is ETB 9.7 million, and the mode of payment is once per annum.

III. Annual Maintenance Agreement for Mobile and Internet Banking System

The Bank has entered into a contractual agreement with CRAFT SILICON LIMITED on 15th of May, 2025, for annual software support and maintenance for 5 years, which will be counted after the end of six months of go-live of the mobile and internet banking software project.

The total price for annual support, including VAT, was ETB 4.1 million, which is fixed until the framework contract period.

IV. Land Lease Contract for Future Head Office Construction

The Bank has entered into a contractual agreement with Addis Ababa City Land Development and Administration on 4th of January, 2024, for future head office construction 5,000 M2 land lease down payment of 15% of the total lease fee. The total lease payment agreed was ETB 195.3 million, which will be executed as an installment within the agreed lease period.

V. Core Banking Software's License Agreement

The Bank has entered into a contractual agreement with CRAFT SILICON LIMITED on 6th of December, 2022, for the Licensing of the Core Banking package of software for a 5-year utilization. In the same contract, agreed for implementation, customization and integration, and training

service provision on such software/modules.

The total price for licensing, implementation, customization, and integration service before VAT was USD 234,165 (Two Hundred Thirty-Four Thousand One Hundred Sixty-Five US Dollars).

The mode of payment was 60% of the total price of licensing and implementation fees upon issuance of purchase order, 20% upon successful completion of training, 10% upon successful user acceptance test signoff, and 10% within 30 days after GO-live of the solution.

VI. Annual Maintenance Agreement for Mobile and Internet Banking System

The Bank has entered into a contractual agreement with CRAFT SILICON LIMITED on 6th of December, 2022, for annual software support and maintenance for 5 years, which will begin after the end of six months period following the go-live of the Core banking software project.

The total price for annual maintenance support before VAT was USD 175,500 (One Hundred Seventy-Five Thousand Five Hundred US Dollars) for a 5-year framework contract period.

VII. Women Entrepreneurship Development Project (WEDP) Loan Agreement

The Bank has entered into a contractual agreement with the Development Bank of Ethiopia on 30th of November, 2023, for a loanable fund amounting to ETB 70.9 million that will be supplied to an earmarked group of communities mainly for women-owned or lead businesses. The fund was supplied to the bank at a lower interest rate of 8% and with a repayment period of 5 years.

The loanable fund supply relationship began from the Micro Finance personality period of Sidama Bank. We keep serving micro wing customers with such types of funds as per the duty imposed by NBE directive SBB/74/2020, article 4, as a relicensed Bank.

VIII. Rural Financial Intermediation Program III (RUFIP III) Loan Agreement

The Bank has entered into a contractual agreement with the Development Bank of Ethiopia on 30th of November, 2023, for a loanable fund amounting to ETB 70.9 million that will be supplied to an earmarked group of communities mainly for women-owned or lead businesses. The fund was supplied to the bank at a lower interest rate of 8% and with a repayment period of 5 years.

The loanable fund supply relationship began from the Micro Finance personality period of Sidama Bank. We keep serving micro wing customers with such types of funds as per the duty imposed by NBE directive SBB/74/2020, article 4, as a relicensed Bank.

Table 44: Current Material Contracts Status

Description of Contract	Payable to	Basis of Calculation	Estimated amount	Paid Amount As of June 30,2026	Outstanding payment as of June 30,2026	Current Status
Mobile and Internet Banking Software License Agreement	CRAFT SILICON	Phase by phase	ETB 24.2 Million	-	ETB 24.2 Million	Active
Tele-cloud Service Agreement	EthioTelecom	Annual rate	ETB 9.7 million	9,845,727.04	No outstanding payment	Active
Annual Maintenance Agreement for Mobile and Internet Banking System	CRAFT SILICON	Annual rate	ETB 4.1 million	-	4.1 Million	Active
Land Lease Contract for Future Head Office Construction	Addis Ababa City Adm Land Adm. And Development Bureau	Fixed rate	ETB 195.3 million for the lease period	29.3 Million	166 Million	Active
Core Banking Software's License Agreement	CRAFT SILICON	Phase by phase	USD 234,165 for 5 yrs	USD 163,680	USD 70,485	Active
Annual Maintenance Agreement for Core Banking System	CRAFT SILICON	Annual rate	USD 175,500 for 5 yrs	USD 99,045.00	USD 12,285	Active
WEDEP Loan Agreement	Development Bank of Ethiopia	Phase by phase disbursable fund	ETB 70.9 million	35,471,836.00	35,471,840.54	Active
RUFIP III Loan Agreement	Development Bank of Ethiopia	Phase by phase disbursable fund	ETB 49.7 million	18,643,761.00	31,072,937.00	Active

Note: In the table "-" represents "Not Available"

Table 45: Summary of Material Contracts

N o	Description of Contract	Payable to	Basis of Calculation	Estimated amount (ETB)	Started Date	Remark
1	Mobile and Internet Banking Software License Agreement	CRAFT SILICON	Phase by phase	ETB 24.2 Million	May, 2025	Software License
2	Tele-cloud Service Agreement	Ethio Telecom	Annual rate	ETB 9.7 million	May, 2025	Cloud rental
3	Annual Maintenance Agreement for Mobile and Internet Banking System	CRAFT SILICON	Annual rate	ETB 4.1 million	May, 2025	Annual Maintenance
4	Land Lease Contract for Future Head Office Construction	Addis Ababa City Adm Land Adm. And Development Bureau	Fixed rate	ETB 195.3 million for the lease period	March, 2025	
5	Core Banking Software's License Agreement	CRAFT SILICON	Phase by phase	USD 234,165 for 5 yrs	December, 2022	Software License
6	Annual Maintenance Agreement for Core Banking System	CRAFT SILICON	Annual rate	USD 175,500 for 5 yrs	December, 2022	Annual Maintenance
7	WEDEP Loan Agreement	Development Bank of Ethiopia	Phase by phase disburseable fund	ETB 70.9 million	November 30, 2023	Lower interest rate (8%) Loan fund
8	RUFIP III Loan Agreement	Development Bank of Ethiopia	Phase by phase disburseable fund	ETB 49.7 million	June 17, 2024	Lower interest rate (8%) Loan fund



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Sidama Bank

SECTION 3

**FINANCIAL
STATEMENTS AND
INFORMATION**



SECTION THREE - FINANCIAL STATEMENTS AND INFORMATION

3.1. Financial Information

The Bank's consolidated audited financial statements for financial years ended 30 June 2025 (FY2025), 30 June 2024 (FY2024) and 30 June 2023 (FY2023) shall be deemed to be incorporated by reference in, and form part of this Prospectus. These financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and endorsed by the Accounting and Auditing Board of Ethiopia. All figures presented in this section are extracted verbatim from the audited financial statements without modification; however, in sections requiring more recent information, unaudited interim financial statements have been used.

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

As at 31 December 2025, the Bank's total capital stands at ETB 1,447,002,000, represented by 1,447,002 shares, forming the overall equity capacity approved for issuance. Out of this amount, the paid-up capital reached ETB 1,160,180,000 as of 31 December, 2025 from ETB 1,054,121,000 as of June 30, 2025, representing an increase of ETB 106,059,000. The total number of paid-up shares correspondingly rose from 1,054,121 shares to 1,160,180 shares, with 286,822 outstanding subscribed shares as of 24 November 2025.

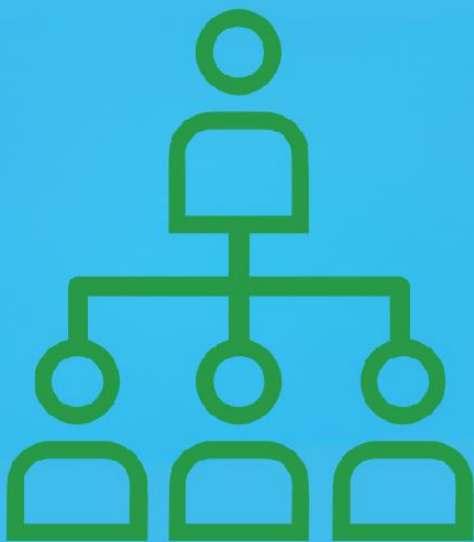
3.4. Pro Forma Financial Information

There is no proforma information in this prospectus



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Sidama Bank

SECTION 4
**GOVERNANCE AND
MANAGEMENT**



SECTION FOUR - GOVERNANCE AND MANAGEMENT

4.1. Corporate Governance Framework

The Bank operates under a corporate governance charter designed to align with the Banking Business Proclamation No. 1360/2025, Bank Corporate Governance Directives No. SBB/91/2024, Ethiopian Commercial Code Proclamation No. 1243/2021, and Memorandum of Association (MOA) of the Bank. The governance structure is anchored in a clear delineation of roles and responsibilities among the General Meeting of Shareholders, the Board of Directors, Senior Management, and Board committees, ensuring accountability, strategic oversight, and compliance with regulatory and ethical standards.

The General Meeting of Shareholders holds the highest authority in the Bank's governance on matters expressly reserved by law or the Bank's constitutional documents, such as the election and removal of directors, approval of capital structure changes, and adoption of audited financial statements. The Board of Directors, appointed by the General Meeting and subject to NBE approval, is entrusted with the overall governance of the Bank. The Board of Directors bears ultimate responsibility for overseeing the implementation of these guidelines, driving strategic initiatives that enhance business prosperity and corporate accountability, while safeguarding the interests of shareholders, customers, and other stakeholders.

The Board is led by a chairperson, elected either by shareholders or from among Board Directors, who ensures the effective functioning of the Board and its committees, sets meeting agendas, and represents the Board in key forums. Supporting the Board is the Company Secretary, appointed by the Board upon the CEO's recommendation, who facilitates governance processes, maintains official records, coordinates communications, and ensures the timely dissemination of information to directors.

The CEO is appointed by the Board of Directors and is responsible for the Bank's day-to-day management and operational functions under the Board's oversight. The CEO represents the Bank in all dealings with third parties and is authorized to execute key financial instruments, manage accounts, and allocate funds to approved development projects. This operational authority extends to preparing internal regulations for Board approval, managing accounting functions, and convening Board meetings as needed.

The CEO is accountable to the Board for the Bank's performance, submitting annual operational and periodic performance reports. His duties include recommending candidates for senior

management and department head positions, overseeing the recruitment and compensation of all other staff, and proposing the appointment of external auditors. The CEO is also responsible for proposing amendments to the Memorandum of Association and addressing any other material operational matters within his authority.

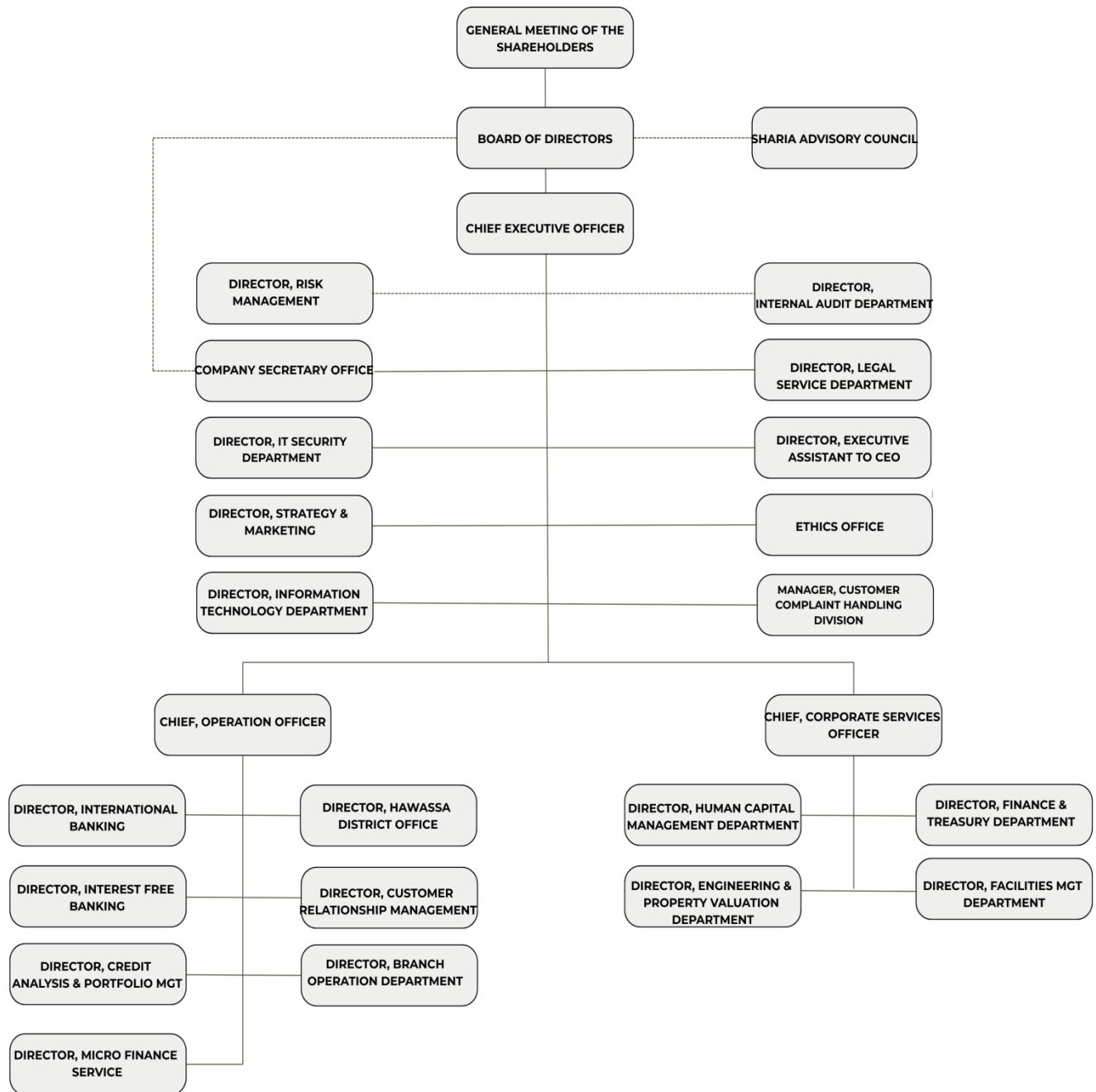
The Chief Officers are appointed by the Board of Directors upon the CEO's recommendation to lead a designated business sector. In this capacity, the Chief Officers are responsible for evaluating departmental performance, developing strategies for operational efficiency, and assessing department heads.

The Chief Officers assume the full duties and authority of the CEO during the absence, whether by formal delegation or by virtue of the leadership hierarchy. Furthermore, the Chief Officers perform any additional responsibilities as defined by the Bank's institutional framework or as delegated by the CEO.

The Company Secretary of the association is appointed and may be dismissed by the Board of Directors upon the CEO's recommendation and is directly accountable to the CEO. The Secretary's primary responsibilities include organizing and preparing all meetings of shareholders, the Board of Directors, its Board Committees, and senior management; setting agendas in coordination with the CEO; and accurately recording and maintaining all minutes.

Furthermore, the Company Secretary is responsible for managing the Bank's corporate records and information systems, ensuring the timely dissemination of information to shareholders and third parties, and submitting required minutes and reports to the National Bank of Ethiopia (NBE). The Secretary also performs any other duties assigned by the board or the CEO or as stipulated in the Bank's institutional organizational charter.

Figure 2: Organizational Structure



Sidama Bank's internal control environment is anchored in its revised Corporate Governance Charter No. 16/2025, which aligns with the Banking Business Proclamation No. 1360/2025, NBE Directive SBB/91/2024, and the Ethiopian Commercial Code No. 1243/2021. The framework establishes a three-lines-of-defense model, accountability lines, and Board-level oversight mechanisms that directly support statutory and regulatory risk management obligations.

The Bank's governance is anchored by a Charter that supersedes all prior documents and is aligned with the prevailing regulatory framework (including Proclamation 1360/2025 and NBE Directive SBB/91/2024). The Charter enshrines regulatory primacy, ensuring statutory and NBE provisions prevail in any conflict, thereby providing a robust first-line defense against compliance risk. Furthermore, the Charter is supported by a formal commitment to enact amendments as necessary to maintain compliance with the evolving regulatory landscape. This governance posture, combining a clear hierarchy of rules with a commitment to timely updates, provides a stable and forward-looking operational platform, significantly de-risking the institution from regulatory obsolescence.

The Board of Directors holds ultimate responsibility for risk, compliance, and internal controls. The specific mandates include maintaining an effective organizational structure, exercising fiduciary duties of care and loyalty, and ensuring operational adherence to all laws essential for regulatory integrity. This governance structure provides a stable platform for operations and reduces material liability exposures.

The governance structure embeds accountability through definitive lines of authority and independent oversight. The Board maintains direct authority over the CEO, who serves as the official link between the Board and management. To ensure robust checks and balances, the Internal Audit and Risk and Compliance units are formally designated as independent control functions with direct reporting lines outside of business operations. Procedural integrity is supported by the Company Secretary, who is responsible for maintaining formal records, facilitating Board meetings, and ensuring compliance with governance protocols. Accountability is further reinforced at the director level, with attendance requirements mandating removal for missing three consecutive meetings without leave and automatic seat cancellation for attendance falling below 75%. Together, these systems of defined roles, independent control, and mandatory participation creates a demonstrable culture of disciplined oversight.

The Bank's Charter serves as an implementation vehicle for the core governance mandates of Banking Business Proclamation No. 1360/2025. It translates regulatory principles into executable

policy, thereby de-risking the institution. This is evidenced by the institutionalization of an internal control system, mandated through Board and committee oversight, independence for risk and audit functions, and required Board-level reviews. Key regulatory requirements are embedded into operational workflows. As a result, related-party transactions are routed through the Audit Committee, director removal criteria are precisely mirrored, and the tone at the top is operationalized through Board mandates on values, risk culture, and a protected whistleblower policy. This deliberate and documented alignment demonstrates a proactive governance stance, ensuring the Charter functions as both a strategic framework and a verifiable instrument of regulatory adherence.

4.2. Code of Conduct, Ethics, and Compliance Practices

Sidama Bank has established a comprehensive and tiered ethics and conduct framework, comprising a Corporate Governance Charter, Board and Senior Management Code of Conduct, Employee Code of Conduct, and Whistleblower Policy. These documents collectively define expected standards of integrity, accountability, and professional behavior across all levels of the organization.

I. Code of Conduct for the Board of Directors and Senior Management

The Code of Conduct for the Board of Directors and Senior Management sets high-level ethical and fiduciary expectations, requiring all directors and senior executives to:

- Act in good faith, with utmost loyalty to the Bank's long-term interests, taking into account the interests of depositors, employees, and the broader community;
- Exercise independent judgment, due care, and diligence in decision-making, and remain personally liable for damages resulting from negligence;
- Avoid conflicts of interest, disclose any actual or potential conflicts ahead of Board discussions, and recuse themselves from related decisions;
- Safeguard confidential information, including customer and third-party data, and use Bank assets and information solely for legitimate institutional purposes;
- Refrain from bribery, corruption, fraud, money laundering, excessive risk-taking, and acceptance of improper gifts or favors; and
- Comply with all applicable laws, NBE directives, and internal policies.

The Board is also mandated to oversee the implementation of a whistleblower policy, approve a code of conduct for employees, and review its effectiveness, including that of its committees and individual directors, reporting outcomes annually to shareholders and the NBE.

II. Code of Conduct for Employees

The Employee Code of Conduct applies to all non-senior management staff and reinforces a culture of professionalism, integrity, and accountability. Key provisions include:

- **Professional conduct:** Employees must perform duties diligently, honestly, and in the Bank's best interest, avoiding any activity that compromises its reputation or business interests;
- **Confidentiality:** All Bank and customer information must be kept strictly confidential, both during and after employment, except where disclosure is authorized or legally required;
- **Conflict of interest:** Employees must avoid actual or potential conflicts, disclose any personal interests (e.g., ownership $\geq 1\%$ in a competing firm), and refrain from secondary employment in similar businesses;
- **Gifts and advantages:** Solicitation or acceptance of any gift, loan, commission, or benefit from clients, suppliers, or third parties in connection with Bank business is strictly prohibited;
- **Use of Bank property:** All resources (equipment, data, facilities) must be used solely for official purposes and protected from loss or misuse;
- **IT and data security:** Employees must comply with IT security protocols, avoid unauthorized software, protect passwords, and refrain from personal or inappropriate use of internet and email systems;
- **Workplace behavior:** Alcohol, drugs, gambling, political/religious promotion, and unprofessional dress are prohibited; employees must maintain a safe, respectful, and professional environment.

III. Monitoring, Oversight, and Enforcement Mechanisms

Sidama Bank has institutionalized a three-tier compliance and enforcement structure:

- **Board Oversight:** The Board, through its Risk & Compliance Committee and Audit Committee, oversees the adequacy of internal controls, compliance frameworks, and ethical conduct across the Bank.
- **Management Accountability:** Senior management is required to establish internal procedures, monitor implementation, and report material breaches (including whistleblower reports) to the Board.
- **Whistleblower Mechanism:** The Whistleblower Policy No. 18/2025 enables all employees, directors, and stakeholders to report misconduct, including fraud, harassment, AML violations, data breaches, or ethical breaches, through multiple secure channels:
 - i. Immediate supervisor or Human Resources;

- ii. Anonymous hotline, email, or online portal;
- iii. The Board of Directors (if internal channels are ineffective);
- iv. The National Bank of Ethiopia (as a last resort).

All reports are received and assessed by the Risk and Compliance Department, which coordinates impartial investigations with Internal Audit, Legal, and HR as needed. The identity of whistleblowers is protected, and retaliation is strictly prohibited.

IV. Disciplinary Procedures

Violations of the codes of conduct are subject to progressive disciplinary action, up to and including summary dismissal and legal prosecution, depending on severity:

- **For employees:** verbal/written warnings, suspension, or termination;
- **For directors and senior management:** removal from office, liability for damages, and regulatory reporting to the NBE;
- False or malicious reporting may also result in disciplinary action.

These frameworks are aligned with applicable laws and reviewed periodically to reflect evolving regulatory expectations and international best practices. Through this integrated approach, the Bank fosters a strong tone from the top and a culture where ethical conduct is non-negotiable.

4.3. Stakeholder Management and Engagement

Sidama Bank does not maintain a standalone policy exclusively dedicated to stakeholder management and engagement. Nevertheless, the Bank recognizes stakeholder satisfaction as a strategic priority and has embedded it as a core component of its institutional framework, most notably through its Five-Year Business Strategic Plan (2024/25–2028/29) and reinforced by complementary operational policies.

This commitment is explicitly reflected in the Bank's Balanced Scorecard, where increasing customer and stakeholder satisfaction is designated as a strategic objective. The objective underscores the Bank's deliberate focus on building long-term trust and value across all stakeholder groups, including customers, shareholders, employees, regulators, and the communities it serves.

To translate this objective into measurable action, the Strategy and Marketing Department leads semi-annual feedback collection and measurement exercises targeting customers and shareholders. Performance is tracked through quantifiable indicators such as customer retention rates, shareholder satisfaction levels, and service delivery timeliness and quality. These insights directly inform service enhancements, product development, and strategic recalibrations to ensure continuous alignment with stakeholder expectations.

Engagement with stakeholders is operationalized through structured mechanisms tailored to each group. Customers and shareholders receive regular disclosures, including audited financial statements, Board reports, and governance updates. Employees are empowered to raise concerns through the Whistleblower Policy, which ensures confidential and reprisal-free reporting of unethical or illegal conduct. The Bank also tracks employee satisfaction as part of its commitment to deepening internal engagement.

The Risk and Compliance Department serves as the primary point of contact for whistleblower reports submitted via hotlines, online portals, or direct communication channels. Upon receipt, the Department conducts an initial assessment to determine the credibility and severity of allegations and, where warranted, oversees or coordinates impartial investigations in collaboration with the Legal, Human Resources, and other relevant departments.

Community engagement is advanced through the Bank's aspiration to promote financial inclusion and deepen access to financial services for its core market niche. In fulfillment of regulatory obligations, the Bank fully adheres to NBE's Financial Consumer Protection Directive No. FCP/01/2020 through its Financial Consumer Protection Policy. A dedicated Financial Consumer Complaints Handling Division, accountable to the Office of the Chief Executive Officer, receives, resolves, and reports consumer grievances on a monthly basis.

To ensure transparency and timely disclosure of information, the Bank has drafted a Disclosure Policy developed in compliance with the NBE Corporate Governance Directive No. SBB/91/2024, the Commercial Code of Ethiopia (2020), and the Financial Reporting Proclamation No. 847/2014. The Policy establishes a clear and structured mechanism for identifying, approving, and disseminating material information to stakeholders. Key disclosure practices include;

- Publishing the composition, qualifications, and roles of the Board of Directors and senior management;
- Distributing audited financial statements, including balance sheets, income statements, cash flow statements, and prudential ratios, to shareholders and the public;
- Submitting annual Board reports directly to shareholders; and
- Ensuring public access to governance documents, organizational structure, and performance metrics through the Bank's official website and physical branches.

This integrated approach, anchored in strategy, validated by policy, and driven by measurable outcomes, demonstrates the Bank's commitment to ethical, responsive, and inclusive stakeholder engagement.

4.4. Environmental and Sustainability Policies and Practices

Sidama Bank has established a formal, risk-based framework to integrate environmental and social considerations into its lending and investment decision-making processes. The Policy formalizes the Bank's commitment to responsible finance and sustainable development, aligning with international standards such as the IFC Performance Standards and national regulatory requirements.

The Policy applies to all financing activities, including corporate and commercial lending, project finance, trade finance, and syndicated loans. It categorizes transactions into three risk levels, Category A (high risk), Category B (limited risk), and Category C (minimal risk), to determine the required level of due diligence.

For Category A and B transactions, the policy mandates a detailed environmental and social assessment, requiring clients to develop an Environmental and Social Management Plan (ESMP) outlining mitigation measures. The Bank incorporates environmental and social obligations, including compliance with the ESMP, into loan agreements as covenants. Client monitoring is required for high-risk transactions, with the Bank reserving the right to conduct independent audits.

The Policy explicitly prohibits financing of activities listed as prohibited by the Ethiopian Environmental Protection Authority (EEPA). It also establishes clear roles and responsibilities. The Risk and Compliance Department leads implementation, while the Credit Department initiates screening and escalates high-risk transactions. The Credit Committee must consider environmental and social due diligence before approving any transaction.

In terms of stakeholder engagement, the policy requires clients to comply with national and local laws as well as international standards, including IFC Performance Standards, to mitigate adverse environmental and social impacts. While the policy does not specify direct community engagement mechanisms, it mandates client compliance with legal and ethical requirements.

4.5. Internal Control Systems

The Bank's internal control system is built on the five interrelated components set forth in internationally accepted frameworks, such as COSO:

- i. **Control Environment ("Tone at the Top"):** This forms the foundation of the internal control system and is established by the board of directors and senior management. It encompasses the Bank's integrity, ethical values, management's philosophy, and overall governance structure.

- ii. **Risk Assessment:** The Bank proactively identifies, analyzes, and manages risks that could impede the achievement of its objectives. These include credit, market, operational, liquidity, and compliance risks, assessed both at the entity level and in relation to specific activities.
- iii. **Control Activities (Policies and Procedures):** These are the specific actions and policies implemented to mitigate identified risks, for example, segregation of duties, authorization and approval limits, physical security controls, reconciliations, verifications, and IT general controls.
- iv. **Information and Communication:** Relevant information is identified, captured, and communicated promptly to enable personnel to discharge their responsibilities effectively. Communication flows across all levels of the organization and with external stakeholders.
- v. **Monitoring Activities:** The internal control system is subject to continuous monitoring through ongoing management activities and periodic, independent evaluations. The Internal Audit function serves as the primary body for independent monitoring and reports directly to the Board's Audit Committee.

The effectiveness of the internal control system relies on a well-defined organizational structure with clear lines of responsibility. The key organs involved are

A. The Board of Directors and its Committees:-

- **Board of Directors:** Holds ultimate responsibility for governance and the internal control system, sets strategic direction, and approves major policies.
- **Audit Committee:** A Board Committee that oversees financial reporting, the internal control system, and internal and external audit functions. It reviews audit reports and ensures management implements corrective actions.
- **Risk and Compliance Management Committee:** Oversees the Bank's risk and compliance management framework, including risk appetite and related policies.

B. Senior Management:-

Led by the Chief Executive Officer, Senior Management is responsible for implementing Board-approved strategies and policies. It ensures the internal control system is effectively designed, operated, and monitored across all business units and functions, with clear assignment of control responsibilities throughout the Bank.

C. Internal Audit Function (Third Line of Defense) :-

This independent assurance function reports functionally to the Audit Committee and

administratively to the CEO, a structure designed to safeguard its independence. Internal Audit assesses the effectiveness of the internal control system, risk management, and governance processes, but does not implement controls.

D. Risk and Compliance Department (Second Line of Defense):-

The Department is responsible for developing the risk management framework, identifying and assessing risks, and ensuring bank-wide compliance with internal policies and external regulations, including directives issued by the National Bank of Ethiopia.

E. Business and Support Units (First Line of Defense):-

All operational departments, including branches, credit service, it, finance, HR, branch operations, and international banking, are the first line of defense. They own risks and controls and are responsible for executing control procedures as part of their daily activities. Sidama Bank's internal control structure aligns with the internationally recognized "Three Lines of Defense" model:

- **First Line:** Management and business units own and manage risks and implement controls.
- **Second Line:** Risk and Compliance provide oversight, guidance, and monitoring of risk management implementation.
- **Third Line:** Internal Audit delivers independent assurance to the Board and management on the effectiveness of the first and second lines.

4.6. Risk Management Framework

Sidama Bank operates under a comprehensive Risk and Compliance Management Program that embeds risk governance into every level of the organization. The framework is anchored in the "Three Lines of Defense" model and aligns with regulatory requirements and international best practices. The framework formally addresses six core risk categories: credit, liquidity, market, operational, strategic, and compliance risk. These risks are highly interconnected; a deterioration in one area (e.g., credit quality) can trigger vulnerabilities in another (e.g., liquidity). Each risk category is governed by dedicated policies, defined risk tolerance limits, and standardized processes for identification, measurement, monitoring, and mitigation.

Ultimate responsibility for risk oversight rests with the Board of Directors, which approves the Bank's risk appetite and key policies. Senior Management is accountable for implementation, embedding risk management into daily business decisions and strategic initiatives. Execution is supported by clear accountability structures and Management Information Systems (MIS). The Risk and Compliance Management Department (RCMD) serves as the independent second line of

defense, providing oversight and reporting to the Board. All business units form the first line, owning risks within their operations, while Internal Audit, as the third line, provides objective assurance on the control environment's effectiveness.

The framework incorporates stress testing, scenario analysis, and forward-looking risk assessments to identify emerging threats and ensure business resilience under adverse conditions. This integrated approach, reinforced by regular training, policy reviews, and a strong risk culture, enables the Bank to pursue sustainable growth while safeguarding its capital, reputation, and stakeholder interests.

The Bank maintains a Board-approved risk appetite statement that establishes the absolute level of risk the institution is willing to accept in pursuit of its strategic objectives, ensuring alignment with its capital capacity, regulatory requirements, and profit-and-loss expectations. Ultimate responsibility for setting this enterprise-wide risk appetite resides with the Board of Directors, with Senior Management tasked with its implementation across all business units. All operational activities are strictly required to remain within the approved risk parameters and exposure limits. The framework incorporates an escalation protocol, mandating that any material deviations be promptly reported to the Board along with management's corresponding mitigation plans, thereby ensuring continuous Board oversight and proactive risk management. This structure provides a critical safeguard for capital preservation and sustainable growth.

Sidama Bank's risk management program is built on a comprehensive framework covering six core risk types:

- I. **Credit Risk:** Managed through credit policies, internal limits, portfolio monitoring, provisioning, and stress testing. Large exposures and concentration risks are actively controlled.
- II. **Liquidity Risk:** Addressed via a liquidity policy, risk strategy, and monitoring systems to ensure the Bank can meet obligations as they fall due without incurring unacceptable losses.
- III. **Market Risk:** Includes interest rate and foreign exchange risk, measured and monitored through scenario and sensitivity analyses.
- IV. **Operational Risk:** Arising from people, processes, systems, or external events, managed through the Three Lines of Defense model, internal controls, and business continuity planning.
- V. **Strategic Risk:** Linked to poor business decisions, improper implementation, or failure to adapt to industry changes. Mitigated through alignment of strategy, resources, and

execution.

- VI. Compliance Risk:** Risk of loss due to non-compliance with laws, regulations, or ethical standards. Addressed through robust compliance policies, training, and oversight.

Sidama Bank's risk management program is built on a comprehensive framework covering six core risk types:

4.7. Explanation of factors that could materially impact corporate governance

Factors that could impact the corporate governance of the company are:

- I. Regulatory Environment:** As a commercial bank that operates under the strict and changing regulatory framework led by the National Bank of Ethiopia (NBE), changes in banking sector regulations, capital requirements, reporting standards, or governance directives can significantly affect board oversight, compliance structures, and operational decision-making. The number of other regulatory organs is increasing from time to time, such as the Financial Intelligence Service (FIC), which regulates AML-CFT, and the Capital Market Authority, which regulates the Bank's share administration and capital-raising platforms. Changes they make to regulatory directives materially affect the Bank's transaction recording and information sharing pattern, and also affect the share administration system and capital raising modalities.
- II. Change in Shareholder Structure:** As the Bank is on the way to raising paid-up capital to ETB 5 billion to meet regulatory requirements, lately joining influential shareholders may affect the internal decision-making platform at the General Assembly or at the Board of Directors, such as the investment plans.
- III. Technological Factors:** High-frequency advancement in financial technologies affects operational and competition platforms, including service delivery models.

4.8. Board of Directors and Management

Sidama Bank operates under a defined corporate governance structure, as set out in its Corporate Governance Charter, which aligns with NBE's Corporate Governance Directive NBE Directive No. SBB/91/2024, the Ethiopian Commercial Code, and the Bank's Memorandum of Association. Central to this framework is the distinct yet complementary relationship between the Board of Directors and Senior Management, each with well-articulated roles, responsibilities, and accountability mechanisms. Hence, the establishment and composition of the Board of Directors is designed in alignment with the NBE's Corporate Governance Directive No. SBB/91/2024, the Ethiopian Commercial Code.

As of the date of this Prospectus, the Bank does not fully comply with the requirement under NBE

Directive No. SBB/91/2024, which mandates that at least one-third of the Board of Directors consist of independent directors. However, subject to the approval of the NBE, the Bank anticipates that the appointment of three newly elected Independent Board Directors will rectify this position, one of whom possesses a legal background, resulting in a revised Board composition and total Board size that meets the regulatory requirement.

In response to the non-compliance with NBE's Corporate Governance Directive SBB/91/2024, particularly regarding Board independence, the Bank has taken remedial action. During the 4th Ordinary General Assembly held on December 6, 2025, elections were conducted to fill three vacant seats on the Board of Directors, in accordance with Article 20(2) of the Bank's amended Memorandum of Association.

Pending formal approval and acknowledgment of the minutes by NBE, the election results are expected to take immediate effect, thereby increasing the number of independent directors on the Board. This step directly addresses the identified gaps and aligns the Bank's governance structure with the requirements of Directive SBB/91/2024.

4.8.1. Board of Directors

The Board of Directors is the highest governing body of the Bank, appointed by the General Meeting of Shareholders and subject to NBE approval. The term of service for a Board Director is three years. A Director may serve one additional term if re-elected. The Board bears ultimate and collective responsibility for the Bank's strategic direction, financial soundness, risk management, compliance obligations, and corporate culture. The Board exercises its duties in the best long-term interests of the Bank and its stakeholders, including shareholders, depositors, customers, and the broader community. Subject to NBE's approval of the newly elected Board of Directors, there will be a change in the composition and total number of the Board of Directors (including Board Committee composition).

Key responsibilities of the Board include:

- Approving and overseeing the implementation of the Bank's strategic objectives, governance framework, and risk appetite;
- Appointing, evaluating, and, if necessary, removing the CEO, and approving senior executive appointments based on the CEO's recommendations;
- Approving the organizational structure, delegation of authority, compensation framework, and key policies;
- Overseeing the performance of Senior Management and ensuring robust internal controls

and compliance systems are in place;

- Convening and chairing the General Meeting of Shareholders and submitting an annual performance report, including audited financial statements.

4.8.2. Profile of Board Directors

The Board of Directors of Sidama Bank currently comprises nine working Directors (with three vacant Director Positions), including representatives from key Sidama regional institutions and independent individuals, reflecting a deliberate emphasis on regional representation, gender diversity, and professional expertise. The Board is chaired by Ato Abreham Marshalo Etiso, representing the Sidama Regional State Revenue Authority, with Tsegaye Anebo Alemso of the Sidama Coffee Farmers' Cooperative Union serving as Deputy Chairperson. Other Directors include representatives from the Sidama Regional State Finance Bureau, Urban Development & Construction Bureau, Cooperatives Agency, and the Sidama Development Association, alongside three individual Directors.

All Board of Directors are Ethiopian nationals and bring over two decades of average professional experience across diverse fields such as accounting, economics, business management, agriculture, statistics, sociology, and natural resource management, ensuring a well-rounded governance perspective aligned with the Bank's regional roots and strategic objectives. All Directors were appointed on November 30, 2024, for a three-year term ending October 30, 2027.

Table 46: Profile of Board of Directors

S/N	Name	Permanent Representative	Position in the BODs	Educational Background	Total Work Experience
1	Sidama Regional State Revenue Authority	Ato Abreham Marshalo Etiso (Appointed on November 30, 2024)	Chairperson	BA in accounting & MA in cooperative development & leadership	• More than 27 years From July 2020 to date, serving as Government Spokesperson at Sidama Regional State From November 2018 to June 2020, served as Vice President and Head of SNNPRS Urban Dev't and Construction Bureau From February 2018 to October 2018, served as Head of SNNPRS Transport and Road Development Bureau
2	Sidama Coffee Farmers' Cooperative Union	Ato Tsegaye Anebo Alemso (Appointed on November 30, 2024)	Deputy Chairperson	BA in accounting & MA in commerce, specialized in accounting	• More than 28 years From January 2007 to date, serving as General Manager, Sidama Coffee Farmers Cooperatives Union (SCFCU), the second

S/N	Name	Permanent Representative	Position in the BODs	Educational Background	Total Work Experience
					largest coffee producing and exporting cooperative union in Ethiopia From March 2004 to December 2007, served as Financial Management and Monitoring Specialist at Association of Ethiopian Microfinance Institutions (AEMFI)
3	Sidama Regional State Finance Bureau	Ato Haile Harsisa Haro (Appointed on November 30, 2024)	Member	BA in Economics & MA in Business Adm.	More than 25 years From October 2024 to date, serving as Head of Sidama Regional State Finance Bureau From July 2020 to October 2024, served as Deputy Head of Sidama Regional State Finance Bureau
4	Sidama Regional State Urban Development & Construction Bureau	Ato Timotewos Hayeso Borsamo (Appointed on November 30, 2024)	Member	BSc in plant science, MSC in agriculture, and MA in urban management & Development	More than 27 years From August 2025 to date, serving as Interim Country Director and Program Director at Heifer International From August 2023 to July 2025, served as Program Director at Heifer International From November 2021 to July 2023, served as Chief Party at SNV Netherlands Development Program Organization
5	Sidama Development Association	W/ro Woinshet Mengesha Sinkale (Appointed on November 30, 2024)	Member	BA in sociology and MA in sociology	More than 17 years From January 2024 to date, serving as Chief Executive Officer of Sidama Development Association From January 2021 to December 2024, served as Branch director at EECMY-DASSC South and Central Ethiopia From January 2019 to December 2021, served as Development Project Coordinator financed by World Bank, UNICEF, and African Development Bank at SNNPRS Finance Bureau
6	W/ro Muluwork Derese Degsew	An individual from a Minority (Appointed on	Member	BSc in statistics, MA in	More than 16 years From September 2023 to date, serving as Deputy

S/N	Name	Permanent Representative	Position in the BODs	Educational Background	Total Work Experience
		November 30, 2024)		Development studies	Commissioner of Operation Division at Customs Commission of Ethiopia From September 2021 to September 2023, served as Deputy Head, Addis Ababa City Housing Development and Administration Bureau From July 2020 to September 2021, served as Director, Sidama Regional State Revenue Authority.
7	Ato Shebeku Magane Gaffa	An individual from a Minority (Appointed on November 30, 2024)	Member	BA in Business Management & MA in Business Administration	More than 22 years From October 2025 to date, serving as Chief Corporate Resource Management at Sidama Bank Share Company From September 2024 to September 2025, served as VP Corporate Resource Management at Sidama Bank Share Company From May 2024 to September 2024, served as Acting VP Corporate Resource Management at Sidama Bank Share Company From August 2022 to May 2024, served as Director, Strategy and Marketing Dept at Sidama Bank From March 2018 to July 2022, served as Manager, Finance and Accounts Dept at Sidama Micro Finance Institution
8	Dr. Wogene Markos Dumo	An individual from the Independent Director (Appointed on November 30, 2024)	Member	BA in Economics, MSC in natural resource Economics and policy, PHD in Economics	More than 17 years From October 2021 to date, serving as Dean of college of Business and Economics at Hawassa University From April 2020 to October 2020, served as Head of Economics Department at Hawassa University
9	Sidama Regional State Cooperatives Agency	Ato Shimelis Hatiso Hankalo (Appointed on November 30, 2024)	Member	BA in Management & MSC in Sustainable	More than 27 years From July 2019 to date, serving as Director of Sidama Regional State Cooperatives Agency

S/N	Name	Permanent Representative	Position in the BODs	Educational Background	Total Work Experience
				Natural Resource Management	

4.8.3. Senior Management

As of the date of this Prospectus, the Bank's senior management team comprises experienced professionals with extensive expertise across banking, finance, risk management, audit, law, information technology, and strategy. Each individual brings substantial experience in the financial services sector, and their collective knowledge and skills underpin the Bank's strategic direction and operational resilience. All senior management personnel are Ethiopian nationals. Their profiles are set out below.

Table 47: Profile of Senior Management

S/N	Full Name	Position in the Company	Educational Background	Total work experience
1	Ato Tadesse Hatiya Oge	Chief Executive Officer (More than 3 years at the Bank)	BA in Management, MA in International Business	More than 28 years From June 2022 to date, serving as Chief Executive Officer at Sidama Bank Share Company From Feb 2021 up to June 2022 served as VP Operations at Brehan Bank Share Company From March 2018 up to Sept 2021 served as Executive Assistant to the President at Brehan Bank Share Company From June 2017 up to March 2018, served as Credit Advisor to the Director General of Ethiopian Public Financial Enterprises Agency From December 2009 up to April 2016, served as Vice President, Credit Services at Development Bank of Ethiopia From April 2016 to May 2017, served as Vice President, Credit Management at the Development Bank of Ethiopia From December 1995 to 2009, served in Commercial Bank of Ethiopia at different positions up to Director-Customer Accounts and Transaction Services
2	Ato Shebeku Magane Gaffa	Chief, Corporate Service Officer (More than 12 years at the Bank [3 yrs after relicensing and 9 yrs during MFI]) Serving on the Board of Directors as per NBE directive	BA in Business Management, MA in Business Administration	More than 22 years From October 2025 to date, serving as Chief Corporate Resource Management at Sidama Bank Share Company From Sept 2024 to September 2025, served as VP Corporate Resource Management at Sidama Bank Share Company From May 2024 to September 2024, served as Acting VP Corporate Resource Management at Sidama Bank Share Company From August 2022 up to May 2024 served as Director, Strategy and Marketing Dept at Sidama Bank From March 2018 to July 2022, served as Manager, Finance and Accounts Dept at Sidama Micro Finance Institution

S/N	Full Name	Position in the Company	Educational Background	Total work experience
3	Ato Dereje Temesgen Kifaw	Director, Risk and Compliance Mgt Dept (More than 2 years at the Bank)	BA in Finance & Development Economics, MA in Business Administration.	More than 19 years From January 2024 to date, serving as Director, Risk and Compliance Management Department at Sidama Bank Share Company From November 2020 to January 2024, served as Manager of Risk Management Division at Enat Bank Share Company From February 2017 to October 2020, served as Branch Manager at Enat Bank Share Company
4	W/ro Mihret Brehanu Nega	Director, Internal Audit Dept (More than 2 years at the Bank)	BA in Accounting, MA in Business Adm.	More than 21 years From November 2023 to date, serving as Director, Internal Audit Department at Sidama Bank Share Company From November 2022 to October 2023, served as Branch Manager at Enat Bank Share Company From November 2018 to October 2022, served as Branch Manager at Brehan Bank Share Company From January 2004 to November 2018, Assistant Branch Manager, IBD Officer I, and Section Head in IBD
5	Ato Tadele Tilahun Worana	Director, Legal Service Dept (More than 3 years at the Bank) Serving as Company Secretary by delegation	LLB in Laws, LLM in Commercial Law	More than 17 years From August 2022 to date, serving as Director, Legal Service Department at Sidama Bank Share Company From July 2020 to August 2022, served as Deputy Attorney General at Sidama Regional State Attorney General's Office From September 2019 to June 2020, served as Legal Advisor at SNNPRS Tax Authority
6	Ato Wondachew Woldeyesus Hatiya	Director, Information Technology Dept (More than 3 years at the Bank)	BSC in Computer Science	More than 10 years From January 2024 to date, serving as Director, Information Technology Department at Sidama Bank Share Company From July 2023 to December 2023, served as Manager, IT Security Division at Sidama Bank Share Company From January 2023 to July 2023, served as Manager, Core Banking and System Development Division at Sidama Bank Share Company From July 2021 to December 2022, served as Senior System Security Officer at Zemen Bank Share Company From December 2015 to June 2021, served as Application Security Engineer at Information Network Security Agency (INSA)
7	Ato Wonsha Micheal Dideso	Director, Strategy & Marketing Dept (More than 3 years at the Bank)	BA in Business Management, MA in Marketing Management	More than 14 years From April 2025 to date, serving as Director, Strategy & Marketing Department at Sidama Bank Share Company From August 2024 to March 2025, served as Acting Director, Strategy & Marketing Department at Sidama Bank Share Company From January 2023 to June 2023 served as Manager, Marketing and Corporate Communication Division at Sidama Bank Share Company From August 2022 to December 2022, served as Senior Customer Service Officer at Sidama Bank Share Company From August 2020 to July 2022,

S/N	Full Name	Position in the Company	Educational Background	Total work experience
				served as Senior Banking Service Officer at Abyssinia Bank Share Company
8	Ato Elias Hirpho Debona	Director, Credit Service Dept (More than 3 years at the Bank)	BA in Economics, MBA in Development Economics	More than 13 years From October 2022 to date, serving as Director, Credit Service Dept at Sidama Bank Share Company From July 2021 to September 2022, served as Customer Relationship Manager at Commercial Bank of Ethiopia, Hawassa District Resource and Credit Management From December 2020 to July 2021, served as Shafeta Branch Manager at Commercial Bank of Ethiopia
9	Ato Dawit Guye Gudura	Director Finance and Treasury	MSc Degree in Accounting and Finance	More than 15 years Since July 22, 2024 up to date serving as Director Finance and Treasury at Sidama Bank Share company From March 21, 2024 up to July 21, 2024 served as Acting Director -Finance and Accounts Department at Sidama Bank S.C From March 17, 2023 up to March 20, 2024 as Manager -Share and Shareholder's affairs Division in the Finance and Account Department at Sidama Bank S.C From August 01, 2022 up to March 16, 2023 as Manager -General Accounts Division at Sidama Bank S.C From June 01, 2018 up to July 31, 2022 as Head-Budget and Cost Division at Sidama Micro Financing Institution in Head Office. From July 01, 2017 up to May 31, 2018 as Chief Accountant at Sidama Micro Financing Institution in Head Office. From September 01, 2010 up to June 30, 2017 in Sidama Micro Financing at different positions up to Branch Manager.

4.8.4. Additional Disclosures

- No individual service contracts or termination benefits have been established for any director beyond the formal appointment letter issued by the NBE as per the General Assembly Minute. There are no benefits during termination or at the end of the term of office. This structure reinforces a culture of fiduciary responsibility and public accountability. The Bank was re-licensed from its predecessor, Sidama Microfinance Institution, which was fully owned by the Sidama Regional State. As such, there were no private founders or promoters in the traditional sense.
- There are no family relationships among the natural persons currently serving on the Board of Directors or in Senior Management positions. Furthermore, as of the date of this disclosure, there are no planned or expected changes to the Chief Executive Officer or other senior management roles within the next 12 months.
- Based on formal declarations and due diligence conducted at the time of appointment, there

is no director, key personnel, or influential shareholder who has been (whether in Ethiopia or outside) involved in bankruptcy or insolvency proceedings, criminal convictions, or pending fraud/dishonesty charges, or orders or rulings related to fraud, dishonesty, or professional restrictions.

- There are no unusual or significant interests held by any Board Director in past or ongoing transactions that could potentially affect the Bank's business operations or create conflicts of interest.
- All relevant information regarding the nature and extent of any interests of the Board of Directors is discussed under Section 6 of this prospectus. The Bank confirms that there are no transactions which are or were unusual in their nature or conditions or significant to the business of the Bank; and which were affected by the Bank during the current or immediately preceding financial period; or an earlier financial period and remain in any respect outstanding or unperformed. The Board of Directors holds a total of 1,004 shares, representing 0.100% of the issued capital. This includes interests held by four Directors with dual interests (holding both personal shareholdings and institutional representations), two Directors serving under institutional mandates, and one Independent Director.

4.9. Board Committees and Practices

In accordance with its Corporate Governance Charter and NBE's Corporate Governance Directive, Sidama Bank's Board of Directors has established four standing subcommittees: The Audit, Risk and Compliance, Nomination and Remuneration Committee, and Credit to enhance the depth and independence of the Board's oversight. Each committee functions under a specific and board-approved charter. As of the date of this Prospectus, the Bank is not yet in full compliance with NBE Directive SBB/91/2024 regarding the independence requirements for committee composition and leadership.

While working towards full compliance with these specific independence requirements, the Bank has institutionalized an oversight model through a suite of mandated Board Committees, ensuring an independent approach to governance. Central to this framework are the Audit Committee and the Risk and Compliance Committee, which serve as critical control pillars. The Audit Committee, established per regulatory directive, safeguards financial integrity by overseeing internal audit functions and financial reporting, reviewing the efficacy of internal controls, approving related-party transactions, and ensuring external auditor independence. Complementing this, the Risk and Compliance Committee is tasked with formally reviewing the Bank's risk appetite, policies, and

tolerance limits for Board approval, while ensuring the independent operation of the Risk and Compliance Management Office from business units and monitoring management's reports on exposures and controls.

The governance structure is further reinforced by formally established Nomination and Remuneration and Credit Committees, demonstrating depth in oversight capabilities. An operating rhythm is enforced, with all committees required to meet at least quarterly and report their findings to the full Board, ensuring consistent top-level engagement and accountability. This committee structure provides a multi-layered defense against operational, financial, and compliance risks, representing a governance structure that enhances operational stability and mitigates oversight-related liabilities for potential investors. Below is a brief description of the Board Committees currently in place.

4.9.1. Board Audit Committee

The Audit Committee provides independent oversight of the Bank's financial reporting, internal control systems, and compliance framework to ensure integrity and accountability. The committee comprises at least three non-executive directors, including at least two with accounting or finance expertise. The Chairperson of the Committee is not an Independent Director. The Committee meets at least once in a quarter and submits regular reports on its activities and findings to the full board. All minutes of the meetings are prepared and formally approved by the Committee. The Company Secretary serves as secretary of the Committee and is responsible for documenting proceedings and maintaining official records.

❖ Key Responsibilities:

- Oversees the internal and external audit functions.
- Reviews audit findings and recommends corrective actions.
- Recommends the appointment/removal of external auditors and assesses their independence.
- Approves non-audit services by external auditors to prevent conflicts of interest.
- Reviews related-party transactions for compliance.
- Ensures fair and transparent financial disclosures.

4.9.2. Board Risk and Compliance Committee

The Risk and Compliance Committee provides independent oversight of the Bank's enterprise-wide risk management and compliance frameworks, ensuring all material risks are properly identified, measured, monitored, and controlled. The committee comprises at least three non-executive directors. The Chairperson of the Committee is not an Independent Director. The Committee holds regular meetings, at least once per month, and reports its findings and recommendations regularly to the Board of Directors. The proceedings of all Committee meetings are recorded in writing, with the minutes signed by all Directors present to confirm their accuracy. The Company Secretary serves as secretary of the Committee and is responsible for documenting the discussions and maintaining the official records.

❖ **Key Responsibilities:**

- Review and recommend the Bank's risk appetite, tolerance limits, and core risk management policies for board approval.
- Assess the adequacy and effectiveness of the risk management and compliance frameworks.
- Ensure the independence, resources, and infrastructure of the risk and compliance functions.
- Monitor management's reports on risk exposures, portfolio composition, and emerging risks.
- Oversee regulatory compliance and the effectiveness of the internal control environment.

4.9.3. Board Nomination and Remuneration Committee

The objective of the Nomination and Remuneration Committee is to provide independent, transparent, and merit-based oversight of senior management governance, including succession, performance, and compensation. The Committee comprises at least four non-executive directors. Committee meetings convene at least quarterly and report their findings and recommendations to the full board. All proceedings of Committee meetings are recorded in writing and authenticated by the signatures of all Directors in attendance. The custody and maintenance of these records are the responsibility of the Company Secretary, who ensures their secure preservation as official governance documentation.

❖ **Key Responsibilities:**

- Recommend frameworks for the recruitment, performance evaluation, and succession planning for senior management.

- Propose and review senior executive compensation, benefits, and incentive structures to ensure alignment with the Bank's long-term strategy and prudent risk-taking.
- Recommend the appointment, renewal, or removal of senior management to the full Board.
- Address disciplinary matters and oversee the fair treatment of senior executives.
- Ensure that all directors receive a comprehensive induction and ongoing training to maintain their governance competence.

4.9.4. Board Credit Committee

The primary purpose of the Board Credit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities concerning the Bank's credit governance framework. This includes ensuring the credit-granting process is prudent, risk-based, and aligned with the Bank's strategic objectives, risk appetite, and all regulatory requirements. In compliance with the NBE Directive No. SBB/91/2024, the Chairperson of the Committee is an Independent Non-Executive Director and not the Chairperson of the Bank's Board of Directors. The Committee meets at least quarterly, or more frequently as deemed necessary by the Chairperson. The proceedings of all Committee meetings are recorded in writing, with the minutes signed by all Directors present. The Committee submits its report to full Board once in a quarter. Moreover, the Committee briefs case-based issues as per necessity, highlighting key discussions, decisions made, recommendations for Board action, and any significant credit risk concerns. The Company Secretary acts as the Secretary to the Committee and is responsible for documenting discussions and maintaining the official records.

❖ Key Responsibilities:

- Review and oversee the overall lending policy of the bank for Board approval, ensuring its effectiveness and compliance with NBE directives
- Deliberate and consider loan applications beyond the discretionary limits of the Management Credit Committee
- Review lending by the Management Credit Committee
- Ensure there are effective procedures and resources to identify and manage irregular problem credits, minimize credit loss, and maximize recoveries
- Direct, monitor, review, and consider all issues that may materially impact the present and future quality of the bank's credit risk management

Table 48: List of Sub-Committees

S/N	Subcommittees	Name of Board Directors	Role	Responsibility
1	Audit Committee	Ato Haile Harsisa Haro W/ro Woinshet Mengesha Sinkale W/ro Muluwork Derese	Chairperson Member Member	Has the role of supervising and following up on the internal audit department. And external audit findings, and their rectification
2	Risk & Compliance Committee	W/ro Muluwork Derese Degsew Ato Tsegaye Anebo Alemso Ato Shebeku Magane Gaffa	Chairperson Member Member	Has the role of supervising risk management as per regulatory bodies' directives and company policies supported by the Risk and Compliance Management Department
3	Nomination and Remuneration Committee	Ato Timotewos Hayeso Borsamo W/ro Woinshet Mengesha Sinkale Ato Shimelis Hatiso Hankalo Ato Shebeku Magane Gaffa	Chairperson Member Member	Has the role of nominating higher executive officials & independent board Directors for appointment, and also recommends organizational structure and remuneration-related studies for improvement
4	Credit Committee	Dr Wogene Markos Dumo Ato Haile Harsisa Haro Ato Shimelis Hatiso Hankalo Ato Timotewos Hayeso Borsamo	Chairperson Member Member Member	Has the role of supervising and following up on the internal audit department. And external audit findings, and their rectification

4.10. Board and Senior Management Remuneration

As of the date of this Prospectus, the remuneration of the Board of Directors is governed by NBE Directives and must be approved by shareholders at the Ordinary General Meeting. The Bank does not have a formal, internally developed methodology or any structured framework for setting compensation for either directors or senior executives. However, Directors' fees are established strictly in line with the NBE's regulatory framework for director compensation in the banking sector. There are no in-kind, deferred, contingent, or other types of benefits for the Board of Directors, except monthly allowance and annual compensation, both fixed by NBE directive.

For senior executives, compensation is determined based on prevailing market practices within Ethiopia's banking industry, with the primary objective of attracting and retaining talent in a highly competitive labor market. Executive pay is largely fixed and cash-based, with no performance-linked, deferred, or in-kind compensation components currently in use. Decisions regarding executive remuneration are guided by market benchmarks and the Bank's operational needs, rather than a formal policy or benchmarking system.

Board of Directors' compensation is structured in accordance with NBE Directive SBB/67/2018. Each of the nine working/active Directors receives a monthly allowance of Birr 10,000 and an annual compensation of Birr 150,000, both pre-tax. These payments are contingent upon the

Bank's dividend decisions and are provided exclusively in cash, with no in-kind benefits.

Table 49: Board of Directors' Monthly allowance and Annual Compensation

S/N	Description	30 June 2023	30 June 2024	30 June 2025
1	Monthly Fee	909,000.00	1,210,000.00	1,240,000.00
2	Annual Compensation	1,100,000.00	1,650,000.00	1,350,000.00
Total		2,009,000.00	2,860,000.00	2,590,000.00

Note: In the inaugural financial year of banking operations (2022/2023 FY), the Board consisted of 11 Directors, each receiving a monthly allowance of ETB 7,000 and annual compensation of ETB 100,000. Following the Bank's progress and capacity-building efforts, the 2nd Ordinary General Assembly approved an increase in Board remuneration effective from the 2023/2024 FY, raising the monthly allowance to ETB 10,000 and annual compensation to ETB 150,000.

In the 2024/2025 FY, the total number of Board Directors was reduced to nine, in line with legal reforms on board composition that introduced the requirement for independent directors. The variation in remuneration between the periods reflects the initial lower allowance structure and the subsequent change in the number of Board Directors.

For the current financial year (2025/26), the estimated total remuneration for the Board remains Birr 1,080,000 in monthly allowances and Birr 1,350,000 in annual compensation, pending approval by the Annual General Meeting (AGM). For the senior management, the remuneration is subject to a company-level salary scale and payment package, which is currently under study and may come up with minor changes. The annual estimated remuneration for the Senior Management Team, who are listed under Profile of Senior Management, is estimated to be ETB 16.8 million.

Table 50: Monthly and Annual Remuneration for Senior Management Team

S/N	Description	Monthly Payment Current FY 2026	Annual estimated amount payable
1	Monthly Salary	1,083,690.00	13,004,280.00
2	Monthly Allowance	318,700.00	3,824,400.00
Total		1,402,390.00	16,828,680.00



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SECTION 5
**CAPITAL
STRUCTURE AND
INFORMATION ON
SECURITIES**



SECTION FIVE - CAPITAL STRUCTURE AND INFORMATION ON SECURITIES

This section outlines Sidama Bank S.C.'s share capital structure, other securities, and dividend policy. It covers the historical reconciliation of share capital over the three most recent financial years, the current subscribed and paid-up position, the single class of ordinary shares, and the framework for dividend distribution, in accordance with Public Offering Directive No. 1030/2024.

5.1. Share Capital

Sidama Bank S.C. has a single class of ordinary shares with a par value of ETB 1,000 per share. All shares carry equal rights in respect of voting, dividends, and participation in the residual assets upon liquidation. No shares have been issued for consideration other than cash, and there are no non-capital shares or other classes of equity securities.

As of March 31, 2026, the authorized and subscribed share capital is ETB 1,447,002,000 (1,447,002 shares). The paid-up capital amounts to ETB 1,191,144,000 (1,191,144 fully paid ordinary shares), with the remaining ETB 255,858,000 (255,858 shares) subscribed but not yet fully paid. As of the date of the Prospectus, the authorized, subscribed, and paid-up capital of the Company remains unchanged.

The Bank is continuing its capital-raising efforts to comply with National Bank of Ethiopia Directive No. SBB/78/2021, which requires new commercial banks to reach a minimum paid-up capital of ETB 5 billion by 2030.

The table below presents the evolution and reconciliation of the Bank's share capital, covering the three most recent financial years and the position as of the date of this Prospectus.

Table 51: Evolution and Reconciliation of Share Capital

Category	March 31, 2026 (As of the date of the Prospectus)	24 November 2025	30 June 2025	30 June 2024	30 June 2023
Authorized Capital	1,447,002,000	1,447,002,000	1,447,002,000	1,447,002,000	1,447,002,000
Number of Shareholders	3,257	3,257	2,900	2,104	1,988
Subscribed Capital (ETB)	1,447,002,000	1,447,002,000	1,447,002,000	1,447,002,000	1,447,002,000
Paid-up capital at the beginning of the period (ETB)	1,160,180,000	1,054,121,000	913,092,000	590,266,000	95,480,000
Proceeds from issued shares	30,964,000	106,059,000	141,029,000	322,826,000	494,786,000
Paid-up capital at the end of the period (ETB)	1,191,144,000	1,160,180,000	1,054,121,000	913,092,000	590,266,000
Total Paid-up Shares	1,191,144	1,160,180	1,054,121	913,092	590,266
Outstanding Subscribed Shares	255,858	286,822	392,881	533,910	856,736
Par Value per Share (ETB)	1,000	1,000	1,000	1,000	1,000

The table shows steady growth in the Bank's paid-up capital over the period, from ETB 590 million at 30 June 2023 to ETB 1.19 billion as of the date of this Prospectus. This reflects ongoing shareholder contributions through cash subscriptions, with no changes to the subscribed capital base of ETB 1.447 billion during the period.

The number of shareholders has also increased consistently, from 1,988 in June 2023 to 3,257 as of 24 November 2025, indicating broadening ownership participation. The difference between subscribed and paid-up capital represents amounts still callable from shareholders, which the Bank continues to collect as part of its capital-raising program.

As of the reporting date, the shares of the Bank are not publicly traded on any securities exchange, and over-the-counter (OTC) market, and there is no established market price for the shares.

Registration Details

This Prospectus registers 1,447,002 ordinary shares representing the full subscribed capital of ETB 1,447,002,000 at a par value of ETB 1,000 per share, of which 1,191,144 shares are fully paid-up, and 255,858 shares remain as a subscribed balance.

5.2. Other Securities Information

As of the date of this Prospectus, the Bank has no outstanding convertible securities, exchangeable securities, warrants, options, or any other instruments conferring rights to subscribe for shares. There are no undertakings or agreements that could lead to the issuance of additional shares resulting in dilution of existing shareholders.

5.3. Dividend Policy

Sidama Bank S.C. does not maintain a separate, stand-alone Dividend Policy document. Dividend distribution is governed by the Memorandum of Association of the Bank, NBE directives and the Commercial Code of Ethiopia.

5.3.1. Relevant Provisions from the Articles of Association

5.3.1.1. Rights of Shareholders (Article 8, Sub article 1-B)

Each shareholder shall have the right to receive his/her/its share of the net profit, after deduction of legal reserves and other statutory obligations.

Article 13 further stipulates that net profit, after deduction of profit tax, prior-period losses, legal reserve, and other lawful obligations, shall be distributed to shareholders as approved by the ordinary general meeting of shareholders.

The Board of Directors proposes the dividend amount, taking into account the Bank's earnings, capital requirements, operational needs, cash flow position, future outlook, contractual obligations, and compliance with applicable laws and regulatory directives. The proposal is reviewed by the External Auditor before submission to the general meeting for approval.

Additionally, any dividend payments made that exceed the approved and accepted balance sheet shall be classified as fictitious dividends. Consequently, the responsible party will be subject to legal accountability based on relevant laws of the country (Article 13, Sub-article 3).

5.3.2. Restrictions on Dividend Distribution

5.3.2.1. Dividends may only be declared and paid subject to the following restrictions:

- I. Availability of distributable profits after mandatory appropriations.
- II. Compliance with National Bank of Ethiopia directives, including maintenance of required capital adequacy ratios and liquidity levels after any proposed distribution (dividends may only be distributed if the Bank's risk-weighted capital adequacy ratio remains above the prescribed regulatory minimum post-distribution).
- III. No distribution if it would impair the Bank's ability to meet its liabilities as they fall due or disregard any NBE directive.
- IV. Dividends on partially paid shares are calculated pro-rata to the amount paid up.

5.3.2.2. Additional regulatory and taxation considerations

- I. Dividends paid to resident individuals and entities are subject to a 15% withholding tax (unless reduced or exempted under applicable laws).
- II. Unclaimed dividends are retained in a separate account and remain payable indefinitely to the entitled shareholder.

5.4. Historical Dividends

The dividends per share for the last three financial years are presented in the table below:

Table 52: Dividend History

Financial Year Ended	Earnings After Tax (ETB)	Weighted average number of paid-up shares	Total Dividend Declared (ETB)	Dividend per Share (ETB)	Payout Ratio
30 June 2023	53,476,173	342,873	35,021,700	102.14	65 %
30 June 2024	27,135,894	812,252	45,686,433	56.25	168 %
30 June 2025	72,314,055	967,505	64,871,207	67.05	90 %

Dividends were declared in each of the financial years ended 30 June 2023 to 30 June 2025, based on the weighted average number of paid-up shares outstanding during the respective periods. In FY2023, dividend distributions were aligned with earnings for the year, resulting in a payout ratio of 65%.

In FY2024, total dividends declared exceeded earnings for the year, resulting in a payout ratio of 168%. The excess distribution was funded from accumulated retained earnings from prior periods, including the return of regulatory risk reserves. The increase in the weighted average number of shares outstanding during the year contributed to a reduction in dividend per share relative to the prior year.

In FY2025, the payout ratio was 90%, reflecting earnings for the year and a contribution from the return of regulatory risk reserves. Of the total dividend declared amounting to ETB 64,871,207, an amount of ETB 20,148,844 was sourced from the return of regulatory risk reserves. The distribution level for the year reflects both current-period earnings and reserve-related distributions.

According to the resolutions passed at the Second, Third, and Fourth Annual General Meetings (AGMs) held on November 25, 2023, November 30, 2024, and December 6, 2025, respectively, shareholders were given the option to either receive their dividends in cash or reinvest them, based on their preference.

5.4.1. Summary of Declared Dividends, Capitalized Dividends, and Cash Dividends Paid

Table 53: Summary of declared, capitalized, and cash dividend paid

Financial Year Ended	Declared Dividend Amount	Dividend Capitalized	Cash Dividend Paid
30-Jun-25	64,871,207.00	30,964,000.00	9,070,414.35
30-Jun-24	45,686,433.00	34,586,200.00	8,701,720.92
30-Jun-23	35,021,700.00	16,850,300.00	15,968,914.23
Total	145,579,340	82,400,500	33,741,049.5



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SECTION 6

INTERESTS AND RELATED PARTY TRANSACTIONS



SECTION SIX - INTERESTS AND RELATED PARTY TRANSACTIONS

6.1. Board of Directors Interests and Shareholding

As of the date of this Prospectus, none of the members of the Board of Directors directly or indirectly hold 5% or more of the Bank's issued share capital. The individual shareholding interests of the directors, where applicable, are presented in the table below.

Table 54: Board of Directors Shareholding Interest

Name	Number of Shares	% of Issued Share Capital
Mr. Abreham Marshalo Etiso	703	0.067%
Mr. Timotwos Hayeso Borsamo	106	0.010%
Mr. Tsegaye Anebo Alemaso	0	0%
Mrs. Muluwek Derese Degisew	105	0.010%
Mrs. Wonishet Mengesha	0	0%
Mr. Haile Harisa Haro	40	0.004%
Mr. Shebeku Magane Gafa	40	0.004%
Dr. Wogene Marikos Dumo	0	0.000%
Mr. Shimelis Hatiso Hankalo	10	0.001%
Total	1004	0.100%

In accordance with Article 108(3) and (4) of the Directive, the aggregate remuneration paid to the Board of Directors over the three financial years preceding the date of this Prospectus amounted to ETB 7.5 million, comprising ETB 2.0 million for the 2022/23 financial year, ETB 2.9 million for 2023/24, and ETB 2.6 million for 2024/25. During the period, no member of the Board of Directors held any indirect or non-beneficial interests in the Bank. Furthermore, the Bank did not extend any loans, advances, or guarantees to any Director.

Table 55: Board of Directors' Remuneration Paid

S/NO	Description	30 June 2025	30 June 2024	30 June 2023
1	Monthly Fee	1,240,000.00	1,210,000.00	909,000.00
2	Annual Compensation	1,350,000.00	1,650,000.00	1,100,000.00
	Total	2,590,000.00	2,860,000.00	2,009,000.00

6.2. Major Shareholders and Interested Persons

As of the date of this Prospectus, five (5) shareholders each hold 5% or more of the Bank's issued share capital. Collectively, these major shareholders hold 66.2% of the Bank's issued share capital. Of these, four (4) are regional government institutions, which together account for 59.02%, while Sidama Coffee Farmers' Cooperative Union holds 7.18%. No other person, whether acting directly or indirectly, holds 5% or more of the Bank's issued share capital or voting rights.

Each ordinary share of the Bank carries equal voting rights, and there are no special classes of shares that grant different voting rights to any shareholder.

Accordingly, all shareholders, including major shareholders, are entitled to participate equally, on a per-share basis, in corporate actions declared by the Bank. There is no agreement in place to govern the relationship between a controlling shareholder, another interested person and the Issuer and there is no arrangement known to the Issuer, the operation of which may, at a subsequent date, result in a change in control of the Issuer.

The details of these major shareholders and their respective shareholding interests are presented in the table below.

Table 56: Major Shareholders and their Respective Shareholding Interests

Name of Person or Entity	Number of Shares Held	Percentage of Issued Share Capital (%)
Sidama Regional State Revenue Authority	178,314	16.92%
Sidama Regional State Finance Bureau	177,603	16.85%
Sidama Regional State Health Bureau	136,345	12.93%
Sidama Regional State Urban Dev't & Construction Bureau	129,880	12.32%
Sidama Coffee Farmers' Cooperative Union	75,644	7.18%
Total	697,786	66.20%

6.3. Related Party Transactions

In accordance with Article 110(1) of the Ethiopian Capital Market Authority (ECMA) Public Offering and Trading of Securities Directive No. 1030/2024, the Company is required to disclose any related-party transactions entered into since the date of the last financial statement, including the proportion such transactions represent of turnover, and any arrangements that may continue in future periods. Such disclosures are made in compliance with the Commercial Code of Ethiopia, International Financial Reporting Standards (IFRS), the directives of the National Bank of Ethiopia (NBE), and other applicable standards.

Since the last financial statement and as of March 31, 2026, transactions with related parties comprised loans and advances extended to executive management, as well as deposits maintained by members of the Board of Directors for their personal savings and on behalf of organizations they represent.

Table 57: Summary of related party loans and deposits

Particulars	Amount
Outstanding balance of Loan and Advances to Related Parties (March 31, 2026)	27,510,000
Deposits from Related Parties (March 31, 2026)	114,098,402
Gross Loan Portfolio	4,055,517,364
Total Deposits	2,222,099,099
Loan and Advances to Related Parties as % of Gross Loan Portfolio	0.68
Deposits from Related Parties as % of Total Deposits	5

The total outstanding balance of loans and advances to related parties amounted to ETB 27.51 million, representing 0.68% of the Bank's gross loan portfolio. Deposits from related parties amounted to ETB 114.10 million, accounting for approximately 5.0% of the Bank's total deposits as of the reporting date.

Table 58: Related party transactions as a percentage of total turnover of the Company

Description	Total related party transactions (Birr)	Total Turnover (Birr)	Total related party transactions/Total Turnover (%)
March 31, 2026	141,608,402	936,224,182	15.1
June 2025	32,153,809	500,295,914	6.4
June 2024	32,662,968	308,327,018	10.5
June 2023	10,850,976	275,830,000	3.9

All related-party transactions were conducted at arm's length, and all related-party disclosures adhere to the commercial code, IFRS standards (IAS 24), and applicable NBE and ECMA directives and are in accordance with the Bank's internal policies. Accordingly, the Bank clarifies that related-party transactions expected to continue in future periods primarily arise in the normal course of business and include the following categories:

(i) Nature of Continuing Arrangements

- Loan and overdraft facilities extended to related parties
- Deposit mobilization and placement arrangements
- Service-related agreements, including administrative and operational support services
- Other banking transactions conducted under standard commercial terms

(ii) Categories of Related Parties Involved

These continuing arrangements involve the following categories of related parties:

- Key management personnel (KMP)
- Members of the Board of Directors
- Influential shareholders and their related entities
- Other entities under common control or significant influence

(iii) Basis for Continuation of the Arrangements

The above transactions are expected to continue in future periods because:

- They are part of the Bank's ordinary course of business operations
- They arise from ongoing banking relationships and established contractual agreements
- They are conducted on arm's-length terms in accordance with the Bank's related-party transactions policy
- They comply with applicable regulatory requirements and governance standards
- Many of the arrangements are revolving or renewable in nature (e.g., demand deposits, overdrafts, and standard service contracts)

The Bank will continue to monitor and disclose related-party transactions in accordance with applicable financial reporting standards and regulatory disclosure requirements.

Related-party deposit and credit arrangements will be fully disclosed in subsequent financial statements in line with applicable laws and regulatory standards.



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SECTION 7

MANAGEMENT DISCUSSION AND ANALYSIS



SECTION SEVEN - MANAGEMENT DISCUSSION AND ANALYSIS

7.1. Overview

This Section presents an overview of the Bank's financial condition and results of operations for the financial years ended June 30, 2023, 2024, and 2025. It is intended to be read in conjunction with other information contained in this Prospectus, particularly Section 2, "Information on the Bank and Its Business," and section 3 Audited Financial Statement which provides further context on the Bank's operations and strategy.

The Management's Discussions and Analysis is based on the Bank's fully audited Historical Financial Information, which has been prepared in accordance with International Financial Reporting Standards (IFRS). All figures presented in this section are extracted verbatim from the audited financial statements without modification; however, in sections requiring more recent information, unaudited interim financial statements as of march 31,2026 which have not been reviewed by external Auditors have been used for capitalization and indebtedness section.

Unless otherwise indicated, all financial data presented in this section except for information related to foreign currency generation are denominated in Ethiopian Birr (ETB). Consequently, totals in certain tables may not equal the aggregate of the individual figures and may also differ slightly from amounts disclosed in the Bank's Historical Financial Information.

Key Financial Highlights

Table 59: Key Financial Highlights

Indicator	30 June 2025	30 June 2024	30 June 2023
Financial Performance			
Interest Income	337,414,165	270,767,748	177,855,275
Interest Expense	(88,855,252)	(36,391,582)	(21,194,017)
Net Interest Income	248,558,912	234,376,165	156,661,258
Fee & Commission Income	81,928,100	26,104,866	56,165,836
Other Operating Income	169,808,901	47,845,986	38,725,244
Total Operating Income	500,295,913	308,327,017	251,552,338
Total Operating Expenses	(392,749,135)	(274,090,792)	(176,720,758)
Profit Before Tax	90,787,638	29,426,889	63,951,286
Profit After Tax	72,314,055	27,135,895	53,476,174
Financial Position			
Total Assets	5,519,426,992	2,620,268,280	1,322,137,002
Loans and Advances to Customers	2,390,120,571	1,112,924,098	563,974,434
Deposits from Customers	3,674,915,745	1,224,875,020	229,156,647
Total Liabilities	4,208,328,529	1,531,455,616	496,101,588

Indicator	30 June 2025	30 June 2024	30 June 2023
Financial Performance			
Share Capital	1,054,121,000	913,092,000	590,266,000
Total Equity	1,311,098,463	1,088,812,663	826,035,414
Key Financial Ratios			
Return on Assets (ROA)	1.31%	1.04%	4.04%
Return on Equity (ROE)	5.52%	2.49%	6.47%
Cost-to-Income Ratio	82.67%	91.48%	74.38%
Non-Performing Loan Ratio	2.58%	8.52%	34.87%
Non-Financial Indicators			
Customer Base	333,000	256,723	123,653
Mobile Banking Users	39,934	16,927	4,844
Cardholders	22,498	2,951	—
Number of Branches	49	39	32
Number of ATMs	11	11	—
Other Indicators			
Foreign Currency Generated (USD '000)	5,800	809	150

7.1.1. Revenue Trends and Income Structure

Sidama Bank recorded steady growth in operating income over the period, supported by both interest and non-interest revenue streams. Total operating income increased from ETB 251.55 million in June 2023 to ETB 308.33 million in June 2024, reflecting an increase of ETB 56.77 million representing 22.6% growth primarily driven by a 52.2% rise in interest income to ETB 270.77 million, supported by a 97.4% expansion in the loan portfolio from ETB 563.97 million to ETB 1.11 billion. Non-interest income declined 22.1% to ETB 73.95 million, as fee income fell 53.5% following the Bank's transition from a microfinance-oriented service charge model to a commercial banking fee structure, as of June 2025, total operating income further increased to ETB 500.30 million in June 2025, rising by ETB 191.97 million equivalent to 62.3% growth driven by factors such as continued interest income growth of 24.6% to ETB 337.41 million as the loan portfolio expanded 114.8% to ETB 2.39 billion; in addition, a near-tripling of fee and commission income (213.8%) to ETB 81.93 million driven by guarantee income (ETB 32.59 million), loan processing fees (57.5%), and FX transaction gains is also the second factor; and finally due to a 254.9% surge in other operating income to ETB 169.81 million, predominantly from ETB 81.97 million in foreign exchange revaluation gains following the NBE's July 2024 shift to a market-oriented FX regime.

The highest proportion was derived from interest income, which accounted for 70.7% of total operating income in 2023, increasing to 87.8% in 2024 before declining to 67.4% in 2025. Amount wise, Interest income increased from ETB 177.86 million in 2023 to ETB 270.77 million in 2024,

representing growth of ETB 92.91 million or 52.4%, and further to ETB 337.41 million in 2025, increasing by ETB 66.65 million equivalent to 24.6%. Net interest income followed a similar trend, rising from ETB 156.66 million in 2023 to ETB 234.38 million in 2024, reflecting an increase of ETB 77.71 million representing 49.6% growth, and further to ETB 248.56 million in 2025, increasing by ETB 14.18 million or 6.1% which was lower than the 49.6% growth in FY2023/24, reflecting rapid scaling of interest expense (144.2% to ETB 88.86 million) driven by a 200% surge in customer deposits, which substantially narrowed the net interest spread. Net interest margin declined from 11.85% in FY2022/23 to 8.95% in FY2023/24 and further to 4.50% in FY2024/25, indicating increasing funding cost pressure relative to earning asset yields.

Non-interest income showed mixed performance during the period. Fee and commission income declined from ETB 56.17 million in 2023 to ETB 26.10 million in 2024, decreasing by ETB 30.06 million equivalent to 53.5% due to lower service charges and reduced transactional activity, before recovering to ETB 81.93 million in 2025, increasing by ETB 55.82 million representing 213.8% growth. Other operating income increased from ETB 38.73 million in 2023 to ETB 47.85 million in 2024, rising by ETB 9.12 million equivalent to 23.5%, and further to ETB 169.81 million in 2025, increasing significantly by ETB 121.96 million representing 254.9% growth. To distinguish between recurring and non-recurring income components within non-interest income, Recurring income includes service charges, loan processing fees, guarantee commissions, and FX transaction gains, which are linked to ongoing business volumes and are expected to grow with the Bank's operational scale. Non-recurring income includes foreign exchange revaluation gains (ETB 81.97 million in FY2024/25), which arose from the one-off devaluation of the Ethiopian Birr in July 2024 and are not expected to recur at the same magnitude in future periods. Of the ETB 169.81 million other operating income in FY2024/25, approximately ETB 81.97 million (48.3%) comprised FX revaluation gains that are unrealized and valuation-driven rather than cash-generating operating income. Investors should note that excluding these non-recurring items, normalized other operating income was approximately ETB 87.84 million in FY2024/25, a more moderate 84.4% increase over FY2023/24.

7.1.2. Cost Structure and Expense Development

Operating expenses increased from ETB 176.72 million in 2023 to ETB 274.09 million in 2024, reflecting an increase of ETB 97.37 million or 55.1%, and further to ETB 392.75 million in 2025, rising by ETB 118.66 million equivalent to 43.3%, driven by continued investment in operations,

infrastructure, and expansion. Operating expenses as a percentage of total assets declined from 13.37% in FY2022/23 to 10.46% in FY2023/24 and 7.12% in FY2024/25, indicating that asset growth is outpacing cost growth. The cost-to-income ratio worsened from 74.38% in FY2022/23 to 91.48% in FY2023/24 as expansion costs temporarily outpaced revenue, before improving to 82.67% in FY2024/25 as income diversification accelerated. The FY2023/24 cost pressure was primarily driven by salary growth (65.2%, adding ETB 61.55 million) as branch staff were recruited for 7 new branches and inflation-driven salary adjustments were made. FY2024/25 cost growth was led by general and administrative expenses (86.3%, adding ETB 63.16 million) primarily reflecting branch leasing costs for 10 new branches, digital infrastructure investment, and FX-related administrative costs, and salaries (23.6%, adding ETB 36.82 million).

7.1.3. Earnings Performance

Profitability showed a temporary decline followed by recovery. Profit before tax decreased from ETB 63.95 million in 2023 to ETB 29.43 million in 2024, declining by ETB 34.52 million equivalent to 54.0% attributable to higher operating costs, before increasing significantly to ETB 90.79 million in 2025, rising by ETB 61.36 million representing 208.5% growth. Profit after tax followed the same pattern, declining from ETB 53.48 million in 2023 to ETB 27.14 million in 2024, a decrease of ETB 26.34 million equivalent to 49.3%, and then increasing to ETB 72.31 million in 2025, rising by ETB 45.18 million representing 166.5% growth. Key profitability quality indicators: ROA declined from 4.04% in FY2022/23 to 1.04% in FY2023/24 and recovered modestly to 1.31% in FY2024/25, reflecting the dilutive effect of rapid asset growth (98.2% in FY2023/24, 110.7% in FY2024/25) on profit generation. ROE declined from 6.47% in FY2022/23 to 2.49% in FY2023/24 and recovered to 5.52% in FY2024/25, reflecting both lower profitability in FY2023/24 and the strengthening of the capital base through share issuances (54.7% in FY2023/24). Net interest margin compressed from 11.85% in FY2022/23 to 8.95% in FY2023/24 and 4.50% in FY2024/25, driven by deposit base expansion raising funding costs faster than loan yields, reflecting the Bank's transition from a microfinance model to a commercial bank with a larger, lower-cost deposit franchise. Operating margin improved from 9.5% in FY2023/24 to 18.1% in FY2024/25 on a pre-tax basis, reflecting the growing contribution of non-interest income. Earnings quality is partly affected by the ETB 81.97 million FX revaluation gain in FY2024/25, which is non-cash and non-recurring; excluding this item, normalized PBT was approximately ETB 8.82 million, significantly lower, highlighting the Bank's continued dependence on revenue diversification to build sustainable core earnings.

7.1.4. Balance Sheet Expansion and Asset Composition

Total assets expanded over the period Total assets increased from ETB 1.32 billion in June 2023 to ETB 2.62 billion in June 2024, reflecting an increase of ETB 1.30 billion representing 98.2% growth, and further to ETB 5.52 billion in June 2025, rising by ETB 2.90 billion equivalent to 110.7% growth. Loans and advances increased from ETB 563.97 million in 2023 to ETB 1.11 billion in 2024, representing growth of ETB 548.95 million or 97.4%, and further to ETB 2.39 billion in 2025, increasing by ETB 1.28 billion equivalent to 114.8% growth, reflecting continued credit expansion. The Bank also has made investments in treasury bills and the purchase of bonds from the Development Bank of Ethiopia that supported the growth in asset.

7.1.5. Funding Structure and Liability Profile

Total liabilities increased from ETB 496.10 million in 2023 to ETB 1.53 billion in 2024, representing an increase of ETB 1.04 billion grew by 208.7%, and further to ETB 4.21 billion in 2025, increasing by ETB 2.68 billion or 175.0%, liability is primarily driven by growth in customer deposits , Customer deposits grew from ETB 229.16 million in 2023 to ETB 1.22 billion in 2024, reflecting an increase of ETB 995.72 million representing 434.6% growth, and further to ETB 3.67 billion in 2025, rising by ETB 2.45 billion equivalent to 200.0% growth, indicating an increasing deposit mobilization and increasing customer confidence.

7.1.6. Capital Base and Equity Position

Total equity increased from ETB 826.04 million in 2023 to ETB 1.09 billion in 2024, representing growth of ETB 262.78 million or 31.8%, and further to ETB 1.31 billion in 2025, increasing by ETB 222.29 million equivalent to 20.4% growth, supported by retained earnings and capital injections.

7.1.7. Performance Ratios and Operational Efficiency

Asset quality improved significantly over the period, supported by favorable external conditions and strengthened credit management practices. The non-performing loan ratio declined from 34.87% in 2023 to 8.52% in 2024, reflecting a substantial improvement of 26.35 percentage points , and further decreased to 2.58% in 2025, improving by an additional 5.38 percentage points and remaining well below the regulatory ceiling set by the National Bank of Ethiopia.

This improvement was underpinned by improved performance in the international coffee market, which supported Ethiopia's export earnings and enhanced borrowers' repayment capacity, particularly among trade-related clients. The Bank expanded its trade and investment activities

within this environment to expand trade and investment activities, while credit monitoring and portfolio management practices contributed to improvements in asset quality, alongside favorable economic conditions and reduced credit risk exposure.

The cost-to-income ratio increased from 74.38 percent in 2023 to 91.48% in 2024, reflecting cost pressures associated with expansion, before improving to 82.67% in 2025, indicating early efficiency gains.

Return on assets declined from 4.04% in 2023 to 1.04% in 2024, decreasing by 3.00 percentage points, before improving to 1.31% in 2025, increasing by 0.27 percentage points. Similarly, return on equity declined from 6.47% in 2023 to 2.49% in 2024, a decrease of 3.98 percentage points, before recovering to 5.52% in 2025, increasing by 3.03 percentage points. The FY2022/23 ROA of 4.04% reflects a relatively high profit (ETB 53.48 million) against a smaller asset base (ETB 1.32 billion), typical of a bank in an early growth stage before large-scale deposit mobilization. The sharp decline in FY2023/24 reflects the combination of a 49.3% fall in profit (higher costs outpacing income growth) and a near-doubling of total assets to ETB 2.62 billion as deposit mobilization accelerated. The FY2024/25 recovery to 1.31% reflects a 166.5% profit rebound while assets again more than doubled to ETB 5.52 billion, moderating the ratio improvement. Similarly, ROE was compressed in FY2023/24 by both lower profit and a 31.8% increase in equity from new share issuances (ETB 322.8 million), and recovered in FY2024/25 as profit surged while equity grew a more moderate 20.4%.

7.1.8. Accessibility and Digital Adoption

The Bank recorded growth in its customer base and service channels. Customer accounts increased from 123,653 in 2023 to 256,723 in 2024, reflecting an increase of 133,070 representing 107.6% growth, and further to 333,000 in 2025, rising by 76,277 equivalents to 29.7% growth.

Mobile banking users increased from 4,844 in 2023 to 16,927 in 2024, representing growth of 12,083 or 249.4%, and further to 39,934 in 2025, increasing by 23,007 equivalent to 135.9% growth, highlighting digital adoption. Cardholders increased from 2,951 in 2024 to 22,498 in 2025, rising by 19,547 representing 662.4% growth, reflecting rapid expansion of card-based services. Branch expansion remained steady, increasing from 32 branches in 2023 to 39 in 2024, an increase of 7 branches representing 21.9% growth, and further to 49 in 2025, increasing by 10 branches equivalent to 25.6% growth.

7.1.9. FCY Generation

The Bank generated USD 150 thousand in FY2023, which increased to USD 809 thousand in FY2024, and rose sharply to USD 5.8 million FY2025. , representing an increase of USD 4.19 million equivalent to 616.8% growth. Highlighting a improvement in foreign exchange-related performance. In a related development, the Bank has established partnerships with more than one international money transfer service provider, including Dahabshiil. This has supported the mobilization of foreign currency (FCY) during the review period. The Bank maintains strong relationships with several international correspondent banks such as CAC International Bank (Djibouti), Aktif Bank (Türkiye), Bank of Beirut Ltd. (UK), and Zhejiang Chaozhou Commercial Bank Co., Ltd. (China).

7.2. Analysis of Material Changes and Their Effects

During the reporting period, the Bank's operations and financial results were influenced by a range of macroeconomic and sector-wide developments. Ethiopia's evolving economic environment, characterized by fluctuations in inflation, exchange rate pressures, and moderated GDP growth, continued to shape credit demand, deposit behavior, and overall banking activity.

7.2.1. Macroeconomic Conditions

I. GDP Growth

Real GDP growth in Ethiopia rose from 7.2% in FY2022/23 to an estimated 9.2% in FY2024/25 (source: Ethiopian Ministry of Finance / National Planning and Development Commission). Broad-based expansion in agriculture, services, and trade sustained demand for both retail and commercial lending and supported transaction volumes across the Bank's customer base. For Sidama Bank, this macroeconomic environment was particularly significant given its regional concentration in Sidama Region, where coffee export earnings and agricultural trade activity are a primary economic driver. Favorable international coffee prices during FY2023/24 and FY2024/25 enhanced the earnings and repayment capacity of export-linked borrowers and trade finance customers, contributing directly to the Bank's improvement in NPL ratio from 8.52% in FY2023/24 to 2.58% in FY2024/25. GDP growth also supported deposit mobilization: the Bank's customer base expanded from 123,653 in FY2022/23 to 333,000 in FY2024/25 (169.4%), and total customer deposits grew from ETB 229.2 million to ETB 3.67 billion over the same period, reflecting the broadening of the formal financial inclusion base within the region as economic activity expanded.

II. Inflationary Pressures and Cost Dynamics

Inflation declined from 29.3% in June 2023 to 13.9% in June 2025 (source: Ethiopian Statistics Service); however, the overall price environment remained elevated throughout most of the review period and directly affected the Bank's operating cost structure. In FY2023/24, total operating expenses increased by 55.1% to ETB 274.09 million, driven primarily by personnel expenses rising 65.2% to ETB 155.94 million as the Bank recruited staff for 7 new branches (32 to 39) and implemented inflation-driven salary adjustments. General and administrative expenses grew a more moderate 18.9% to ETB 73.20 million, reflecting cost discipline in non-personnel expenditure. In FY2024/25, total operating expenses increased by 43.3% to ETB 392.75 million. Personnel expense growth moderated to 23.6% (ETB 192.76 million) as the Bank improved staff productivity ratios despite opening 10 additional branches (39 to 49). General and administrative expenses rose 86.3% to ETB 136.35 million, driven by new branch lease obligations, expanded digital infrastructure costs, and FCY-exchange-related administrative costs associated with the Bank's growing trade finance activities. Depreciation and amortization rose 40.2% reflecting ongoing core banking and IT investment. Elevated inflation also temporarily weakened household savings capacity, moderating deposit mobilization in certain rural and semi-urban areas of Sidama Region. The Bank countered this through intensified field-level mobilization campaigns and digital channel activation.

7.2.2. Regulatory Factors

I. NBE Credit Growth Cap and Mandatory Investment Requirements

The National Bank of Ethiopia imposed a credit growth ceiling on banks effective August 2023. However, as a newly licensed bank transitioning from a microfinance institution, Sidama Bank was granted an exemption from the credit cap during the transition period. This exemption enabled the Bank to grow its gross loan portfolio by approximately 90% in FY2023/24 (from ETB 563.97 million to ETB 1.11 billion) and a further 114.8% in FY2024/25 (to ETB 2.39 billion), far exceeding what would have been achievable under the cap. This exemption was a material positive factor for the Bank's revenue growth: interest income from loans expanded from ETB 179.33 million in FY2022/23 to ETB 270.77 million in FY2023/24 (52.4%) and ETB 337.41 million in FY2024/25 (24.6%), driven almost entirely by loan portfolio volume growth. Investors should note that once the transition period ends and the credit cap becomes applicable to the Bank, loan portfolio growth will be constrained to the NBE-mandated ceiling (currently up to 24% per annum for established

banks), which will significantly moderate the pace of interest income growth compared with the FY2022/23 to FY2024/25 period. The Bank is also subject to NBE mandatory investment directives requiring minimum holdings of government and Development Bank of Ethiopia (DBE) securities. These instruments carry lower yields than commercial loans, exerting downward pressure on overall asset yields. The Bank's NBE Treasury bond and related investment portfolio grew from ETB 0 in FY2022/23 to ETB 274.49 million in FY2024/25, reflecting increasing compliance with mandatory investment requirements as the Bank scaled. While this allocation reduced net interest margin relative to a pure-loan portfolio, Treasury bond income (ETB 16.76 million in FY2024/25) provided a stable income floor less sensitive to credit quality.

II. Foreign Exchange Regime Reform and FX Performance

The NBE's shift to a market-oriented foreign exchange regime in July 2024 and the subsequent significant depreciation of the Ethiopian Birr had a dual impact on the Bank's FY2024/25 results. On one side, the Bank recorded a foreign exchange revaluation gain of ETB 81.97 million in other operating income, arising from the increase in ETB value of the Bank's net foreign currency asset positions following the Birr devaluation. This is a non-cash, mark-to-market gain that is non-recurring in nature; investors should note that once exchange rates stabilize, this income source will not recur at the same magnitude. Excluding this item, normalized other operating income was approximately ETB 87.84 million in FY2024/25. On the other side, the alignment of official and parallel market rates stimulated formal remittance inflows, enhanced import-export activity, and increased demand for trade finance services. The Bank's foreign currency income generation grew from USD 1.0 million in FY2022/23 to USD 5.8 million in FY2024/25, supported by the rapid expansion of letters of credit (ETB 351.79 million in guarantees in FY2024/25, a 374% increase) and FX transaction services. Foreign currency transactions are translated into the ETB functional currency at the exchange rate prevailing at the transaction date.

7.2.3. Regional instability

Macroeconomic and regional instability has had a notable impact on the Bank's operating environment, influencing both financial performance and risk conditions. Domestic insecurity in certain areas of the country, coupled with instability in neighboring Horn of Africa economies, contributed to disruptions in trade flows, reduced investment activity, and weakened overall economic confidence. These conditions led to rising commodity and fuel prices, which in turn increased the cost of doing business and exerted pressure on borrowers' repayment capacity,

while also dampening household savings and deposit mobilization. In addition, broader macroeconomic instability, including inflationary pressures and supply chain disruptions, affected transaction volumes and slowed the pace of economic activity. For the banking sector, these developments translated into tighter liquidity conditions, increased credit risk exposure, and greater operational challenges, particularly in affected regions. Despite these headwinds, the Bank's proactive risk management, portfolio diversification, and focus on trade-related financing helped mitigate the adverse effects and sustain overall financial stability.

7.2.4. Industry Specific Factors

The competitive environment in which Sidama Bank operates has intensified significantly from multiple directions:

- Established domestic banks: Large incumbent commercial banks such as Commercial Bank of Ethiopia, Awash Bank, Abyssinia Bank, and Dashen Bank maintain substantial branch networks, brand recognition, technology infrastructure, and lower funding cost bases built over decades. These institutions compete directly for deposits in Sidama Region and represent the most immediate competitive pressure on Sidama Bank's deposit mobilisation and lending margins. Competitive pressure on deposit costs has contributed to upward movement in savings deposit interest expense, with deposit interest growing 258.6% in FY2024/25, compressing the net interest margin from 8.95% in FY2023/24 to 4.50% in FY2024/25.
- New local entrants — converted microfinance institutions: The transformation of microfinance institutions into fully licensed banks introduces new entrants with established grassroots customer bases and strong regional presence, particularly in retail and SME segments. These entities have prior client relationships in the same geographic markets that Sidama Bank serves, intensifying competition for deposits and lending opportunities.
- Upcoming foreign bank entry: The Banking Business Proclamation (December 2024) permits foreign banks to enter Ethiopia through subsidiaries or equity stakes (up to 49%). Foreign institutions are expected to introduce stronger capital bases, advanced technology, and superior digital platforms, creating competitive pressure particularly in corporate banking, trade finance, and the upper retail market segment. While Sidama Bank's core community banking model may be insulated from direct foreign competition in the short term, the entry of foreign banks into trade finance a key growth area for Sidama Bank represents a medium-term competitive risk.

7.2.5. Digital Transformation and Technology Investment

Ethiopia's rapidly urbanizing population and growing digital penetration drove increased demand for technology-enabled financial services during the review period. The Bank invested in core banking infrastructure, mobile banking platforms, card and POS networks, and digital onboarding capabilities to position itself for this transition. Digital adoption accelerated sharply in FY2024/25: cardholders grew 662.4% to 22,498 and mobile banking subscribers grew 135.9% to 39,934. These expansions contributed to non-interest income growth through card-related fees, mobile transaction charges, and the FX transaction gains associated with digital trade services. The technology investment is reflected in depreciation and amortization rising 117.7% in FY2023/24 and a further 40.2% in FY2024/25. While these costs have increased the expense base, the scalability of digital infrastructure means that incremental revenue generation per additional customer reduces the per-unit cost of service delivery over time.

7.2.6. The Bank's Operational Efforts and Their Impact

I. Effective risk management

Risk management is crucial for protecting the Bank's assets and maintaining long-term stability. The Bank utilizes a comprehensive risk assessment framework that addresses credit, operational, market, and liquidity risks. Through the enforcement of strict credit policies and detailed due diligence on borrowers, the Bank has effectively reduced the chances of defaults. This approach has contributed to strong performance in loan recovery and a favorable non-performing loan (NPL) ratio as of June 30, 2025 which is far below the standard of 5% maximum set by the regulatory body.

Furthermore, the Bank has implemented operational controls to address risks related to fraud, regulatory violations, and system malfunctions. These proactive strategies help prevent potential losses and contribute to the improvement of the Bank's asset quality.

II. Expense management

During the review period, Sidama Bank's cost management initiatives focused on three areas. First, workforce rightsizing relative to expansion: salary costs grew 65.2% in FY2023/24 as 7 new branches required recruitment of branch staff, tellers, and relationship officers. In FY2024/25, salary growth moderated to 23.6% despite opening a further 10 branches, as the Bank improved staff productivity ratios (staff per branch and revenue per employee). Second, infrastructure

investment for scalability: capital expenditure in IT and digital systems drove depreciation and amortization up 117.7% in FY2023/24, reflecting the core banking system build-out; in FY2024/25, amortization growth moderated to 40.2% as investment phased. Third, general and administrative cost containment: G&A expenses grew only 18.9% in FY2023/24 despite branch doubling, reflecting cost discipline in non-salary expenditure; however, G&A rose 86.3% in FY2024/25, driven primarily by new branch lease costs, NBE FCY exchange-related costs, and guarantee-related administrative expenses associated with the 374% growth in guarantees outstanding. The overall cost-to-income ratio improved from 91.48% in FY2023/24 to 82.67% in FY2024/25, and operating expenses as a share of assets fell from 10.46% to 7.12%, indicating that revenue diversification and asset growth are progressively translating into improved operational leverage.

III. Building Multiple Income Streams in Response to Regulatory Changes

In reaction to regulatory restrictions on credit growth, the Bank's approach to diversifying its sources of income has enabled it to sustain its profitability. This strategy has supported overall financial expansion and decreased dependency solely on interest earnings. As of June 30, 2025, the Bank earned Birr 116.3 million from non-interest activities.

7.3. Analysis of the Bank's Performance

7.3.1. Analysis of Profit or Loss and Other Comprehensive Income

The tables below set out the bank's historical statements of comprehensive income for the years ended 30 June 2025, 2024, and 2023.

Table 60: Statement of Profit or Loss and Other Comprehensive Income

Particular	30 June 2025	30 June 2024	30 June 2023
Interest Income	337,414,165	270,767,748	177,855,275
Interest Expense	-88,855,252	-36,391,582	-21,194,017
Net Interest Income	248,558,912	234,376,165	156,661,258
Fee And Commission Income	81,928,100	26,104,866	56,165,836
Other Operating Income	169,808,901	47,845,986	38,725,244
Total Other Income	169,808,901	47,845,986	38,725,244
Total Operating Income	500,295,913	308,327,017	251,552,338
Loss Allowances on Financial Assets	-25,203,240	-8,718,378	-13,961,554
Net Operating Income	475,092,674	299,608,640	237,590,785
Salaries And Other Employee Benefits	192,765,729	155,941,853	94,388,602
General And Administrative Expenses	136,355,360	73,200,110	61,570,690
Depreciation On Property, Plant, and Equipment	24,175,537	16,079,284	7,718,634
Amortization Of Right-of-Use Assets	35,255,091	26,305,009	11,745,608
Interest Expense on Lease Liability	4,197,418	2,564,536	1,297,223
Total operating expense	-392,749,135	-274,090,792	-176,720,758
Operating Profit Before Tax	82,343,539	25,517,849	60,870,027
Grant Income for the Period	8,444,099	3,909,040	3,081,259

Particular	30 June 2025	30 June 2024	30 June 2023
Profit Before Tax	90,787,638	29,426,889	63,951,286
Taxation Charge	-18,473,583	-2,290,994	-10,475,112
Profit For the Year After Tax	72,314,055	27,135,895	53,476,174
Other Comprehensive Income (OCI) Net of Income Tax			
Items That Will Not Be Subsequently Reclassified into Profit or Loss:			
Re-Measurement Gain/(Loss) On Retirement Benefits Obligations	-2,595,104.00	13,717,663	4,030,589
Tax On Re-Measurement Gain	778,531.00	-4,115,299	-1,209,177
	-1,816,573.00	9,602,364	2,821,412
Gain On Financial Assets Through OCI	80,636,786.00	49,838,990	-
Tax On Gain	-	-14,951,697	-
	24,191,036.00		
	56,445,750	34,887,293	-
Total Other Comprehensive Income	54,629,177	44,489,657	2,821,412
Total Comprehensive Income for the Period	126,943,232	71,625,552	56,297,586

Note: In the table "-" represents "Not Available"

7.3.1.1. Income Analysis

I. Interest income

Total interest income increased by 52.4% from ETB 177.86 million in 2023 to ETB 270.77 million in 2024, and further increased by 24.6% to ETB 337.41 million in 2025, driven by growth in loans and advances to customers, interest income from deposit with other banks and interest income from investment securities.

Interest on loans to customers rose by 53.5% from ETB 154.21 million in 2023 to ETB 236.78 million in 2024, and further increased by 26.5% to ETB 299.5 million in 2025, as net loans to customers increased from ETB 563.97 million in 2023 to ETB 1.11 billion in 2024 to ETB 2.39 billion in 2025, reflecting a 97.3% and 114.8% increase in net customer loans respectively. Some of the major interest generating sectors are in the table below.

Interest income from Agriculture Loans increased by 160.6% from ETB 1.28 million in 2023 to ETB 3.34 million in 2024, before declining sharply by 91.3% to ETB 0.29 million in 2025. Interest income from Petty Trade Loans rose by 12.8% from ETB 68.16 million in 2023 to ETB 76.86 million in 2024, followed by a decrease of 83.2% to ETB 12.95 million in 2025. Construction Loan income remained relatively stable, increasing marginally by 0.6% from ETB 34.22 million in 2023 to ETB 34.42 million in 2024, before declining by 76% to ETB 8.28 million in 2025. General Loan income decreased slightly by 2.2% from ETB 44.85 million in 2023 to ETB 43.87 million in 2024 and further declined by 74.9% to ETB 11 million in 2025. Staff Loan income declined by 16.1% from ETB 2.07 million in

2023 to ETB 1.74 million in 2024 and dropped further by 71.5% to ETB 0.49 million in 2025.

Interest income from WEDP Loans increased by 74.2% from ETB 3.59 million in 2023 to ETB 6.26 million in 2024, before declining by 62.3% to ETB 2.36 million in 2025. SME and Individual Loan income grew substantially from ETB 0.003 million in 2023 to ETB 17.14 million in 2024 and further increased by 593.7% to ETB 118.89 million in 2025.

Term Loan income increased from ETB 0.008 million in 2023 to ETB 26.50 million in 2024 and further increased by 210.6% to ETB 82.28 million in 2025. Staff Automobile Loan income increased by 42.9% from ETB 0.65 million in 2024 to ETB 0.93 million in 2025. No Staff Automobile Loan income was recorded in 2023. Preshipment Loan income was recorded at ETB 13.10 million in 2025 with no prior year balance. Overdraft Facility income increased significantly from ETB 5.71 million in 2024 to ETB 21.65 million in 2025, representing a 279.0% increase. No overdraft facility income was recorded in 2023.

In 2025, the largest share of interest income was generated from SME and individual loans and term loans, which together exceeded the combined income from all other loan categories, reflecting the Bank's transition from a microfinance-oriented model toward a full commercial banking structure with greater emphasis on business and longer-tenor lending. Products that were more prominent during the microfinance phase such as petty trade and general loans declined in relative importance. At the same time, overdraft facilities and pre-shipment export loans recorded rising interest income, indicating increased engagement in working-capital financing and trade-finance activities. The bank's transition from microfinance to a commercial bank is marked by an expansion in loan disbursements and a significant shift in its loan portfolio composition by introducing new facilities like Export Pre-shipment and Overdraft.

This portfolio shift has important implications for yield sustainability and sector concentration. SME, term, and trade finance lending generally carries higher interest rates (12–18%) than the legacy petty trade and general loans (which were at similar rates but declining in volume), supporting the overall loan yield. However, concentration in domestic trade and services (74.5% of gross loans in FY2024/25) creates sector concentration risk: a downturn in commercial activity or supply chain disruptions could adversely affect NPL levels. The Bank is actively diversifying into export pre-shipment (ETB 202.9 million, 8.2% of gross loans) and overdraft facilities (ETB 190.8 million, 7.7%), which are short-tenor and self-liquidating, reducing duration risk. The exemption from the NBE credit growth cap for transitioning institutions has enabled the Bank to grow its loan

portfolio 90–111% annually; when the cap is applied in future periods, income from loans will grow at a significantly more moderate pace, requiring the Bank to deepen non-interest income streams to sustain PBT growth.

Table 61: Interest Income by product

S.N.	Description	30 June 2025	30 June 2024	30 June 2023	% Change (2024-2025)	% Change (2023-2024)
1	Interest Incomes Agriculture Loan	290,632.54	3,339,347.11	1,281,249.77	-91.3%	160.6%
2	Interest Incomes Petty Trade	12,945,268.89	76,856,714.24	68,160,397.44	-83.2%	12.8%
3	Interest Incomes Construction Loan	8,277,132.80	34,421,532.72	34,221,800.74	-76.0%	0.6%
4	Interest Incomes General Loan	10,996,308.19	43,865,957.48	44,853,714.26	-74.9%	-2.2%
5	Interest Incomes WEDP Loan	2,361,971.77	6,257,062.61	3,592,060.89	-62.3%	74.2%
6	Interest Incomes SME and Individual Loan	118,891,408.65	17,135,743.26	2,758.37	593.8%	621127.1%
7	Interest Incomes General (Consumption) Loan	8,049,623.45	11,048,396.65	716.97	-27.1%	1540884.5%
8	Interest Incomes Women's Entrep Development Project (WEDP)	7,988,261.89	5,069,415.96	1,711.11	57.6%	296164.8%
9	Interest Incomes Term Loan	82,282,161.21	26,496,299.80	8,142.35	210.5%	325313.4%
10	Interest Income - Preshipment Loan	13,096,627.16	-	-		
11	Overdraft Facility Interest Income	21,652,491.57	5,713,506.13	-	279.0%	

Note: In the table "-" represents "Not Available"

Deposits with other banks increased by 32.6% from ETB 23.65 million in 2023 to ETB 31.36 million in 2024, before declining by 75% to ETB 7.83 million in 2025 reflecting a strategic shift of interbank placements into higher-yielding earning assets.

The relative contribution of each interest income source to total interest income changed materially over the period: loan interest represented 86.7% of total interest income in FY2022/23, rising to 87.4% in FY2023/24 and declining to 88.8% in FY2024/25, as the loan portfolio remained the dominant driver. However, the contribution of investment securities-related income (Treasury

bonds, DBE bonds, OMO, interbank) grew from nil in FY2022/23 to 1.0% in FY2023/24 and to 9.0% in FY2024/25 (ETB 30.29 million of ETB 337.41 million), reflecting the Bank's increasing allocation to NBE Treasury bonds (ETB 274.49 million, 283.9%) and new instruments (DBE bonds, OMO, interbank money market). This shift has a strategic implication: as the NBE credit cap may constrain loan portfolio growth in future periods, Treasury bond and interbank placements represent an important supplementary income stream. The Bank's FY2024/25 Treasury bond portfolio of ETB 274.49 million, yielding approximately 6.1% implied interest rate, represents a structural income floor that supports NII regardless of loan growth constraints. Meanwhile, deposits with other banks declined sharply as a funding use, from 13.3% of total interest income in FY2022/23 to 2.3% in FY2024/25, as liquidity was redeployed into higher-yielding assets.

Interest income from Treasury Bonds was not recorded in 2023, increased to ETB 2.63 million in 2024, and further increased by 538.9% to ETB 16.79 million in 2025, as investment in Treasury Bonds increased from ETB 71.51 million in 2024 to ETB 274.49 million in 2025, reflecting an increase of 283.9%.

Interest income from DBE Bonds was not recorded in 2023 and 2024, and was recorded at ETB 0.21 million in 2025. Interest income from Open Market Operations (OMO) and Interbank Money Market was not recorded in 2023 and 2024, and was recorded at ETB 2.30 million and ETB 10.78 million, respectively, in 2025. Open market operations and interbank money markets are utilized as liquidity management instruments to regulate short-term liquidity within the banking system.

Table 62: Interest Income

Interest Income	30 June 2025	30 June 2024	30 June 2023	% Change (2024-2025)	% Change (2023-2024)
Loan to Customers	299,498,626	236,782,306	154,208,174	26.50%	53.50%
Deposit with other banks	7,832,275	31,356,794	23,647,101	-75.00%	32.60%
Interest Income-Treasury Bond	16,793,303	2,628,648		538.90%	-
Interest Income from DBE Bond	206,400	-		-	-
Interest Income from Open Market Operations (OMO)	2,301,370	-		-	-
Interbank Money Market	10,782,192	-		-	-
Total Interest Income	337,414,165	270,767,748	177,855,275	24.60%	52.20%

Note: In the table "-" represents "Not Available"

II. Interest expense

Total interest expense increased by 71.7% from ETB 21.19 million in 2023 to ETB 36.39 million in 2024, and further increased by 144.2% to ETB 88.86 million in 2025.

Interest expense on customer deposits increased by 89.7% from ETB 9.37 million in 2023 to ETB 17.77 million in 2024, and further increased by 258.6% to ETB 63.74 million in 2025. The main driver is customer deposits, which increased by 434.5% from ETB 229.16 million in 2023 to ETB 1.22 billion in 2024, and further increased by 200% to ETB 3.67 billion in 2025 which substantially narrowed the net interest spread. Net interest margin declined from 11.85% in FY2022/23 to 8.95% in FY2023/24 and further to 4.50% in FY2024/25, indicating increasing funding cost pressure relative to earning asset yields.

Interest expense on bank loans increased by 57.5% from ETB 11.82 million in 2023 to ETB 18.62 million in 2024, and further increased by 34.9% to ETB 25.12 million in 2025. This is as a result of borrowings which increased from ETB 143.12 million in 2023 to ETB 192.01 million in 2024, reflecting an increase of ETB 48.89 million (34.2%), and further to ETB 196.84 million in 2025, representing a smaller increase of ETB 4.83 million (2.5%).

The slower growth in 2025 indicates reduced reliance on borrowings, as the Bank shifted toward deposit-based funding. These borrowings are largely linked to structured financing programs such as RUFIP II, where funds are channeled through DBE and supported by international financing (IFAD). Earlier facilities carried concessional interest rates (~6%), while newer facilities reflect higher rates (11–15%), indicating a transition toward more market-aligned borrowing terms.

Table 63: Interest Expense

Interest Expense	30 June 2025	30 June 2024	30 June 2023	% Change (2024-2025)	% Change (2023-2024)
Interest Expense on Customer deposit	63,736,531	17,774,842	9,371,141	258.60%	89.70%
Interest Expense on bank loan	25,118,721	18,616,740	11,822,877	34.90%	57.50%
Total Interest Expense	88,855,252	36,391,582	21,194,017	144.20%	71.70%

7.4.1.1.1. Net Interest Income

The bank's net interest income, representing the difference between interest income and interest expense, increased by 49.6% from ETB 156.66 million in 2023 to ETB 234.38 million in 2024, and further increased by 6.1% to ETB 248.56 million in 2025, reflecting that interest income grew at a faster pace than interest expense during the review period. While NII grew in absolute terms, the rate of growth decelerated sharply from 49.6% to 6.1%, reflecting mounting funding cost pressure. Interest expense grew 144.2% in FY2024/25 versus NII growth of only 6.1%, as customer deposit interest rose 258.6% to ETB 63.74 million following the 200% expansion in customer deposits. The net interest margin (NIM) declined from 11.85% in FY2022/23 to 8.95% in FY2023/24 and 4.50% in FY2024/25, indicating that the interest rate spread between earning assets and funding costs has narrowed materially as the Bank scaled its deposit base.

7.4.1.1.2. Non-Interest Income

Non-interest compromising fee and commissions and other operating income declined by 22.1% from ETB 94.89 million in 2023 to ETB 73.95 million in 2024, and then increased by 240.4% to ETB 251.74 million in 2025. The FY2022/23 to FY2023/24 decline was driven by the 53.5% fall in fee income as the Bank transitioned from a microfinance service charge model. The FY2023/24 to FY2024/25 surge of 240.4% in total non-interest income was driven by fee and commission income recovering 213.8% as new commercial banking fee streams (guarantee commissions, LC fees, loan processing fees) increased; and other operating income surging 254.9%, predominantly driven by non-recurring FX revaluation gains of ETB 81.97 million. The difference between recurring and non-recurring income is; Recurring income includes service charges, loan processing fees, guarantee commissions, and FX transaction gains, which are linked to ongoing business volumes and are expected to grow with the Bank's operational scale. Non-recurring income includes foreign exchange revaluation gains (ETB 81.97 million in FY2024/25), which arose from the one-off devaluation of the Ethiopian Birr in July 2024 and are not expected to recur at the same magnitude in future periods. Of the ETB 169.81 million other operating income in FY2024/25, approximately ETB 81.97 million (48.3%) comprised FX revaluation gains that are unrealized and valuation-driven.

Table 64: Non-Interest Income

Non-Interest Income	30 June 2025	30 June 2024	30 June 2023	% Change (2024-2025)	% Change (2023-2024)
Fee And Commission Income	81,928,100	26,104,866	56,165,836	213.8%	-53.5%
Other Operating Income	169,808,901	47,845,986	38,725,244	254.9%	23.6%
Non-Interest Income	251,737,001	73,950,852	94,891,080	240.4%	-22.1%

I. Fees and Commission Income

Fee and commission income declined 53.5% to ETB 26.1 million in FY2024 during the transition from the microfinance service charge model. In FY2025, fee income surged 213.8% to ETB 81.9 million, driven by: (i) Guarantee commission income growing from ETB 4.6 million to ETB 32.6 million (+614.0%; ETB 28.0 million increase) the single largest driver, reflecting the 374% expansion of the Bank's guarantee portfolio to ETB 351.8 million in outstanding guarantees, comprising performance bonds (74.4% of portfolio), supplier credit guarantees (11.4%), advance payment guarantees (9.1%), bid bonds (4.5%), and customs duty guarantees (0.6%); (ii) Service charge income growing 71.5% to ETB 21.4 million; (iii) Loan processing fees growing 140.3% to ETB 20.3 million; and (iv) FX transaction gains growing 1,162.9% to ETB 8.0 million from expanded trade finance activities.

Table 65: Fees and Commission

Fees and Commission Income	30 June 2025	30 June 2024	30 June 2023	% Change (2024-2025)	% Change (2023-2024)
Service Charge Income	21,374,758	12,462,847	56,165,836	71.50%	-77.80%
Gain on foreign currency transactions	8,032,036	636,018		1162.90%	-
Loan process and evaluation	19,928,043	12,654,949		57.50%	-
Income from Guarantee	32,593,264	351,052		9184.50%	-
Total	81,928,100	26,104,866	56,165,836	213.80%	-53.50%

Note: In the table "-" represents "Not Available"

- A. **Service charge income:** In FY2022/23, the Bank's entire fee and commission income of ETB 56.17 million was derived from service charges, reflecting the microfinance-era fee structure of the predecessor institution where flat per-transaction service charges on loans formed the basis of fee revenue. In FY2023/24, service charge income collapsed to ETB 12.46 million (-77.8%), which reflects a structural reclassification and model transition, not an operational deterioration as the Bank transitioned to a commercial banking model and began generating fee income through new commercial banking channels (loan processing fees, guarantee commissions, FX transaction gains) that are categorized separately. In FY2024/25, service charge income partially recovered to ETB 21.37 million (71.5%), driven by higher transaction volumes through the Bank's expanded branch network and digital channels (mobile users 135.9%, cardholders 662.4%), reflecting the emergence of a commercial banking-oriented service charge base

- B. **Gain on foreign currency transactions** recorded no income in 2023, increased to ETB

0.64 million in 2024, and further increased to ETB 8.03 million in 2025.

C. **Loan processing and evaluation fees** recorded no income in 2023, increased to ETB 12.65 million in 2024, and further increased to ETB 19.93 million in 2025 reflecting a 57.5% growth, as loans increased to ETB 2.39 billion in 2025.

D. **Income from guarantees** recorded no income in 2023, increased to ETB 0.35 million in 2024, and rose sharply to ETB 32.59 million in 2025, as a result of an increase in guarantees from ETB 74.22 million in 2024 to ETB 351.79 million in 2025.

II. Other Operating Income

Other operating income grew from ETB 38.7 million in FY2023 to ETB 47.8 million in FY2024 (+23.5%) and surged to ETB 169.8 million in FY2025 (+254.9%). The FY2025 surge was driven by three items:

- ETB 82.0 million — FX revaluation gain (non-recurring; 48.3% of FY2025 other operating income): A non-cash, mark-to-market gain arising from the ETB value increase of net foreign currency asset positions following Birr devaluation in July 2024. This is not expected to recur at the same magnitude once the exchange rate stabilises.
- Remaining ETB 87.8 million — recurring income comprising: service charges on FX transactions, administration income, penalty income, and other banking service receipts linked to ongoing business volumes.

Table 66: Other Income

Other Operating Income	30 June 2025	30 June 2024	30 June 2023	% Change (2024-2025)	% Change (2023-2024)
Gain on foreign currency	5,923,458	375,934	-	1475.70%	-
Gain on foreign exchange revaluation	81,967,507	1,313,246	-	6141.60%	-
Other Income	76,641,965	46,156,806	38,725,244	66.00%	19.20%
Dividend Income	5,275,972	-	-		
Total other operating income	169,808,901	47,845,986	38,725,244	254.90%	23.60%

Note: In the table "-" represents "Not Available"

7.3.1.2. Operating Expenses

Table 67: Operating Expense

Total Operating Expense	30 June 2025	30 June 2024	30 June 2023	% Change (2024-2025)	% Change (2023-2024)
Salaries And Other Employee Benefits	192,765,729	155,941,853	94,388,602	23.60%	65.20%
General And Administrative Expenses	136,355,360	73,200,110	61,570,690	86.30%	18.90%
Depreciation On Property, Plant, and Equipment	24,175,537	16,079,284	7,718,634	50.40%	108.30%
Amortization Of Right-of-Use Assets	35,255,091	26,305,009	11,745,608	34.00%	124.00%
Interest Expense on Lease Liability	4,197,418	2,564,536	1,297,223	63.70%	97.70%
Total Operating Expense	392,749,135	274,090,792	176,720,757	43.30%	55.10%

Total operating expenses increased by 55.1% from ETB 176.72 million in 2023 to ETB 274.09 million in 2024, and further increased by 43.3% to ETB 392.75 million in 2025.

I. Salaries and benefits

increased by 65.2% from ETB 94.39 million in 2023 to ETB 155.94 million in 2024, mainly driven by: branch expansion from 32 to 39 branches (7 branches), ii) inflation-driven salary adjustments as CPI remained elevated and (iii) the build-out of a commercial banking management layer above the legacy microfinance structure. and further increased by 23.6% to ETB 192.76 million in 2025, the more moderate growth in FY2024/25 reflects: (i) continued branch expansion from 39 to 49 (10 branches), adding further staff; (ii) ongoing inflation-related salary scale adjustments; Salaries represented 53.4%, 56.9%, and 49.1% of total operating expenses in FY2022/23, FY2023/24, and FY2024/25 respectively, indicating a gradual reduction in personnel cost intensity as other expense categories (particularly G&A and D&A) scaled with branch infrastructure investment.

II. General and administrative Expense

expenses increased by 18.9% from ETB 61.57 million in 2023 to ETB 73.20 million in 2024, reflecting disciplined administrative cost management despite branch expansion, with costs growing significantly below the 55.1% total expense increase. General and Administrative expenses further increased by 86.3% to ETB 136.35 million in 2025 driven by branch rental and

occupancy costs for 10 new branches opened during the year, reflected in higher lease payments and utility expenses; FCY exchange-related administrative costs and margin account payables associated with the Bank's expanded FX business (margin held accounts grew from ETB 4.72 million to ETB 83.97 million); and guarantee-related administrative expenses as the guarantee book expanded 374% to ETB 351.79 million .

III. Depreciation and Amortization

Depreciation and Amortization including right-of-use assets, increased by 117.7% from ETB 19.46 million in 2023 to ETB 42.38 million in 2024, and further increased by 40.2% to ETB 59.43 million in 2025, reflecting IT investment and branch infrastructure.

7.3.1.3. Profitability

I. Profit Before Tax

Profit Before Tax declined by 54% from ETB 63.95 million in 2023 to ETB 29.43 million in 2024, and then more than tripled by 208.7% to ETB 90.79 million in 2025. The decline in 2024 was mainly attributable to higher operating costs, despite income growth. The improvement in 2025 was driven by a stronger total income performance, which outweighed the rise in operating expenses. However, Of the ETB 191.97 million improvement or growth in total operating income in FY2024/25, approximately ETB 81.97 million (42.7%) was attributable to non-recurring FX revaluation gains from the July 2024 ETB devaluation. Excluding this non-recurring item, normalized operating income growth was approximately ETB 110.0 million and normalized PBT growth was approximately ETB 8.82 million. This indicates that while the Bank has made significant progress in building recurring income streams (guaranteed commissions, loan processing fees, deposit interest), core recurring profitability remains nascent and the Bank is in a transitional phase from microfinance to full commercial banking. Loan loss allowances increased from ETB 8.72 million in FY2023/24 to ETB 25.20 million in FY2024/25 (188.9%), reflecting the 114.8% expansion in the gross loan portfolio; the NPL ratio nonetheless improved from 8.52% to 2.58%, indicating that portfolio quality improved even as volumes grew rapidly.

Table 68: Profit before Tax

Profit Before Tax	30 June 2025	30 June 2024	30 June 2023	% Change (2024-2025)	% Change (2023-2024)
Profit Before Tax	90,787,638	29,426,889	63,951,286	208.5%	-54.0%

I. Total Comprehensive Income

Total comprehensive income increased from ETB 56.30 million in 2023 to ETB 71.63 million in 2024, and further increased by 77.2% to ETB 126.94 million in 2025. Total comprehensive income increased as a result of the increase in profit after tax and other comprehensive income (OCI). Profit after tax declined from ETB 53.48 million in 2023 to ETB 27.14 million in 2024, and then increased by 166.5% to ETB 72.31 million in 2025.

Total other comprehensive income (OCI) increased significantly from ETB 2.82 million in 2023 to ETB 44.49 million in 2024, and further increased by 22.8% to ETB 54.63 million in 2025, mainly due to re-measurement gains on employee benefit obligations and unrealized gains on financial assets measured at fair value through OCI.

Table 69: Total Comprehensive Income

Total Comprehensive Income	30 June 2025	30 June 2024	30 June 2023	% Change (2024-2025)	% Change (2023-2024)
Profit For the Year After Tax	72,314,055	27,135,895	53,476,174	166.5%	-49.3%
Other Comprehensive Income (OCI) Net Of Income Tax					
Items That Will Not Be Subsequently Reclassified into Profit or Loss:					
Re-Measurement Gain/(Loss) On Retirement Benefits Obligations	-2,595,104.00	13,717,663	4,030,589	-118.9%	240.3%
Tax On Re-Measurement Gain	778,531.00	-4,115,299	-1,209,177	-118.9%	240.3%
	-1,816,573.00	9,602,364	2,821,412	-118.9%	240.3%
Gain On Financial Assets Through OCI	80,636,786.00	49,838,990	-	61.8%	-
Tax On Gain	-	-	-	61.8%	-
	24,191,036.00	14,951,697			
	56,445,750	34,887,293	-	61.8%	-
Total Other Comprehensive Income	54,629,177	44,489,657	2,821,412	22.8%	1476.9%
Total Comprehensive Income for the Period	126,943,232	71,625,552	56,297,586	77.2%	27.2%

Note: In the table "-" represents "Not Available"

II. Earnings per share:

As of 2025, earnings per share recovered to ETB 74.74, increasing by 123.7% from ETB 33.41 in

2024. This improvement was driven mainly by the significant rise in profit for the year, which more than offset the continued increase in the weighted average number of shares. Earnings per share (EPS) declined sharply to ETB 33.41 in 2024 from ETB 155.97 in 2023, representing a 78.6% decrease. The significant decline was primarily attributable to a lower profit for the year combined with a substantial increase in the weighted average number of ordinary shares outstanding, which diluted earnings available per share despite continued profitability. Share capital increased from ETB 590.27 million in FY2022/23 to ETB 913.09 million in FY2023/24 (54.7%) through new share issuances, substantially increasing the weighted average shares outstanding and diluting EPS even though absolute profit declined only 49.3%. This illustrates the dual pressure on EPS in FY2023/24: lower numerator (profit) and higher denominator (shares).

In FY2024/25, share capital increased a further 15.4% to ETB 1.054 billion, yet EPS recovered strongly (123.7%) because profit growth (166.5%) substantially exceeded dilution from new shares. Investors should note that the Bank has indicated an intention to raise additional equity capital through further share issuances to meet the minimum requirement by the NBE. Assuming continued capital raises of a similar magnitude relative to earnings, EPS growth could be moderated or compressed in future periods even if absolute profit continues to grow. The sustainability of EPS improvement is therefore dependent on the Bank achieving profit growth rates that exceed the dilutive effect of future share issuances, which in turn requires continued revenue diversification, cost efficiency improvements, and full deployment of capital into income-generating assets.

7.3.2. Analysis of the Historical financial position

Table 70: Review of the Historical Financial Position

Assets	30 June 2025	30 June 2024	30 June 2023
Cash And Cash Equivalents	2,034,426,158	841,576,167	470,187,174
Loans And Advances to Customers (Net)	2,390,120,571	1,112,924,098	563,974,434
Investment In Securities:			
- Financial Assets at Amortized Cost	285,598,713	71,501,800	-
- Financial Assets at Fair Value Through OCI	191,432,300	92,546,515	2,915,000
Other Assets	169,393,554	116,617,710	42,721,738
Deferred Tax Assets		-	3,653,261
Right Of Use of Leased Asset	101,287,790	79,490,568	62,427,499
Investment Property	36,687,168	37,426,399	38,167,655
Intangible Assets	14,005,378	5,403,446	-
Property, Plant and Equipment	296,475,358	262,781,577	138,090,242
Total Assets	5,519,426,992	2,620,268,280	1,322,137,002
Liabilities			
Deposit From Customers	3,674,915,745	1,224,875,020	229,156,647
Other Liabilities	202,486,491	49,234,936	44,833,744

Assets	30 June 2025	30 June 2024	30 June 2023
Business Income Tax Liability	9,709,291	1,538,161	15,337,549
Deferred Tax Liability	48,248,196	16,166,568	-
Lease Liabilities	54,032,844	28,569,531	33,881,173
Deferred Grant Income Liability	8,172,073	9,626,083	12,539,171
Borrowing	196,839,578	192,007,690	143,121,075
Severance Benefit Obligations Payable	13,924,311	9,437,628	17,232,229
Total Liabilities	4,208,328,529	1,531,455,616	496,101,588
Equity			
Share Capital	1,054,121,000	913,092,000	590,266,000
Legal Reserve	77,287,241	59,208,728	52,424,754
Regulatory Risk Reserve	12,878,768	23,514,434	29,169,163
Other Reserve	101,940,246	47,311,069	2,821,412
Retained Earnings	64,871,207	45,686,433	151,354,085
Total Equity	1,311,098,463	1,088,812,663	826,035,414
Total Liabilities and Equity	5,519,426,992	2,620,268,280	1,322,137,002

Note: In the table "-" represents "Not Available"

7.3.2.1. Asset

In June 2025, Sidama Bank's total assets stood at ETB 5.52 billion, marking an increase of 110.6% from ETB 2.62 billion in 2024. As of 30 June 2024, Sidama Bank's total assets stood at ETB 2.62 billion, a sharp increase of 98.2% from ETB 1.32 billion in 2023. The growth is primarily concentrated in loans and advances and cash balances, which together consistently accounted for over 75% of total assets, Loans remained the largest asset class at approximately 43% across all years, reflecting credit expansion, while cash holdings increased to nearly 37% in 2025, indicating strengthened liquidity. Investment securities, though small in 2023, grew rapidly to about 8.6% of total assets in 2025, driven by treasury and bond investments. Other asset classes such as PPE and right-of-use assets reflect ongoing operational expansion, though their relative share declined as the balance sheet scaled.

I. Loans and advances to customers

The Bank's gross loans to customers increased significantly over the three years, rising from Birr 616.3 million as of June 30, 2023 to Birr 1.17 billion in 2024 and further to Birr 2.48 billion by June 30, 2025. This represents year-on-year growth of approximately 90% between 2023 and 2024 and about 111% between 2024 and 2025. After deducting impairment allowances, net loans grew from Birr 564.0 million in 2023 to Birr 1.11 billion in 2024 and Birr 2.39 billion in 2025, confirming strong balance sheet expansion driven by relatively aggressive credit deployment.

The loan portfolio composition shows a clear structural shift toward domestic trade and services, which expanded sharply from Birr 288.1 million in 2023 to Birr 766.3 million in 2024 and Birr 1.85

billion in 2025. By June 2025, this segment accounts for the dominant share of the loan book, reflecting the Bank's strategic focus on financing commerce, services, and working capital-intensive businesses. The significant growth in DTS lending reflects the intersection of two factors: (i) Macroeconomic demand: Ethiopia's GDP growth of approximately 9.2% in FY2024/25 supported strong domestic trade activity, with the services and retail sectors expanding in line with urbanisation and growing household income. (ii) Favourable coffee prices boosted income among farmers, traders, and processors in Sidama Region, directly stimulating working capital demand. New products such as export pre-shipment loans (Birr 202.9 million in 2025) and overdraft facilities (Birr 190.8 million in 2025) further indicate diversification toward short-term, turnover-based lending. Loans and advances accounted for 42.7% in 2023, 42.5% in 2024, and 43.3% in 2025 of total assets.

Table 71: Loan by Sector

Category	30 June 2025	30 June 2024	30 June 2023	YoY % (2024)	YoY % (2025)
Agriculture	8,047,021	21,783,530	13,353,649	63.1%	-63.1%
Other (Consumer Loans)	74,894,999	150,647,780	151,978,758	-0.9%	-50.3%
Housing and Construction	24,599,509	69,564,524	133,612,085	-47.9%	-64.6%
Domestic Trade and Services	1,845,352,594	766,259,058	288,116,767	166.0%	140.8%
Export – Pre-shipment Loan	202,890,239	–	–	–	–
Overdraft Facility	190,832,393	94,799,142	–	–	101.3%
Staff Loan	129,227,103	70,677,471	29,199,562	142.0%	82.8%
Gross Loans to Customers	2,475,843,858	1,173,731,505	616,260,821	90.5%	110.9%
Less: Allowance for Impairment Losses	(85,723,287)	(60,807,407)	(52,286,388)	16.3%	41.0%
Net Loans to Customers	2,390,120,571	1,112,924,098	563,974,434	97.3%	114.8%

Note: In the table “-” represents “Not Available”

The growth in gross loans to customers, which increased from Birr 616.3 million in 2023 to Birr 1.17 billion in 2024 and further to Birr 2.48 billion by June 30, 2025, results in year-on-year growth rates that are significantly higher than the general credit growth caps applicable to established commercial banks. However, this growth is permitted under the applicable regulatory framework and is consistent with the relevant directives of the National Bank of Ethiopia (NBE).

In accordance with the NBE credit growth directives, banks newly licensed, transformed, or

transitioning from microfinance institutions to commercial banks are exempted from the standard credit growth caps for a defined period, or are allowed higher growth rates, in recognition of their low initial asset base and the need to build a viable loan portfolio. The Bank's elevated growth rates are therefore primarily attributable to its transition from a microfinance institution to a commercial bank, portfolio restructuring, and expansion into new lending products such as domestic trade finance, export pre-shipment loans, and overdraft facilities.

Loan Collection: Loan disbursement increased sharply over the three-year period, rising from Birr 530.0 million in FY2022/23 to Birr 800.0 million in FY2023/24 and further to Birr 2.8 billion in FY2024/25. The substantial expansion in FY2024/25 reflects the Bank's accelerated credit deployment following its transition to a commercial banking model, increased market outreach, and growing demand for financing, particularly in trade- and service-oriented sectors.

II. Cash and Bank Balance

Table 72: Cash and Bank Balances

Category	30 June 2025 (Birr)	30 June 2025	30 June 2025	YoY % (2024)	YoY % (2025)
Cash on hand	249,960,190	165,273,983	29,153,242	466.8%	51.2%
Cash at Bank	54,203,037	240,131,832	401,530,015	(40.2%)	(77.4%)
NBE Accounts	1,341,361,868	394,811,008	31,234,432	1,163.6%	239.8%
Deposit with foreign Banks	–	41,393,162	8,269,485	400.6%	(100%)
Total after allowance	2,034,426,158	841,576,167	470,187,174	79.0%	141.7%

Note: In the table “-” represents “Not Available”

Cash balances increased from ETB 470.19 million in 2023 to ETB 841.58 million in 2024, reflecting an increase of ETB 371.39 million (79.0%), and further to ETB 2.03 billion in 2025, representing an increase of ETB 1.19 billion (141.7%). Cash and cash equivalents represented 35.6% in 2023, 32.1% in 2024, and 36.9% in 2025 of total assets.

The growth trend shows an acceleration in 2025, driven primarily by balances held with the National Bank of Ethiopia, which increased by ETB 363.58 million (1,163.6%) in 2024 and further by ETB 946.55 million (239.8%) in 2025, becoming the dominant component of cash. Conversely, cash at commercial banks declined significantly, indicating a shift toward central bank placements and liquidity reserves. This reflects improved liquidity management supported by deposit inflows.

III. Property plant and equipment

Property, plant and equipment increased from ETB 138.09 million in 2023 to ETB 262.78 million

in 2024, reflecting an increase of ETB 124.69 million (90.3%), and further to ETB 296.48 million in 2025, representing a slower increase of ETB 33.69 million (12.8%). The trend indicates expansion in 2024 followed by moderated growth in 2025, suggesting that the Bank undertook significant investment in branch network expansion, infrastructure, and operational capacity. Property, plant and equipment accounted for 10.4% in 2023, 10.0% in 2024, and 5.4% in 2025 of total assets.

Table 73: Property plant and equipment

Cost	Buildings	Computer & Accessories	Motor Vehicles	Furniture & Fittings	Office & Other Equipment's	Total
As at 01 July 2023	44,685,842	22,258,216	32,614,677	54,391,245	-	153,949,980
Additions	-	-	-	(31,759,568)	31,759,568	-
As at 30 June 2024	47,291,877	73,788,801	89,649,947	35,409,462	47,453,755	293,593,842
As at 01 July 2024	47,291,877	73,788,801	89,649,947	35,409,462	47,453,755	293,593,842
Additions	152,939	19,777,525	6,664,178	4,286,575	24,808,000	55,689,217
Transfer to PPE	-	-	-	-	-	-
As at 30 June 2025	47,444,816	93,566,326	96,314,126	39,696,037	72,261,754	349,283,059
Accumulated Depreciation						
As at 01 July 2023	1,955,116	3,157,110	5,294,936	5,452,575	-	15,859,738
Reclassification	-	-	-	(2,646,312)	2,646,312	-
Charge for the year	861,667	5,239,625	2,098,984	4,317,208	2,435,043	14,952,527
As at 30 June 2024	2,816,783	8,396,736	7,393,920	7,123,471	5,081,355	30,812,265
As at 01 July 2024	2,816,783	8,396,736	7,393,920	7,123,471	5,081,355	30,812,265
Charge for the year	901,045	7,920,231	5,632,798	2,938,115	4,603,246	21,995,436
As at 30 June 2025	3,717,829	16,316,967	13,026,718	10,061,586	9,684,601	52,807,701
Net Book Value						
As at 30 June 2024	44,475,094	65,392,065	82,256,027	28,285,991	42,372,400	262,781,577
As at 30 June 2025	43,726,988	77,249,358	83,287,407	29,634,451	62,577,153	296,475,358

Note: In the table "-" represents "Not Available"

IV. Investment Securities

Table 74: Investment Securities

Category	30 June 2025	30 June 2024	30 June 2023	YoY % (2024)	YoY % (2025)
Treasury Bond	274,487,994	71,505,375	–	–	283.9%
DBE Bond	11,125,000	–	–	–	–
Total Amortized Cost	285,598,713	71,501,800	–	–	299.4%
FVOCI Investments	346,569,519	114,212,900	2,915,000	3,817.5%	203.5%

Note: In the table “-” represents “Not Available”

Investment securities increased from ETB 2.92 million in 2023 to ETB 114.21 million in 2024 (up ETB 111.30 million, 3,817.5%), and further to ETB 346.57 million in 2025 (up ETB 232.36 million, 203.5%). Investment securities constituted 0.2% in 2023, 6.3% in 2024, and 8.6% in 2025 of total assets.

The growth trend indicates rapid portfolio diversification, with treasury bonds forming the bulk of amortized cost investments. Equity investments also increased sharply, particularly driven by equity investments such as EthSwitch. This reflects a strategic shift toward income diversification and liquidity buffer enhancement.

V. Investment Property

Investment property declined to ETB 36.69 million in 2025 from ETB 37.43 million in 2024. It declined by 2% to ETB 37.42 million in 2024 from 38.17 million in 2023. Right-of-use assets related to leased properties rose from ETB 79.49 million in 2024 to ETB 101.29 million in 2025, a 27.4% increase, indicating increased leased branch locations and office spaces to support growth. In 2024 Right-of-use assets reached ETB 79.49 million, an increase of 27.3% from ETB 62.43 million in 2023.

VI. Other Assets

Table 75: Other Assets

Category	30 June 2025	30 June 2024	30 June 2023	YoY % (2024)	YoY % (2025)
Prepayment	70,750,753	59,278,625	26,413,514	124.4%	19.4%
Prepaid staff benefit	55,904,519	26,896,937	12,836,202	109.6%	107.8%
Other Receivable	43,119,491	30,460,663	3,308,255	820.7%	41.6%
Net Other Assets	169,393,554	116,617,710	42,721,738	173.0%	45.3%

Note: In the table “-” represents “Not Available”

Other assets increased from ETB 42.72 million in 2023 to ETB 116.62 million in 2024, reflecting an increase of ETB 73.90 million (173.0%), and further to ETB 169.39 million in 2025, increasing by ETB 52.78 million (45.3%). Other assets represented 3.2% in 2023, 4.5% in 2024, and 3.1% in 2025

of total assets.

The trend shows growth in 2024 followed by moderate growth in 2025, driven mainly by prepayments and staff-related receivables. The sharp increase in receivables in 2024 indicates expansion in operations, while the slower growth in 2025 suggests stabilization.

7.3.2.2. Liabilities

Total liabilities increased from ETB 496.10 million in 2023 to ETB 1.53 billion in 2024, representing an increase of ETB 1.04 billion (208.7%), and further to ETB 4.21 billion in 2025, increasing by ETB 2.68 billion (175.0%).

I. Deposit

Customer deposits increased to ETB 3.67 billion, up from ETB 1.22 billion in 2024, a 200% increase. The dominant funding source, surged to ETB 1.22 billion in 2024 from ETB 229.16 million in 2023, reflecting a 434.5% year-on-year increase. This accounted for 46.2% in 2023, 80.0% in 2024, and 87.3% in 2025 of total liabilities reflecting both the Bank's ability to attract new customers and the effectiveness of its branch expansion strategy underscoring growing deposit mobilization efforts.

Table 76: Deposit composition of the Bank

Category	30 June 2025	30 June 2024	30 June 2023	YoY % (2024)	YoY % (2025)
Saving Deposit	1,906,665,395	786,997,727	187,151,160	320.5%	142.3%
Demand Deposit	1,759,556,649	412,873,110	19,701,754	1,995.1%	326.2%
Time Deposit	8,249,174	23,635,512	22,258,549	6.2%	-65.1%
Total Deposits	3,674,915,745	1,224,875,020	229,156,647	434.5%	200.0%

- Saving deposits increased substantially in absolute terms, rising from ETB 187.2 million in 2023 to ETB 787.0 million in 2024 and ETB 1.91 billion in 2025. Despite this growth, the share of saving deposits in total deposits declined from 81.7% in 2023 to 64.3% in 2024 and further to 51.9% in 2025.
- Demand deposits showed the most pronounced growth, expanding from ETB 19.7 million in 2023 to ETB 412.9 million in 2024 and ETB 1.76 billion in 2025. Consequently, their share of total deposits increased sharply from 8.6% in 2023 to 33.7% in 2024 and 47.9% in 2025. This trend indicates rising transaction volumes, increased corporate and operating

accounts, and strengthening of low-cost funding sources.

- In contrast, time (fixed) deposits declined over the period, decreasing from ETB 22.3 million in 2023 to ETB 23.6 million in 2024 and then falling significantly to ETB 8.2 million by June 30, 2025. Their contribution to total deposits dropped markedly from 9.7% in 2023 to 1.9% in 2024 and only 0.2% in 2025, the sharp reduction in time deposits has a favorable impact on the Bank's cost structure. As time deposits typically carry higher interest rates than savings and demand deposits, their decline, coupled with the strong growth in demand deposits, is expected to reduce overall interest expense and lower the average cost of funds. This shift toward a predominantly low-cost deposit base supports improved net interest margins and enhances the Bank's profitability and financial sustainability.

II. Borrowings

Table 77: Total Borrowings

Category	30 June 2025	30 June 2024	30 June 2023	YoY % (2024)	YoY % (2025)
Borrowings	196,839,578	192,007,690	143,121,075	34.2%	2.5%
Total Borrowings	196,839,578	192,007,690	143,121,075	34.2%	2.5%

Borrowings increased from ETB 143.12 million in 2023 to ETB 192.01 million in 2024, reflecting an increase of ETB 48.89 million (34.2%), and further to ETB 196.84 million in 2025, representing a smaller increase of ETB 4.83 million (2.5%). Borrowings accounted for 28.8% in 2023, 12.5% in 2024, and 4.7% in 2025 of total liabilities the high percentage in 2023 was due to lower deposit share.

The slower growth in 2025 indicates reduced reliance on borrowings, as the Bank shifted toward deposit-based funding. These borrowings are largely linked to structured financing programs such as RUFIP II, where funds are channeled through DBE and supported by international financing (IFAD). Earlier facilities carried concessional interest rates (~6%), while newer facilities reflect higher rates (11–15%), indicating a transition toward more market-aligned borrowing terms.

III. Lease liabilities

The Bank leases a number of branches office premises and land leases. Lease liabilities climbed to ETB 54.03 million in 2025 from ETB 28.57 million in 2024, in line with new branch expansions. In 2024 it declined by 15.7% to ETB 28.57 million from ETB 33.88 million in 2023, following amortization of right-of-use assets. Other liabilities more than tripled to ETB 202.49 million in 2025 from ETB 49.23 million in 2024, an increase from ETB 44.83 million in 2023 mainly due to higher accrued expenses and payables associated with expanding operations.

IV. Other liability

Table 78: Other liability

Category	30 June 2025 (Birr)	30 June 2024 (Birr)	30 June 2023 (Birr)	YoY % (2024)	YoY % (2025)
Deferred service charge income	208,408	3,475,750	5,111,466	(32.0%)	(94.0%)
Accrued leave payable	13,494,147	9,708,101	12,316,462	(21.2%)	39.0%
Accrued audit fee	517,500	402,500	287,500	40.0%	28.6%
Directors' allowance	1,350,000	1,650,000	1,100,000	50.0%	(18.2%)
Other liabilities	29,013,923	18,048,546	9,728,870	85.5%	60.8%
Cash collateral	4,800,000	4,800,000	4,800,000	0.0%	0.0%
Personnel income tax	3,928,544	3,381,883	2,307,790	46.6%	16.2%
Withholding tax	274,005	142,658	181,238	(21.3%)	92.1%
Interest income tax	351,310	174,584	–	–	101.2%
Stamp duty	835,451	402,720	–	–	107.5%
Dividend income tax	404,280	499,855	–	–	(19.1%)
VAT payable	2,952,383	335,406	–	–	780.1%
Credit information fee	1,300,550	628,200	–	–	107.0%
Cost sharing payable	49,025	96,579	–	–	(49.2%)
Deferred guarantee	4,536,431	770,613	–	–	488.8%
Margin held account	83,970,110	4,717,540	–	–	1,680.0%
Blocked account payable	46,308,921	–	–	–	–
Guarantee fund	3,801,637	–	–	–	–
Exchange payable to NBE	4,389,865	–	–	–	–
Total Other Liabilities	202,486,491	49,234,935	36,654,340	34.3%	311.2%

Note: In the table “-” represents “Not Available”

Other liabilities increased from ETB 36.65 million in 2023 to ETB 49.23 million in 2024 and surged to ETB 202.49 million in 2025, representing moderate growth of 34.3 percent in 2024 followed by a substantial increase of 311.2% in 2025 accounting 7.4% in 2023, 3.2% in 2024, and 4.8% in 2025 of total liabilities. The sharp rise in 2025 was primarily driven by significant increases in margin held accounts, blocked accounts for purchase orders, and payables to NBE due to FCY exchanges and guarantee funds. Tax-related liabilities, including VAT and income taxes, also increased notably, reflecting higher transaction volumes and profitability. Overall, the increase aligns with the Bank's expanding operational scale and increased transactional activity.

7.3.2.3. Equity

Equity increased to ETB 1.09 billion in 2024, up 31.8% from ETB 826.04 million in 2023. It reached ETB 1.31 billion in 2025, reflecting an increase of 20.4%. Share capital increased to ETB 1.05 billion from ETB 913.09 million, a 15.4% increase, following additional share subscriptions to strengthen the Bank's capital base. Growth was primarily driven by share capital injections, which formed the largest portion of equity at over 80% by 2025. Retained earnings declined significantly in 2024 due to dividend payouts and reserve transfers but recovered in 2025 in line with improved profitability.

Other reserves increased substantially due to fair value adjustments and regulatory movements.

I. Share capital

Share Capital rose significantly by 54.7% to ETB 913.09 million in 2024 from ETB 590.27 million in 2023, reflecting new share issuances during the year. Reserves legal, regulatory risk, and other reserves grew to ETB 77.29 million in 2025 from ETB 59.21 million, reflecting a 30.5% increase, in line with legal requirements. They grew to ETB 130.03 million in 2024 from ETB 84.42 million in 2023, driven by profit appropriations and transfers.

II. Retained Earnings

Retained earnings declined from ETB 151.35 million in 2023 to ETB 45.69 million in 2024, reflecting a decrease of ETB 105.67 million (69.8%), before increasing to ETB 64.87 million in 2025, representing a recovery of ETB 19.18 million (42.0%). , largely due to dividend payments of ETB 35.0 million and the fall in net profit for the year.

Table 79: Retained Earnings

Category	30 June 2025 (Birr)	30 June 2024 (Birr)	30 June 2023 (Birr)
At the beginning of the year	45,686,433	151,354,085	96,652,601
Profit for the year	72,314,055	27,135,894	53,476,173
Retained earning transfer to Capital	–	(96,652,601)	–
Retained earning transfer to Dividend	(45,686,433)	(35,021,700)	(13,369,043)
Transfer to legal reserve	(18,078,514)	(6,783,973)	(378,966)
Prior period adjustment	–	–	20,058,749
Balance transferred from regulatory risk reserve	20,148,844	8,861,244	2,050,000
Transfer to regulatory risk reserve	(9,513,177)	(3,206,515)	(5,085,430)
Transfer to Other reserve	–	–	–
At the end of the year	64,871,207	45,686,433	151,354,085

Note: In the table “-” represents “Not Available”

III. Regulatory risk reserve

Regulatory risk reserves decreased to ETB 12.88 million in 2025 from ETB 23.51 million in 2024, reflecting a 45.2% decline.

Table 80: Regulatory Risk Reserve

Category	30 June 2025 (Birr)	30 June 2024 (Birr)	30 June 2023 (Birr)	YoY % (2024)	YoY % (2025)
Beginning balance	23,514,434	29,169,163	44,142,482	(33.9%)	(19.4%)
Suspended interest recovered	(20,148,844)	(8,861,244)	(20,058,749)	(55.8%)	127.4%
Additional suspended interest	9,513,177	3,206,515	5,085,430	(36.9%)	196.6%
Ending Balance	12,878,768	23,514,434	29,169,163	(19.4%)	(45.2%)

The regulatory risk reserve declined consistently over the period, decreasing from ETB 29.17 million in 2023 to ETB 23.51 million in 2024 and further to ETB 12.88 million in 2025. This

represents reductions of 19.4% and 45.2%, respectively. The decline was primarily driven by higher recoveries of suspended interest, which outweighed new additions. This trend aligns with the improvement in asset quality, as reflected in the declining non-performing loan ratio, indicating reduced credit risk exposure.

IV. Other reserve

Table 81: Other Reserve

Category	30 June 2025 (Birr)	30 June 2024 (Birr)	30 June 2023 (Birr)	YoY % (2024)	YoY % (2025)
Beginning balance	47,311,069	2,821,412	–	–	1,577.0%
Current year movement	(1,816,573)	9,602,364	–	–	(118.9%)
Fair value reserve	56,445,750	34,887,293	–	–	61.8%
Remeasurement gain	–	–	2,821,412	(100%)	–
Ending Balance	101,940,246	47,311,069	2,821,412	1,577.0%	115.5%

Note: In the table “–” represents “Not Available”

Other reserves increased significantly from ETB 2.82 million in 2023 to ETB 47.31 million in 2024 and further to ETB 101.94 million in 2025, representing substantial growth of 1,577.0% in 2024 and 115.5% in 2025. The increase was primarily driven by fair value gains on equity investments. This growth highlights the increasing importance of non-core income sources and valuation gains in strengthening the Bank's equity base.

7.3.3. Analysis of Historical Statement of Cash Flows

This section provides a detailed analysis of the Bank's historical cash flow, with a primary focus on comparing the major components of the Statement of Cash Flow for the financial years 2022/23, 2023/24, and 2024/25. A summary of the Bank's historical cash flow for the period under review is provided below.

Table 82: Cash Flow Statement

	30 June 2025 Birr'000	30 June 2024 Birr'000	30 June 2023 Birr'000
Cash flows from operating activities			
Cash flows from operating activities	1,390,764,175	388,081,389	12,767,309
Net Cash(Outflow)/inflow from operating activities	1,390,764,175	388,081,389	12,767,309
Cash flows from investing activities			
Purchase of Property, Plant and equipment	-65,732,020	-145,432,809	-88,123,081
Reclassification of Investment Property			
Purchase of Investment Securities	-232,356,619	-111,297,900	
Net Cash(Outflow)/inflow from investing activities	(298,088,639)	-256,730,709	-88,123,081
Cash flows from financing activities			
Proceeds (Settlement) from borrowings	4,831,888	48,886,615	36,290,807
Dividend Paid	-45,686,433	-35,021,700	

	30 June 2025 Birr'000	30 June 2024 Birr'000	30 June 2023 Birr'000
Proceeds from issues of shares	141,029,000	226,173,399	494,786,000
Investment in Securities received/(refunded)			200,000
Net Cash(Outflow)/inflow from financing activities	100,174,455	240,038,314	531,276,807
Net increase/(decrease) in Cash and bank balances	1,192,849,991	371,388,994	430,386,417
Cash and Bank balances at the beginning of the year	841,576,167	470,187,174	39,800,756
Cash and bank balances at the end of the year	2,034,426,158	841,576,167	470,187,173

Note: In the table "-" represents "Not Available"

I. Cash Inflow from Operating Activities

The Bank generated a net cash inflow of ETB 12.8 million from operating activities in FY2022/23. In FY2023/24, operating cash inflow increased to ETB 388.1 million (ETB 375.3 million; +2,939.6%), driven by deposit mobilisation and growing loan repayments. As of June 30, 2025, net cash generated from operating activities surged to ETB 1.39 billion (ETB 1.00 billion; +258.4%), driven primarily by the ETB 2.45 billion increase in customer deposits and the ETB 45.2 million increase in net profit.

II. Cash Outflow from Investing Activities

Net cash outflow resulting from investing activities amounted to ETB 256.73 million in 2024; an increase of 191.3% compared with ETB 88.12 million in 2023. Net cash used in investing activities widened slightly to ETB 298.09 million in 2025 from ETB 256.73 million in 2024, a 16.1% increase, mainly due to investments in fixed assets and digital infrastructure. This was attributable to the following changes:

Property, Plant and Equipment: - increased by 65.0% to reach ETB 145.43 million in 2024 from ETB 88.12 million in 2023, before decreasing by 54.8% to reach ETB 65.73 million in 2025.

Purchase of Investment Securities: - cash outflows for purchase of investment securities increased by 108.8% to reach ETB 232.36 million in 2025 from ETB 111.30 million in 2024.

III. Cash Inflow from Financing Activities

Cash inflow from financing activities provided a decrease of 54.8% to ETB 240.04 million in 2024, compared with ETB 531.28 million in 2023. As of June 30 2025, Net cash from financing activities declined to ETB 100.17 million from ETB 240.04 million in the prior year, a 58.3% reduction. This was attributable to the following changes

Proceeds (Settlement) from Borrowings: increased by 34.7% to reach ETB 48.89 million in 2024 from ETB 36.29 million in 2023, before decreasing by 90.1% to reach ETB 4.83 million in 2025.

Dividend Paid: dividend payments increased by 28.0% to reach ETB 45.69 million in 2025 from ETB 35.02 million in 2024.

Proceeds from Issues of Shares: - decreased by 54.3% to reach ETB 226.17 million in 2024 from ETB 494.79 million in 2023 and further decreased by 37.6% to reach ETB 141.03 million in 2025.

Overall Cash Position

Sidama Bank's Net cash and Bank Balances increased by ETB 371.39 million in 2024, bringing the balance to ETB 841.58 million from ETB 470.19 million in 2023, reflecting an increase of 79.1%. As of June 30 2025, the net increase in cash and bank balances amounted to ETB 1.19 billion in 2025, up significantly from ETB 371.39 million in 2024, reflecting the Bank's steady liquidity position. On June 30 2025, cash and bank balances stood at ETB 2.03 billion at year-end.

Overall, Sidama Bank's cash flow position strengthened considerably, underscoring its ability to generate sustainable internal liquidity to fund growth and lending operations.

7.3.4. Analysis of Change in Equity

Table 83: Change in equity

	Share capital Birr	Retained earning Birr	Legal reserve Birr	Regulatory Risk reserve Birr	Other reserve Birr	Total Birr
Profit for the year	-	53,476,173	-	-		53,476,173
Increase of the share capital	494,786,000	-	-	-		494,786,000
Transfer to legal reserve	-	-13,369,043	13,369,043	-		-
Prior period adjustment	-	-378,966	-	-		-378,966
Balance transferred from regulatory risk reserve	-	20,058,749	-	-20,058,749		-
Transfer to regulatory risk reserve	-	-5,085,430	-	5,085,430		-
Transfer to Other reserve	-	-	-	-	2,821,412	2,821,412

	Share capital Birr	Retained earning Birr	Legal reserve Birr	Regulatory Risk reserve Birr	Other reserve Birr	Total Birr
Balance as at 1 July 2023	590,266,000	151,354,085	52,424,754	29,169,163	2,821,412	826,035,414
Profit for the year	-	27,135,894	-	-	-	27,135,894
Increase of the share capital	322,826,000	-96,652,601	-	-	-	226,173,399
Transfer to Dividend Payable	-	-	-35,021,700	-	-	-35,021,700
Transfer to legal reserve	-	-	-6,783,973	6,783,973	-	-
Balance transferred from regulatory risk reserve	-	-	8,861,244	-	-8,861,244	-
Transfer to regulatory risk reserve	-	-	-3,206,515	-	3,206,515	-
Transfer to Other reserve	-	-	-	-	44,489,657	44,489,657
Balance 30 June 2024	913,092,000	45,686,433	59,208,728	23,514,434	47,311,069	1,088,812,663
Balance as at 1 July 2024	913,092,000	45,686,433	59,208,728	23,514,434	47,311,069	1,088,812,663
Profit for the year	-	72,314,055	-	-	-	72,314,055
Increase of the share capital	141,029,000	-	-	-	-	141,029,000
Transfer to Dividend Payable	-	-	-45,686,433	-	-	-45,686,433
Transfer to legal reserve	-	-	-18,078,514	18,078,514	-	-
Balance transferred from regulatory risk reserve	-	-	20,148,844	-	20,148,844	-

	Share capital Birr	Retained earning Birr	Legal reserve Birr	Regulatory Risk reserve Birr	Other reserve Birr	Total Birr
Transfer to regulatory risk reserve	-	-	-9,513,177	-	9,513,177	-
Transfer to Other reserve	-	-	-	-	54,629,177	54,629,177
Balance 30 June 2025	1,054,121,000	64,871,207	77,287,241	12,878,768	101,940,246	1,311,098,463

Note: In the table "-" represents "Not Available"

I. Increase of the Share Capital

Equity growth over the review period was primarily driven by an increase in the share capital, as reflected in successive capital injections. Share capital increased from ETB 590.27 million as at 30 June 2023 to ETB 913.09 million as at 30 June 2024, representing an increase of 54.7%. The upward trend continued in FY 2025, with share capital rising further to ETB 1.05 billion, reflecting an additional increase of 15.4%.

II. Profit for the Year

Profit for the year contributed positively to retained earnings throughout the period. Profit declined from ETB 53.48 million in FY 2023 to ETB 27.14 million in FY 2024, representing a decrease of 49.3%. In FY 2025, profitability improved significantly, with profit rising to ETB 72.31 million, an increase of 166.5% compared to FY 2024. This recovery supported retained earnings growth despite dividend distributions and reserve transfers.

III. Transfer to Other Reserve

Other reserves rose from ETB 2.82 million in FY 2023 to ETB 47.31 million in FY 2024, an increase of ETB 44.49 million. The reserve expanded further to ETB 101.94 million in FY 2025, reflecting an additional increase of ETB 54.63 million (115.5%), significantly enhancing capital buffers.

IV. Transfer to Dividend Payable

Transfer to dividend payable reduced retained earnings and total equity in distribution years. Dividend transfers amounted to ETB 35.02 million in FY 2024 and increased to ETB 45.69 million in FY 2025, representing a year-on-year increase of 30.4%. Despite these distributions, overall equity continued to expand due to capital injections and profitability.

V. Prior Period Adjustment

A prior period adjustment of ETB 0.38 million was recognized in FY 2023, resulting in a marginal reduction in retained earnings. No similar adjustments were recorded in FY 2024 and FY 2025, indicating improved financial reporting consistency.

VI. Change in Equity

As a result of the above movements, total equity increased from ETB 826.04 million as at 30 June 2023 to ETB 1.09 billion as at 30 June 2024, representing an increase of 31.8%. Equity further expanded to ETB 1.31 billion as at 30 June 2025, reflecting a year-on-year increase of ETB 222.29 million or 20.4%.

Equity growth in FY 2024 was predominantly driven by an increase of the share capital, while growth in FY 2025 reflected a more balanced contribution from profitability and reserve accumulation. While capital injections materially strengthened equity during the period, such increases are not expected to recur at the same magnitude every year.

7.3.5. Key Financial Ratios

Table 84: Key Financial ratio

Area	Indicator	30 June 2023	30 June 2024	YoY Change (2023→2024)	30 June 2025	YoY Change (2024→2025)
Capital Adequacy	Capital Adequacy Ratio (CAR)	79.19%	122.44%	54.62%	39.00%	-68.15%
	Equity-to-Assets Ratio	62.49%	41.55%	-33.51%	23.76%	-42.82%
Asset Quality	Non-Performing Loan (NPL) Ratio	34.87%	8.52%	-75.57%	2.58%	-63.15%
	Provision Coverage Ratio	8.48%	5.18%	-38.92%	3.46%	-33.20%
Management Efficiency	Cost-to-Income Ratio	74.38%	91.48%	22.99%	82.67%	-9.63%
	Operating Expenses to Assets	13.37%	10.46%	-21.77%	7.12%	-31.93%
Earnings Quality	Return on Assets (ROA)	4.04%	1.04%	-74.26%	1.31%	25.96%
	Return on Equity (ROE)	6.47%	2.49%	-61.51%	5.52%	121.69%
	Net Interest Margin (NIM)	11.85%	8.95%	-24.47%	4.50%	-49.72%
Liquidity	Loan-to-Deposit Ratio	246.11%	90.86%	-63.08%	65.04%	-28.42%
	Cash-to-Deposit Ratio	205.18%	68.71%	-66.51%	55.36%	-19.43%

Note: the calculation is analyst calculated using standard formulas

Note: In the table “-” represents “Not Available”

I. Capital Adequacy

The Bank's capital position remained strong throughout the review period, reflecting a solid regulatory capital base and conservative risk management. The Capital Adequacy Ratio (CAR) stood at 79.19% in 2023, increased to 122.44% in 2024, and moderated to 39.00% in 2025. The very high CAR levels in 2023 and 2024 were largely attributable to a relatively modest risk-weighted asset base during the Bank's earlier stages of operation, combined with paid-up capital and reserves. The reduction observed in 2025 resulted from substantial growth in risk-weighted assets as lending and investment activities expanded; nevertheless, the ratio remained far above the regulatory minimum of 8%, underscoring the Bank's loss-absorption capacity and sound solvency position.

The equity-to-assets ratio provides a complementary perspective on capital strength, standing at 62.49% in 2023, declining to 41.55% in 2024, and further to 23.76% in 2025. This downward trend reflects rapid balance-sheet expansion rather than capital erosion, as total equity increased in absolute terms in each year. The combination of consistently high CAR levels and growing equity demonstrates that capital formation has remained aligned with the Bank's expanding risk profile, supporting sustainable growth and continued regulatory compliance.

II. Asset Quality

Asset quality improved significantly over the review period, supported by enhanced credit appraisal standards and active portfolio management. The non-performing loan (NPL) ratio was 34.87% in 2023, reflecting the early-stage composition of the loan portfolio and a high proportion of legacy exposures classified under Stage 3. In 2024, the NPL ratio declined sharply to 8.52%, and further improved to 2.58% in 2025, indicating substantial progress in credit quality, effective recoveries, and improved borrower performance. This pronounced downward trajectory signals strengthening risk controls and a more resilient loan book.

Provisioning levels evolved in line with changes in portfolio quality. Provision coverage stood at 8.48% in 2023, moderated to 5.18% in 2024, and declined further to 3.46% in 2025. While the reduction in coverage ratios may appear conservative, it is supported by the significant decrease in Stage 3 exposures and the expansion of performing loans. Overall, provisioning remains aligned with IFRS 9 requirements, reflecting a credit risk profile that has improved materially as the Bank's operations matured.

III. Management Efficiency

Management efficiency experienced some pressure during the Bank's expansion phase but showed signs of stabilization in 2025. The cost-to-income ratio stood at 74.38% in 2023, increased to 91.48% in 2024, and improved to 82.67% in 2025. The deterioration in 2024 reflects the cost implications of rapid scaling, including investments in human resources, systems, and infrastructure, which temporarily outpaced revenue growth. The subsequent improvement in 2025 indicates enhanced revenue generation and the beginning of improved operating leverage as income streams diversified.

A similar trend is evident in the operating-expenses-to-assets ratio, which declined steadily from 13.37% in 2023 to 10.46% in 2024, and further to 7.12% in 2025. This consistent reduction demonstrates that asset growth exceeded the pace of operating cost increases, reflecting improved resource utilization and cost discipline. The 2025 outcome suggests that earlier investments are yielding efficiency gains, supporting a more scalable and sustainable operating model.

IV. Earnings Quality

Earnings performance reflected the Bank's transition from an early high-return phase to a period of rapid expansion. Return on Assets (ROA) was 4.04% in 2023, declined to 1.04% in 2024, and improved modestly to 1.31% in 2025. The sharp decline in 2024 was driven by significant asset growth that diluted returns in the short term, while the improvement in 2025 indicates a gradual recovery in asset productivity as new income streams matured and operational efficiency improved.

Return on Equity (ROE) followed a similar pattern, standing at 6.47% in 2023, decreasing to 2.49% in 2024, and rising to 5.52% in 2025. The compression in 2024 reflects both lower profitability relative to equity and the strengthening of the capital base, while the recovery in 2025 demonstrates improved earnings generation and enhanced shareholder value. Net interest margin declined from 11.85% in 2023 to 8.95% in 2024 and 4.50% in 2025, reflecting balance-sheet expansion and changing funding dynamics; however, growth in fee income, grant income, and other operating income helped support overall earnings quality.

V. Liquidity

Liquidity strengthened considerably as the Bank expanded its deposit base and improved its funding structure. The loan-to-deposit ratio was 246.11% in 2023, reflecting early reliance on non-deposit funding, before declining sharply to 90.86% in 2024 and further to 65.04% in 2025. This marked improvement demonstrates successful deposit mobilization and a transition toward a more stable, deposit-funded balance sheet, significantly reducing liquidity risk.

The cash-to-deposit ratio remained robust despite moderating over time, standing at 205.18% in 2023, 68.71% in 2024, and 55.36% in 2025. Although the ratio declined as deposits grew and funds were deployed into lending activities, absolute cash balances increased substantially, maintaining short-term liquidity buffers. These trends confirm the Bank's ability to meet its obligations as they fall due while supporting ongoing asset growth.

7.4. Non-Financial Analysis of the Bank's Performance

The Bank's growth is clearly reflected in its non-financial performance metrics, particularly the expansion of its customer base and enhanced accessibility to services. The Bank's core branch services center on the collection of deposits and the facilitation of payments via cash withdrawals, checks, Cash Payment Orders (CPOs), and other payment instruments. Complementing the extensive branch network are digital service channels, Automated Teller Machines (ATMs), and mobile and internet banking services, which provide customers with convenient access to cash withdrawals and the ability to make payments for goods and services.

Over the last three financial years, there have been an increase in both customer numbers and the diversity of service channels, as detailed in the table below:

Table 85: Non-Financial Indicators

No	KPI's Customer Base and service channels	30 June 2025	30 June 2024	30 June 2023
1	Customer base	333,000	256,723.00	123,653.00
2	Active Mobile banking users	39,934	16,927	4,844
3	Cardholders	22,498	2,951	-
	Accessibility			
4	Number of Branches	49	39	32
5	Number of ATMs	11	11	-

Note: In the table "-" represents "Not Available"

7.4.1. Customer Base and Service Channels

The Bank demonstrated steady and sustained growth in its customer base, increasing from 123,653 in 2022/23 to 256,723 in 2023/24, and further to 333,000 in 2024/25. This expansion reflects successful customer acquisition and growing trust in the Bank's services. This Customer account growth from 123,653 to 333,000 (169.4% over three years) has been the primary driver of deposit mobilization, as each new account represents a potential savings, demand, or time deposit relationship. The strong correlation between customer base expansion and deposit growth is evident: a 107.6% increase in customers in FY2023/24 supported a 434.5% surge in deposits as new accounts were funded; a 29.7% customer increase in FY2024/25 supported 200% deposit growth, indicating higher average deposit balances per customer.

Service channel utilization also improved significantly, particularly in digital and card-based services. Active Mobile banking users increased from 4,844 in 2022/23 to 16,927 in 2023/24, and rose sharply to 39,934 in 2024/25, indicating accelerated digital adoption which reduces transaction costs per customer interaction (lowering G&A expense growth relative to transaction volume) and strengthens customer retention through digital engagement in addition to increased commission income from digital activities. Similarly, the number of Active cardholders grew from zero in 2022/23 to 2,951 in 2023/24, and further to 22,498 in 2024/25, reflects the launch of the Bank's card banking infrastructure in FY2023/24 and rapid uptake, which generates interchange fee income and supports the guarantee and trade finance business.

7.4.2. Accessibility and Physical Network Expansion

The Bank continued to strengthen its physical presence and accessibility through branch expansion, increasing the number of branches from 32 in 2022/23 to 39 in 2023/24, and to 49 in 2024/25. This expansion supported customer growth to 333,000 in 2024/25 which resulted in growing deposits by 200% and improved geographic outreach. However, the number of ATMs remained unchanged at 11 in 2023/24 and 2024/25, suggesting that ATM deployment has not kept pace with the expanding branch network and customer base.

7.5. Management Discussions on Capital Resources and Liquidity

7.5.1. Capital Resources

The Bank's capital funding structure is mainly supported by customer deposits, internally generated operating cash flows, and equity. Total deposits increased from ETB 229.2 million as at

30 June 2023 to ETB 1.22 billion in 2024 and ETB 3.67 billion in 2025, reflecting the growing role of customer deposits as a primary funding source. The deposit funding base is both large and structurally improving in terms of cost quality: savings and demand deposits represented 99.8% of total deposits by FY2024/25 (up from 90.3% in FY2022/23), while higher-cost time deposits fell to 0.2%. Demand deposits grew from 8.6% to 47.9% of total deposits, providing a large low-cost funding pool. This structural shift reduces funding costs and improves interest margin sustainability.

The Bank does not currently rely on borrowings as a material funding source (borrowings represent only 4.7% of total liabilities in FY2024/25), reducing refinancing risk but also limiting its ability to rapidly raise secured funding if deposit growth slows. Future growth is expected to be funded primarily through continued deposit mobilization, internally generated earnings, and periodic equity capital raises. The planned follow-on equity offering until the bank meets the minimum capital requirement of 5 billion by the NBE (amount, timing, and use of proceeds will be disclosed when determined) will be required to support continued regulatory capital adequacy as risk-weighted assets grow with the loan portfolio. Without additional capital, the Bank's CAR declined from 122.44% in FY2023/24 to 39.00% in FY2024/25 as risk-weighted assets grew substantially; The movement in the Capital Adequacy Ratio (CAR) should be considered in the context of the Bank's transition from a microfinance institution to a fully licensed commercial bank and the resulting balance sheet expansion.

- **FY2022/23 (CAR: 79.19%):** Following the conversion, the Bank inherited a capital base of ETB 590.27 million from the predecessor microfinance institution. Given the relatively limited risk-weighted asset (RWA) base during the early stage of commercial banking operations, this resulted in a high CAR significantly above the regulatory minimum.
- **FY2023/24 (CAR: 122.44%):** The CAR increased further due to additional capital injection of ETB 322.82 million, which increased paid-up capital to ETB 913.09 million. The capital increase exceeded the growth in RWAs during the period, resulting in a higher capital ratio despite loan portfolio expansion.
- **FY2024/25 (CAR: 39.00%):** The decline in CAR was mainly driven by rapid growth in RWAs as the Bank expanded its commercial banking activities. Gross loans increased by 114.8% to ETB 2.39 billion and total assets increased to ETB 5.52 billion, increasing the RWA base. In addition, growth in guarantees and letters of credit increased off-balance sheet exposures. Although

shareholders injected additional capital of ETB 140.85 million, the increase was lower relative to asset and RWA growth, resulting in CAR compression.

Despite the decline, the CAR remains above the previous NBE minimum requirement of 8% and the new 11.5% going forward, demonstrating adequate capital capacity. However, continued growth requires further capital strengthening, and Management plans additional equity raising initiatives to support future expansion and maintain regulatory capital adequacy. Total net cash inflows amounted to ETB 430.4 million in 2023, ETB 371.4 million in 2024, and ETB 1.19 billion in 2025. As a result, cash and bank balances increased from ETB 39.8 million at the beginning of 2023 to ETB 470.2 million at end-2023, ETB 841.6 million at end-2024, and ETB 2.03 billion by 30 June 2025. These balances represent the Bank's internally generated liquidity available for operational and funding purposes.

7.5.2. Liquidity

The Bank maintains its liquidity mainly through stable customer deposits, loan repayments, and short-term funding accessed from the Interbank Money Market and the National Bank of Ethiopia. Management assesses the current liquidity position as steady with no material short-term cash needs or obligations expected to constrain operations. This assessment is supported by the Bank's Loan to deposit ratio and cash-to-deposit ratio, both of which stand at around 65% and 55% respectively as of June 2025, indicating a comfortable buffer to meet withdrawal demands and short-term obligations.

7.5.2.1. Liquidity Management framework of the bank

The Bank manages liquidity through a Board-approved Liquidity Risk Management Framework, which defines the governance structure, roles and responsibilities of ALCO, Treasury, and Risk Management, as well as internal limits aligned with the Bank's risk appetite and applicable regulatory requirements. The liquidity risk appetite is expressed through key prudential ratios and internal early warning indicators, including liquidity coverage metrics, cash flow mismatches, and concentration limits on funding sources.

Liquidity is actively monitored on a daily, weekly, and monthly basis through cash flow forecasting, maturity gap analysis, and monitoring of core liquidity indicators. ALCO reviews liquidity positions regularly and provides strategic direction on funding and balance sheet management.

The Bank's Contingency Funding Plan (CFP) outlines early warning triggers, escalation procedures, and a menu of funding actions to be deployed under stressed conditions. These include utilization of interbank markets, mobilization of customer deposits, adjustment of asset growth, and access to alternative funding sources where available.

In addition, the Bank conducts regular liquidity stress testing under multiple scenarios, including institution-specific stress, market-wide stress, and combined stress scenarios. The results are used to assess the adequacy of liquidity buffers, validate the CFP, and support management decisions on liquidity risk mitigation.

Overall, the Bank's liquidity risk management approach ensures that liquidity is maintained under normal and stressed conditions, and that potential funding pressures are identified and addressed in a timely manner in line with the Bank's risk appetite and regulatory expectations.

7.5.2.2. Anticipated Cash Requirements

The Bank's anticipated cash requirements mainly relate to operational activities, loan portfolio growth, regulatory reserve requirements, and planned investments in infrastructure and systems. Ongoing operational cash needs include staff costs, administrative expenses, and routine operating expenditures. In addition, cash resources are required to support the expansion of the Bank's lending activities, including new loan disbursements and refinancing of maturing facilities. The Bank is also required to maintain statutory reserve and liquidity balances with the National Bank of Ethiopia, which represent committed cash resources that cannot be freely deployed for other purposes. Management does not expect any material extraordinary cash requirements in the short term beyond those arising from normal banking operations, regulatory obligations, and planned business expansion.

I. Contractual Obligations and Restrictions

The Bank's material contractual cash obligations mainly relate to repayment of concessionary loan financing, interest accrued on such borrowings, operating expenses, and dividend payments when declared. Other than stated the bank Does not have a known commitment or contractual obligation and any material restrictions regarding cash or any material requirements to date. The cash needs are stated below:

- A. Concessionary Loan Financing:** As at 31 March 2026, the Bank's outstanding concessionary loan financing amounted to ETB 174.68 million principal and ETB 2.77

million accrued interest (total: ETB 177.45 million). The facility was obtained from a development finance institution on preferential terms. The Bank has maintained scheduled repayments and is not in default. Based on current repayment terms and available liquidity (cash and cash equivalents of approximately ETB 1.79 billion), the Bank does not expect debt service obligations to materially constrain liquidity.

- B. Operating Lease Obligations:** The Bank operates branches and office premises under lease arrangements recognized as right-of-use assets and lease liabilities. Lease-related interest expense increased from ETB 1.29 million in FY2022/23 to ETB 4.19 million in FY2024/25 due to branch expansion. Future lease payments represent recurring obligations expected to increase with continued expansion. Detailed maturity analysis is disclosed in the financial statements.
- C. Contingent Liabilities (Guarantees and Letters of Credit):** As at 30 June 2025, contingent liabilities amounted to approximately ETB 484 million, comprising guarantees of ETB 351.79 million and letters of credit/trade finance facilities of approximately ETB 132 million. The Bank manages these exposures through credit assessment, collateral requirements, and margin deposits. Management does not anticipate material cash outflows from these obligations in the near term.
- D. Regulatory Reserve Requirements:** The Bank maintains required reserve deposits with the National Bank of Ethiopia. As at 30 June 2025, the NBE balance was ETB 429.18 million, which represents restricted cash that cannot be deployed for lending or other earning activities.
- E. Mandatory NBE Treasury Bonds:** The Bank held ETB 274.49 million in NBE Treasury bonds as at 30 June 2025 in compliance with regulatory requirements. These investments represent restricted asset allocation and are not freely tradeable.
- F. Dividend Obligations:** Dividends are payable only when declared by shareholders. No dividend was declared for FY2022/23 due to losses, while subsequent dividend information is disclosed in the Prospectus.

II. Known Trends, Demands, and Events Affecting Liquidity

The Bank's liquidity position is influenced by trends in deposit mobilisation, loan growth. Continued growth in customer deposits is expected to increase available liquidity, while expansion in the loan portfolio is expected to increase the use of cash resources. Liquidity levels are also

subject to seasonal patterns, with increased cash withdrawals typically observed during peak periods such as tax payment seasons and harvest cycles. Specifically, during coffee season in Sidama Region, Monthly Sidama government employee's salary time. Also, the bank's liquidity tends to increase during monthly closing days, foreign exchange auctions conducted by the national bank and during deposit mobilization campaigns. Conversely, liquidity generally improves during off-peak periods as deposit inflows increase and withdrawal demands decline.

7.5.2.3. Liquidity Risk Analysis

- i) The Bank's liquidity position is primarily supported by customer deposits, cash balances, regulatory reserves, and prudent liquidity management practices. While the Bank experiences normal seasonal liquidity movements, including increased withdrawal demand during coffee harvest periods, government salary payment dates, and tax settlement periods, these patterns are managed through routine liquidity forecasting and do not represent material liquidity risks. The key liquidity risks facing the Bank are as follows.
- ii) The Bank's deposit base has grown significantly over the reporting period, increasing from ETB 229.15 million in FY2022/23 to ETB 1.22 billion in FY2023/24 and ETB 3.68 billion in FY2024/25. Deposit mobilization remains concentrated in Sidama Region and surrounding areas, where the Bank has historically maintained its largest branch presence. As at June 2025, deposits from Sidama Region amounted to ETB 2.80 billion from 297,287 customers, while Addis Ababa contributed ETB 836.91 million from 26,690 customers. This geographic concentration exposes the Bank to potential liquidity pressure if regional economic conditions deteriorate, particularly factors affecting household and business income, depositor confidence, or local economic activity. The Bank manages this risk through branch network diversification, liquidity forecasting, maintaining adequate cash balances, and access to available liquidity facilities.
- iii) The Bank is also exposed to asset-liability mismatch risk arising from the rapid expansion of its loan portfolio. Gross loans increased to ETB 2.39 billion in FY2024/25, while a significant portion of deposits consists of savings deposits that may be withdrawn on demand or short notice. Continued loan growth exceeding deposit growth could increase liquidity pressure; however, the Bank manages this risk through regular cash flow

monitoring, maintaining NBE reserve balances, and maintaining a Loan-to-Deposit Ratio of 65.04%.

- iv) Changes in market conditions, including increased competition for deposits following changes in deposit pricing requirements, may affect the Bank's ability to retain low-cost deposits or may increase funding costs. The Bank's strong customer relationships and savings deposit base provide support against significant deposit outflows.
- v) Regulatory developments may also affect liquidity. The Bank is required to maintain reserve balances with the National Bank of Ethiopia and hold mandatory investments in NBE Treasury bonds, which restrict the portion of funds available for lending and other earning activities. As at June 2025, the Bank maintained ETB 429.18 million in NBE reserve balances and ETB 274.49 million in NBE Treasury bonds.
- vi) Asset quality deterioration and macroeconomic shocks may further affect liquidity through reduced loan repayments, increased provisioning requirements, and pressure on capital. Factors such as inflation, exchange rate movements, economic slowdown, or regional disruptions could affect deposit mobilization and loan recovery.
- vii) As at the reporting date, the Bank maintains a strong liquidity position supported by cash resources, regulatory reserves, and liquidity management practices. However, a simultaneous adverse impact from deposit concentration, rapid loan growth, regulatory changes, asset quality deterioration, or macroeconomic conditions could place pressure on future liquidity levels.

7.6. Discussion on Trends, Uncertainties, and Commitments

7.6.1. Trends

I. Digital Transformation

The integration of digital technology into all areas of banking is fundamentally changing how banks operate and deliver value. The Bank's investment in core banking infrastructure, mobile banking platforms, card and POS networks, and digital onboarding capabilities positions it for this transition. Mobile banking users grew 135.9% to 39,934 in FY2024/25, and the Bank continues to invest in digital channels to improve cost-to-serve and customer retention.

II. Regulatory Developments

Two key regulatory changes will affect Sidama Bank's liquidity and funding costs going forward:

- **Increased Reserve Requirement Ratio:** The NBE revised the statutory reserve requirement ratio to 10% of total deposits (from 7%), with the daily minimum retained at 5%. For Sidama Bank, this raises the opportunity cost of customer deposits, requires a greater portion of funds to be maintained in non-income-generating NBE reserves, and may constrain the Bank's ability to deploy funds into earning assets, affecting profitability and asset growth.
- **Lifting of the Minimum Savings Deposit Rate:** The NBE removed the 7% minimum savings deposit rate floor, allowing banks to determine deposit pricing based on market conditions. While this grants flexibility, increased competition may lead depositors to seek higher returns, potentially raising funding costs and compressing net interest margins. Sidama Bank intends to mitigate this through customer retention strategies, product differentiation, and digital banking service expansion.

III. Capital Market Development

The establishment of the Ethiopian Securities Exchange expands financing options and may support economic growth. However, challenges such as limited investor awareness, infrastructure needs, and cultural hurdles must be addressed. Capital markets may increase competition, drive innovation, and improve financial inclusion.

7.6.2. Uncertainties

- **Regulatory and Policy Uncertainty:** Reforms in licensing procedures, foreign exchange policies, or banking regulations can create uncertainty for the Bank in planning operations and investments.
- **Economic Uncertainty:** Inflation, currency fluctuations, and growth variability influence credit demand, deposit behaviour, and profitability. The end of the credit growth cap exemption will materially moderate loan portfolio growth.
- **Political Uncertainty:** Regional and national political instability can disrupt banking operations, affect investor confidence, and alter the operating environment.
- **Technological Uncertainty:** Rapid advancement and cybersecurity threats pose uncertainties about technology adoption and data security.
- **Dependence on FX-Generating Customers:** A considerable portion of foreign currency inflows comes from merchandising exporters, remittance channels, and selected corporate clients. Disruptions affecting these groups — global price fluctuations, reduced export volumes, or regulatory changes — could limit FX availability and constrain trade finance fee income.

7.6.3. Commitments

Table 86: Guarantee Portfolio Summary as at 30 June 2025

Guarantee Type	Outstanding Amount (ETB)	% of Total	Beneficiary Type	Collateral Type	Potential Impact
Performance Bond LG	261,794,062	74.4%	Government contracts (primary) and commercial obligations	Clean / Building / Building & Vehicle	Payment obligation if customer fails to perform contracted obligations
Supplier Credit LG	40,000,000	11.4%	Commercial obligations	Clean	Payment obligation on supplier credit default
Advance Payment LG	32,078,039	9.1%	Government and commercial contracts	Building / Building & Vehicle / Clean	Repayment obligation if advance not earned through performance
Bid Bond LG	15,940,480	4.5%	Government and commercial tenders	Building & Vehicle / Vehicle	Payment on failure to honour winning bid
Customs Duty Guarantee LG	1,982,214	0.6%	Commercial obligations	Building	Payment of customs duties on behalf of customer
Total Guarantees	351,794,795	100%			

Table 87: Guarantee Portfolio by Collateral Type as at 30 June 2025

Collateral Type	Outstanding Amount (ETB)	% of Total
Clean (unsecured)	272,437,013	77.4%
Building	43,896,531	12.5%
Building & Vehicle	26,863,747	7.6%
Cash Margin	6,000,000	1.7%
Vehicle	1,865,731	0.5%
Total	351,063,022	100%

- I. Performance Bond LG (74.4%; ETB 261.8 million):** Performance bonds are the dominant product, issued primarily in favour of government entities (federal and regional government contractors) and commercial counterparties to guarantee customers' performance of contracted obligations in construction, supply, and services sectors. The largest single guarantee is ETB 214.9 million (expiry: October 23, 2025), issued for a government contract. Performance bonds require the Bank to pay the beneficiary if the guaranteed customer fails to perform as contracted. The Bank assesses the probability of call as low, based on the creditworthiness of its customers and the nature of the underlying contracts.

II. Advance Payment LG (9.1%; ETB 32.1 million): Advance payment guarantees are issued to support customers who receive advance payments on commercial and government contracts. These ensure the advance is repaid or the contracted work completed. Collateral typically comprises building and vehicle assets, consistent with the construction and supply nature of the underlying contracts.

III. Bid Bond LG (4.5%; ETB 15.9 million): Bid bonds support customers participating in competitive tender processes, with maturities predominantly short-term (most expire within 90 days of issuance). These carry lower crystallisation risk as they are typically replaced by performance bonds if the customer wins the tender.

IV. Supplier Credit LG (11.4%; ETB 40.0 million): A single large clean guarantee of ETB 40.0 million issued in favour of commercial obligations, expiring November 17, 2025. This represents concentrated single-counterparty risk within the guarantee portfolio.

Total guarantee exposure of ETB 351.8 million represents 33.4% of the Bank's paid-up capital of ETB 1,054.1 million and 6.4% of total assets of ETB 5.5 billion as at 30 June 2025. While guaranteed amounts are contingent and off-balance-sheet, a simultaneous crystallisation of multiple large guarantees particularly the ETB 214.9 million performance bond and ETB 40.0 million supplier credit guarantee could have a material impact on the Bank's liquidity and capital adequacy.

Table 88: Letters of Credit Portfolio as at 30 June 2025

S.No	Purpose	Amount (ETB)	Expiry Date	Collateral
1	Importing construction materials — dam project	18,432,604	20 June 2025	100% cash collateral
2	Import of coffee processing machinery and spare parts	20,740,125	26 June 2025	30% cash collateral
3	Importing construction materials (various)	2,853,531	3 August 2025	100% cash collateral
4	Import of coffee processing machinery and spare parts	34,472,037	11 August 2025	30% cash collateral
5	Importing construction materials (various)	5,853,269	18 August 2025	100% cash collateral
6	Import of coffee processing machinery and spare parts	7,137,621	27 August 2025	30% cash collateral
7	Import of coffee processing machinery and spare parts	7,137,621	27 August 2025	30% cash collateral
8	Importing passenger lift	4,278,835	30 August	100% cash collateral

S.No	Purpose	Amount (ETB)	Expiry Date	Collateral
			2025	
9	Importing construction materials (various)	15,342,889	8 September 2025	100% cash collateral
10	Importing bentonite processing powder	898,285	14 September 2025	100% cash collateral
11	Importing material for loaders	15,464,476	24 September 2025	100% cash collateral
Total Letters of Credit		132,611,294		

Total letters of credit of ETB 132.6 million represent 12.6% of the Bank's paid-up capital and 2.4% of total assets as at 30 June 2025. The LC portfolio comprises two categories: (i) Coffee processing machinery imports (four LCs; ETB 69.5 million; 52.4% of total) secured at 30% cash margin. These support the import of capital equipment for coffee processing, consistent with the Bank's strategic focus on Sidama Region's coffee industry. The 30% cash margin means the Bank bears 70% exposure on an unsecured basis, which is higher risk than the cash-covered LCs; and (ii) Construction and other imports (seven LCs; ETB 63.1 million; 47.6% of total) all secured at 100% cash margin. These cover dam construction materials, various construction materials, a passenger lift, bentonite powder, and loader machinery. Full cash collateral significantly mitigates the Bank's credit risk on these instruments.

Table 89: Summary of Total Contingent Liabilities as at 30 June 2025

Category	Amount (ETB)	% of Paid-up Capital	% of Total Assets	Nature
Performance Guarantees (5 types)	351,794,795	33.4%	6.4%	Off-balance-sheet; contingent on customer default
Letters of Credit (11 instruments)	132,611,294	12.6%	2.4%	Off-balance-sheet; contingent on document presentation
Total Contingent Liabilities	484,406,089	45.9%	8.8%	
— of which: Clean / Unsecured	272,437,013	25.8%	4.9%	No specific collateral

Category	Amount (ETB)	% of Paid-up Capital	% of Total Assets	Nature
— of which: Partially Secured (30% cash)	69,487,405	6.6%	1.3%	30% cash margin; 70% unsecured exposure
— of which: Fully Secured (100% cash / building / vehicle)	142,481,671	13.5%	2.6%	Fully collateralised

7.7. Management Working Capital Statement

The Board of Directors has reviewed the Bank's working capital position, and, in its opinion, the Bank's current working capital is sufficient to meet its ongoing operational requirements. The Board further confirms that the working capital is expected to remain adequate for at least the next twelve (12) months from the date of this Prospectus.

- Loan to Deposit Ratio:** As of June 2025, the Bank maintained a Loan-to-Deposit Ratio (LDR) of 65%, compared to the National Bank of Ethiopia's (NBE) regulatory threshold of 85%. The Bank's LDR remained below the regulatory maximum, indicating that a lower proportion of deposits was deployed as loans and a greater portion of the deposit base remained available to support liquidity requirements and short-term obligations. This reflects the Bank's prudent liquidity management approach and capacity to meet its funding obligations.
- Current Ratio:** The Board's assessment of adequate working capital is well supported by the Bank's consistent current ratio over the past three years. The current ratio stood at 4.50 in 2022/23, declined slightly to 4.07 in 2023/24, and further moderated to 3.39 in 2024/25. Despite this gradual downward trend, the ratio remains above 1.0 in all periods, indicating that the Bank's current assets continue to substantially exceed its current liabilities. Accordingly, the Bank remains well positioned to meet its short-term obligations and sustain adequate working capital for at least the next twelve months, in line with the Board's opinion and regulatory expectations of the National Bank of Ethiopia.

In addition, deposit growth has remained stable across deposit types, providing a reliable source of low-cost funding. The Bank's short-term assets, including cash and cash equivalents, balances with other banks, and near-maturity investments, substantially exceed its short-term liabilities, demonstrating a solid liquidity cushion.

7.8. Management Discussions on Capitalization and Indebtedness

7.8.1. Capitalization

The table below details the Bank's capitalization as of March 31, 2026, derived from the unaudited management accounts.

Table 90: Capitalization (ETB)

S.No	Total Capitalization	Amount (ETB)
1	Paid-up Capital	1,191,144,000.00
2	Retained Earnings & Profit/Loss	203,575,755.75
3	Legal Reserves	77,287,241.00
4	Other Reserves (Regulatory & Other)	114,819,014.00
	Total Capital	1,586,826,010.75

As of March 31, 2026, the Bank's total capitalization reflects an equity base of ETB 1.5 billion; the core lies in the Paid-up Capital, which stands at ETB 1.1 billion.

The Bank has also a reserve position, with Legal Reserves at ETB 77 million and other specialized reserves totaling over ETB 114.8 million. Despite a prior period deficit, the current period's performance has increased Retained Earnings (Profit/Loss), contributing to a total equity position.

7.8.2. Indebtedness

The table below presents the Bank's indebtedness as of March 31, 2026, based on the management accounts.

Table 91: Indebtedness (ETB)

Statement of Indebtedness	Amount (ETB)
Cash and cash equivalents (A)	1,791,811,927.87
Current & non-current financial indebtedness	
– Loan Financing Debt-Concessionary	174,680,667.20
– Interest accrued on concessionary debt	2,770,714.96
Total financial indebtedness (B)	177,451,382.16
Net financial indebtedness (B - A)	(1,614,360,545.71)

Note: The financial figures presented in the above table, as of March 31, 2026, are derived from internal management accounts and have not been audited by an independent external auditor.

The Bank's statement of indebtedness indicates a strong net liquidity position. Cash and cash equivalents amounted to approximately ETB 1.79 billion, comprising cash in hand (local and foreign), balances with the National Bank of Ethiopia (NBE), and deposits with local and foreign banks.

Total financial indebtedness, which primarily includes concessionary loan financing and associated accrued interest, totaled ETB 177,451,382.16. This represents the Bank's primary interest-bearing debt obligations.

Consequently, the Bank recorded a negative net financial indebtedness of ETB 1,614,360,545.71. This indicates that the Bank's liquid cash resources exceed its total financial debt by a significant margin. This liquidity profile confirms that Sidama Bank is well-positioned to settle its financial obligations for the next 12 months using its existing cash reserves.

7.9. Management Statement of Going Concern

The Board of Directors of the Bank declares that the Bank will continue its operations for the foreseeable future. In addition, the external auditor raised no-going concern issues in the financial audit conducted for the year ended June 30, 2025, as reflected in the auditor's opinion issued in October 2025.

7.10. Legal Arbitration and Proceedings

The Bank is currently involved in a limited number of legal proceedings arising in the ordinary course of business, primarily related to guarantee obligations, tax matters, credit recovery proceedings, and routine civil matters.

In assessing the materiality of legal proceedings, the Bank applies three criteria: (i) quantitative any matter that could result in a financial obligation exceeding 1% of paid-up capital; (ii) qualitative any matter that could have a material adverse effect on regulatory standing, operating licences, or reputation; and (iii) operational impact any matter that could significantly disrupt branch operations or customer relationships.

Based on the Bank's materiality assessment, none of the outstanding legal proceedings are considered material. The aggregate value of 488,970 is including all pending claims which remains below 1% of the Bank's paid-up capital, and no individual case has been identified that could have a significant impact on the Bank's capital adequacy, liquidity position, operational continuity, or financial performance.

Most of these cases are at execution or appeal stages, indicating that substantive judgments have already been rendered in favor of the Bank or that the matters are at an advanced stage of resolution. Several proceedings include court orders for enforcement actions such as salary attachment, final warnings to defendants, or progression to execution, which enhances the likelihood of recovery. Where the Bank is named as a defendant, the cases generally involve direct suits with relatively small claim amounts or issues related to confirmation of repayment status,

and no material adverse rulings have been identified to date. Importantly, the aggregate value of all outstanding claims is well below one percent of the Bank's capital, after assessing in both metrics, rendering these matters immaterial to the Bank's financial position, liquidity, or capital adequacy, and management does not expect them to have any significant adverse impact on the Bank's operations or financial performance.

7.10.1. Potential Litigation Matter

Sidama Bank S.C. vs. Ethiopian Capital Market Authority (ECMA)

As part of Sidama Bank's historical capital raising process, the Extraordinary General Meeting (EGM) authorized the Bank's capital expansion. Following this approval, the Bank proceeded with capital raises through both new subscriptions and the collection of outstanding shares.

However, because the Bank sold and finalized share issuances after November 2025 well after the implementation of the Public Offering and Trading of Securities Directive No. 1030/2024 questions may arise regarding whether these specific transactions required additional registration or formal regulatory compliance under the new capital market framework. Accordingly, there is a possibility that the Ethiopian Capital Market Authority (ECMA) may review these post-November 2025 share sales, which could potentially result in regulatory queries, administrative reviews, or enforcement actions relating to alleged unregistered securities operations.

As of the date of this Prospectus, no formal litigation, enforcement action, or regulatory sanction has been initiated against Sidama Bank by the ECMA in this regard. The Bank believes that these sales were the valid execution of prior shareholder authorizations; however, because the transactions occurred after November 2025, the matter remains subject to strict regulatory interpretation, scrutiny, and review by the ECMA.



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Sidama Bank

SECTION 8
**INFORMATION ON
THE OFFER OF
SECURITIES**



SECTION EIGHT - INFORMATION ON THE OFFER OF SECURITIES

8.1. Information Concerning the Securities Being Registered

I.Type and Class of Securities

A total of 1,447,002 ordinary shares are being registered, having a par value of ETB 1,000 per share, are subscribed by the Company's shareholders.

II.Legal Basis of the Registration

The registration of all existing shares of Sidama Bank S.C. is based on the resolutions duly passed by the governing bodies of the Bank. In this regard, the Board of Directors, at its meeting held on 5 October 2025, under Minute No. 067/2025, unanimously resolved to register all existing issued shares of Sidama Bank S.C.

III.Record-Keeping

- The records of the issued securities are maintained by Sidama Bank S.C.'s Share Administration Unit with the following address:
- Sidama Bank S.C.,
- Kirkos Sub-City, Woreda 04, House No. 892, Addis Ababa, Ethiopia
- Sera Leone Avenue, Lancha Mekor Plaza, 3rd Floor Tel: +251-11-470-4726 / +251-11-470-6740 / +251-11-470-6927
- P.O. Box: 1157
- Responsible individual for record keeping: Ato Alamirew Ayele Abebe , Manager, Share Administration Division

IV.Rights Attached to the Securities

- The ordinary shares of Sidama Bank S.C. confer equal rights to all shareholders. Holders of these shares are entitled to receive dividends as may be declared by the General Assembly and to exercise one vote per share at shareholders' meetings.
- Shareholders possess pre-emptive rights with respect to any future issuance of shares, consistent with the Bank's Articles of Association, the Commercial Code, and applicable laws. Where shares are issued through a pre-emptive rights offering, shareholders are entitled to freely trade their pre-emptive rights in accordance with the Commercial Code and Article 9(2) of the POTS Directive
- In the event of liquidation, shareholders are entitled to a proportionate share of any

residual assets remaining after the settlement of all liabilities.

- The ordinary shares are non-redeemable, and this registration relates solely to shares already issued and fully paid. Dividends distributed on the shares are subject to taxes in accordance with the relevant Ethiopian tax laws.

8.2. Restriction on transferability of shares

- The shares of the Bank are freely transferable.

8.3. Public takeover bid

No public takeover bids relating to Sidama Bank S.C. occurred during the last financial year or the current financial year.

8.4. Terms and Conditions of the Offer of Securities

This Prospectus relates only to the registration of existing shares, not to a public offer or capital raising. Accordingly, many items under Article 118 of the Directive do not apply. They are described below only to the extent relevant.

8.4.1. Disclosure regarding Dematerialization, Migration, and Holding of Securities

I. Mandatory Dematerialization Regime

Pursuant to applicable regulations, all securities are required to be held, transferred, and traded exclusively in dematerialized (electronic) form. This requirement applies to both the securities offered through Primary Issue and any existing physical share certificates currently held by shareholders. Physical certificates cannot be transferred, sold, or otherwise dealt with unless they are dematerialized.

II. Issuer-Side Migration to Central Securities Depository (CSD)

As part of the process to comply with electronic holding requirements, the Company will initiate the migration of eligible shareholdings to the Central Securities Depository (CSD). This migration involves the electronic registration of shareholdings with the depository on the issuer side.

Upon completion of this migration shareholdings will be recorded in electronic form with the CSD. Shareholders who have not yet linked these holdings to an active brokerage account will have their securities reflected in a non-trading (inactive) suspense account maintained by the CSD.

While such holdings are electronically recorded, shareholders will not be able to transfer, pledge, trade, or otherwise deal with these securities until they complete the subsequent steps of opening a brokerage account and dematerializing the securities into that account.

III. Shareholder Obligation: Retention of a Licensed Broker/Dealer

To gain full functionality over their securities, it is mandatory for each shareholder to retain the services of a licensed **Broker/Dealer**. Accordingly, every shareholder must open and maintain a brokerage account with a registered ECMA licensed broker/dealer/investment bank such as a broker or dealer registered with the CSD. The **Broker/Dealer /Investment bank** acts as intermediary between the shareholder and the CSD for all transactions.

IV. Dematerialization via Securities Deposit to Brokerage Account

Following the opening of a brokerage account with a licensed **Broker/Dealer**, shareholders must initiate the process of dematerializing their securities to transfer them from the issuer-side CSD record (or inactive account) into their active, tradable brokerage account.

The procedure is as follows:

- **Step 1: Account Opening:** The shareholder opens a brokerage account with a registered CSD Participant (broker/dealer).
- **Step 2: Dematerialization Request:** The shareholder submits a Dematerialization Request Form/Securities Deposit form to their broker/dealer, instructing the deposit of securities into their specific account.
- **Step 3: Verification and Credit:** The broker/dealer forwards the request to the Company's Registrar. Upon verification, the electronic holdings are credited from the issuer-side CSD record to the shareholder's active brokerage account.
- **Step 4: Activation for Trading:** Once credited to the active brokerage account, the securities become fully functional, allowing the shareholder to hold, transfer, pledge, or trade them freely.

V. Consequences of non-compliance

Shareholders who fail to complete these steps, specifically; those who do not open a brokerage account and dematerialize their holdings into that account, will face the following restrictions:

- **Inability to Transfer:** Securities remaining in the issuer-side inactive account cannot be sold, transferred, or pledged.
- **Risk of Dormancy:** holdings that remain unlinked to an active brokerage account for an extended period may be subject to further transfer restrictions.
- **Loss of Functionality:** Shareholders will be unable to participate in certain corporate actions requiring active demat holdings.

VI. Investor Responsibility

The Company and the CSD shall have no liability for delays, inability to transfer shares, or any other consequences arising from an investor's failure to:

- Open and maintain a brokerage account with a registered broker/dealer.
- Initiate the dematerialization of securities from the issuer-side CSD record into their active brokerage account.
- Respond to communications regarding the activation of their holdings.

8.5. Expense of the Offer

Because there is no capital raising or sale of securities, no selling commissions, brokerage fees, or underwriting costs apply. Only administrative and professional service costs related to the preparation and submission of the prospectus incurred (e.g., advisory fees, legal fees, regulatory filing fees).

Table 92: Expense of the offer

Professional Parties	Amount (ETB)
Transaction Advisor	10,925,000
Legal Adviser	805,000
ECMA Application fee	300,000
Securities Registration Fee (ECMA)	1,447,002
Total expense	13,477,002

8.6. Taxes Treatment

The taxation framework applicable to the securities is established under the Federal Income Tax Proclamation No. 979/2016, as amended by the Income Tax (Amendment) Proclamation No. 1395/2025. In accordance with these provisions, the following tax liabilities may arise for holders of the offered securities:

- Dividend income received by resident individuals in Ethiopia is subject to a 15% income tax levied on the gross amount of the dividend. Similarly, non-residents deriving Ethiopian-source dividends through a permanent establishment in the country are also taxed at the same 15% rate.
- Nevertheless, the dividend tax is not imposed where dividends are distributed either to a permanent establishment operating in Ethiopia or to a resident company that forms part of a corporate group. For this purpose, a "group of companies" is defined as a structure wherein one company holds, directly or indirectly, more than 50% of the share

capital of one or more other companies.

- Under Article 59 of the Income Tax Proclamation (as amended), individuals who realize a gain from the sale or transfer of shares are required to pay income tax at a rate of 15% on such gain. The taxable gain is computed by deducting the adjusted cost of the asset—which is indexed upward by 30% to account for inflation—from the total consideration received from the disposal.
- Furthermore, Article 64 of the Federal Income Tax Proclamation No. 979/2016, as amended, imposes an additional 15% tax on the Company's net profits that remain undistributed and are not reinvested within twelve months following the end of the fiscal year. Undistributed profits encompass amounts not paid out or reinvested within the stipulated period, as well as profits attributable to a permanent establishment in Ethiopia that are not transferred to a foreign head office. Until the Ministry of Finance issues relevant directives, any profits applied toward increasing the Company's capital or shareholders' equity are presumed to have been reinvested and, consequently, are not treated as undistributed profits for tax purposes

8.7. Professional Parties

Summary of Professional Parties

The following parties have participated in the preparation and submission of this Prospectus:

- **Transaction Advisor:** Wegagen Capital Investment Bank
- **Legal Advisor:** Liku Worku Law Office
- **Auditor:** Tewodros and Fikre Audit Service Partnership – Authorised Auditors, Chartered Certified Accountants

I. Interests in the Issuer

To the best knowledge of the Issuer, none of the Professional Parties holds interests in the Bank that would materially affect the preparation of this Prospectus, unless otherwise disclosed herein.

II. Conflict of Interest

No material conflict of interest related to the preparation of this Prospectus has been identified among the Professional Parties.



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SECTION 9
RISK FACTORS



SECTION NINE - RISK FACTORS

Investing in the ordinary shares of Sidama Bank Share Company (the “Bank” or “Sidama Bank”) involves material risks. Prospective investors should carefully consider the risk factors described below, together with all other information contained in this Prospectus, before making any investment decision. These risks could materially and adversely affect the Bank’s business, financial condition, results of operations, capital adequacy, liquidity position, regulatory compliance and the market value of its shares. The risks set out below are not exhaustive; additional risks and uncertainties not presently known to the Bank or that it currently deem immaterial may also impair its business and the value of an investment in its shares.

The risk factors below are presented in categories that reflect the principal sources of risk to the Bank. Each risk factor explains how the Bank is or may become exposed to the risk (including the key drivers or causes) and the specific potential consequences or implications for the Bank if the risk materializes.

9.1. Regulatory Requirement and Compliance Risk

Sidama Bank S.C., relicensed as a commercial bank in July 2022, is subject to regulatory capital requirements and supervisory oversight by the National Bank of Ethiopia (NBE), as well as Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) oversight by the Ethiopian Financial Intelligence Service (FIS). Compliance with these requirements is critical to the Bank’s continued operations and growth.

Under NBE Directive No. SBB/78/2021, Article 5(2), banks that were under formation at the time of the directive’s issuance are required to meet the revised minimum paid-up capital requirement of ETB 5 billion within seven years from the commencement of operations. Sidama Bank commenced banking operations on March 14, 2023, establishing a compliance deadline of March 2030. As of March 31, 2026, the Bank’s paid-up capital stood at ETB 1.16 billion, which remains significantly below the required threshold.

Failure to achieve the mandated capital level within the prescribed timeframe may result in regulatory actions, including operational restrictions, limitations on business expansion, or other supervisory measures imposed by the NBE. In addition, changes to capital adequacy rules, liquidity requirements, or related prudential directives may increase regulatory pressure and constrain the Bank’s strategic flexibility.

These capital-related regulatory risks may adversely affect the Bank's profitability, capital position, dividend-paying capacity, and overall attractiveness to investors.

9.2. Concentration Risk

The Bank is exposed to elevated concentration risk across sectoral lending, geographic footprint and funding sources.

Sectoral concentration is pronounced: as at 30 June 2025, loans and advances to the domestic trade and services sector accounted for approximately 75% of gross loans to customers (ETB 1.845 billion out of ETB 2.476 billion). This exposure reflects the Bank's historical focus on financing small traders, cooperatives and service businesses in its core operating areas.

Geographic concentration is even more significant. Approximately 88% of term loans, 83% of branches (40 out of 48), 89% of customers and 76% of total deposits are concentrated in the Sidama region, a direct consequence of the Bank's origins as a regionally rooted microfinance institution and the continued dominance of Sidama-based shareholders and depositors.

Funding concentration arises from the deposit structure itself: demand and savings accounts represent approximately 99% of customer deposits, with time deposits accounting for only 0.2%. A substantial portion of these deposits originates from cooperatives, public institutions and rural individuals in Sidama, whose liquidity is inherently cyclical and sensitive to agricultural seasons, harvest outcomes and inflationary pressures.

These concentrations make concentration risk one of the Bank's most material risks. An adverse event affecting the domestic trade and services sector (for example reduced consumer spending, supply-chain disruptions or tighter credit demand) or the Sidama region (such as localised drought, civil unrest or policy changes) could cause a material proportion of the loan portfolio to deteriorate simultaneously, trigger a sharp rise in non-performing loans, increase provisioning charges, generate capital erosion and create liquidity pressure through correlated deposit outflows. The predominantly short-term nature of the funding base would amplify these effects, constraining the Bank's ability to absorb losses and maintain stable financial intermediation.

9.3. Credit Risk

Credit risk, the risk that borrowers or counterparties fail to meet their repayment obligations, represents the Bank's single largest exposure, given that lending is its principal revenue-generating activity.

Several factors drive this risk. Sectoral and geographic concentration limits diversification: approximately 75% of the portfolio is directed to domestic trade and services, with roughly 88% of term loans extended within the Sidama region. The borrower profile includes a substantial proportion of SMEs, micro-enterprises, cooperatives and rural clients who are particularly vulnerable to income volatility, inflation and climatic shocks. Rapid portfolio expansion, gross loans increased from ETB 0.62 billion at 30 June 2023 to ETB 2.48 billion at 30 June 2025, has placed considerable pressure on credit appraisal, due diligence and post-disbursement monitoring capacity during the transition from a microfinance to a full commercial banking model. The legacy microfinance framework and ongoing scaling increase the risk of inconsistent underwriting standards and oversight effectiveness.

If these drivers materialize, the Bank could experience a material increase in non-performing loans (the ratio stood at 2.58% as at 30 June 2025, but rapid growth heightens the risk of undetected deterioration), higher impairment provisions, reduced net interest income, capital erosion and potential restrictions on future lending. In more severe scenarios, sustained asset-quality deterioration could threaten capital adequacy and prompt NBE supervisory intervention.

9.4. Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its financial obligations as they fall due without incurring unacceptable losses.

The principal drivers are structural. Approximately 99% of customer deposits are demandable or short-term (52% savings and 48% demand accounts, with time deposits representing only 0.2%), exposing the Bank to sudden withdrawal pressure. Asset-liability maturity mismatches are also significant: loans are predominantly longer-tenor while funding remains short-term, creating refinancing risk whenever depositors withdraw funds or new inflows slow. Funding sources are further concentrated, with a meaningful portion linked to cooperatives and rural customers in Sidama whose liquidity is cyclical and sensitive to agricultural cycles and inflationary conditions. Gaps in forward-looking budgeting, liquidity stress testing and contingency financing planning

during the rapid growth phase increase the likelihood that existing buffers prove insufficient under stress.

A significant deposit outflow, whether triggered by loss of confidence, regional instability or macroeconomic shock, could force the Bank to curtail lending, dispose of assets at depressed prices, incur higher funding costs or seek emergency liquidity assistance, all of which would weaken profitability, capital ratios and depositor confidence. Although the loan-to-deposit ratio stood at 65% and the cash-to-deposit ratio at 55% as at 30 June 2025, the short-term nature of liabilities means that even moderate stress could rapidly erode these buffers.

9.5. Market Risk

Market risk arises from adverse movements in interest rates, foreign exchange rates and inflation that affect the Bank's earnings, economic value or capital position.

- I. **Foreign exchange risk** is material because the Bank's international banking activities, including remittances and trade finance, have grown significantly, with foreign currency generation rising sharply to USD 5.8 million in FY 2024/25. Following the shift to a market-based exchange rate regime in July 2024, sharp depreciation of the birr increases import costs for trade borrowers (a meaningful portion of the 75% Domestic Trade and Services loan portfolio), heightens settlement risk in correspondent relationships and reduces the real value of foreign-currency-denominated assets and liabilities. These effects can translate into higher borrower defaults, elevated non-performing loans and increased provisioning requirements, eroding profitability and capital adequacy.
- II. **Interest rate risk** emerges when changes in the NBE policy rate (currently 15%) or market deposit and lending rates cause funding costs to rise faster than lending yields. Given the Bank's predominantly short-term deposit base (approximately 99% demandable or short-term), any upward repricing of funding would compress net interest margins and reduce earnings, particularly during periods of monetary tightening.
- III. **Inflation risk** persists as high inflation, even after moderating to 11.7% in October 2025, erodes the real value of deposits, raises operating expenses and weakens repayment capacity among the Bank's core fixed-income, SME and rural borrower segments. This can lead to slower deposit growth, higher funding costs and increased credit risk, putting further pressure on profitability and capital buffers.

Each of these market risks is material in its own right because adverse foreign-exchange movements directly affect the Bank's growing trade-finance and international banking activities, interest-rate volatility threatens net interest margins in a short-term-funded balance sheet, and inflation disproportionately impacts the repayment capacity of its rural and SME customer base. Taken together, these exposures could result in higher non-performing loans, increased provisioning charges, reduced profitability, and capital erosion and, in severe scenarios, regulatory scrutiny or restrictions on business expansion.

9.6. Operational Risk

Operational risk arises from inadequate or failed internal processes, people, systems or external events, and is particularly elevated for Sidama Bank during its ongoing transition from a microfinance institution to a full-service commercial bank.

Internal drivers include the rapid scaling of operations and the integration challenges inherent in that transition. Branches increased from 32 in 2023 to 48 in 2025, and staff numbers grew from 706 to 843 over the same period. This pace of expansion strains capacity and raises the likelihood of errors in credit origination, transaction processing, compliance monitoring and internal reporting. High staff turnover risk in Ethiopia's competitive banking labor market, combined with rapid hiring to support new branches and digital channels, may lead to inconsistent application of policies, gaps in institutional knowledge and control weaknesses. The legacy microfinance operating model, characterized by more manual processes and simpler risk frameworks, has not yet been fully aligned with the enhanced controls and segregation of duties required for commercial banking, increasing the potential for process breakdowns during this adjustment phase.

External drivers include frequent power outages and unreliable internet connectivity, which are especially disruptive in the Bank's rural and semi-urban branch network in Sidama. These interruptions force greater reliance on manual processing, delay transaction reconciliation and heighten the risk of errors or fraud. As digital channels expand, mobile banking users rose from 6,163 in 2024 to 26,400 in 2025 and cardholders from 5,573 to 14,000, the Bank is increasingly exposed to cyber threats such as phishing, malware and unauthorized access attempts targeting customer data or transaction systems.

Operational failures are particularly material at this stage because the Bank's systems, controls and organizational capacity are still maturing while balance-sheet growth continues at a rapid pace. A material operational incident, whether arising from internal process failure, human error, system outage or external disruption, could result in direct financial losses, service interruptions leading to customer attrition, regulatory sanctions for control deficiencies, reputational damage in a trust-sensitive market, and significant diversion of management resources from strategic priorities.

9.7. Competition Risk

Sidama Bank S.C. operates in a highly competitive Ethiopian banking sector, with over 32 domestic banks, six of which account for a significant share of industry assets and deposits. In addition, the gradual liberalization of the financial sector and the anticipated entry of foreign banks into Ethiopia are expected to intensify competition, potentially exerting further pressure on market share, pricing, and profitability.

The Bank also faces increasing competition from substitute financial service providers, including microfinance institutions and digital financial platforms such as Telebirr and M-Pesa, which offer alternative payment, savings, and lending solutions. These competitive dynamics may constrain the Bank's ability to attract and retain customers, expand its operations, and maintain margins, which could adversely affect profitability and the value of its securities.

9.8. Political Instability Risk

Investors in Sidama Bank S.C. should recognize that political instability in Ethiopia poses material risks to the Bank's operations, financial performance, and growth prospects. Political uncertainty can increase financial risk, reduce profitability, and, in extreme cases, contribute to systemic banking crises through fiscal instability, policy unpredictability, or asset destruction.

Key risk implications include:

- I. **Reduced Profitability:** Volatile political conditions complicate risk assessment, potentially forcing banks to adjust interest rates, increasing lending costs, and squeezing margins.
- II. **Liquidity Pressures:** Periods of unrest may trigger mass withdrawals or lower savings, creating short-term funding gaps.
- III. **Asset Exposure:** Conflicts or civil disturbances could directly damage bank assets, infrastructure, or operations.

- IV. **Economic Spillovers:** Instability in Ethiopia or neighboring countries may negatively affect trade, investment, and overall banking sector performance.
- V. **Policy and Regulatory Uncertainty:** Frequent changes in government policies or regulations can disrupt strategic planning, lending practices, and compliance efforts.
- VI. **Investment Deterrence:** Political risk may reduce both domestic and foreign investment, constraining business activity and deposit growth.

For investors, these factors could materially impact Sidama Bank's profitability, capital adequacy, dividend distributions, and overall valuation.

9.9. Strategy Risk

Sidama Bank S.C.'s long-term growth and profitability depend on the successful execution of its strategic initiatives, including branch expansion, product diversification, digital transformation, and strengthening governance and risk management systems. The Bank's ability to execute these strategies may be influenced by its major shareholders.

Key risk drivers include:

- I. **Execution Risk:** Rapid branch expansion, recruitment of staff, and scaling of systems may strain resources and lead to operational inefficiencies, errors, or service disruptions.
- II. **Market Alignment:** Strategic initiatives may not fully reflect evolving market conditions, customer needs, or competitive pressures, limiting revenue growth or market share.
- III. **Technological Risk:** Delays or challenges in digital transformation and IT integration may reduce operational efficiency, competitiveness, and service quality.

Failure to manage these strategic risks could materially affect profitability, capital adequacy, and the Bank's ability to achieve its long-term objectives, ultimately impacting the value of its securities.

9.10. Technology and Cyber security Risk

Sidama Bank S.C. relies increasingly on digital platforms, core banking systems, and electronic payment channels to deliver services, process transactions, and manage customer data as other banks in Ethiopia do. As the Bank expands through 48 branches and integrates services such as international remittances, mobile banking, and electronic transfers, its exposure to technology and cyber security risk grows significantly.

System failures, outages, or weaknesses in the Bank's IT infrastructure could disrupt operations, delay transaction processing, and impair customer access to accounts. Cyber security threats, including hacking, phishing, malware attacks, and unauthorized system intrusions, pose the risk of financial loss, theft of customer data, and reputational damage. Ethiopia has experienced a rise in cyber-related incidents targeting financial institutions in recent years, with banks and fintech providers reporting attempted intrusions and fraud through digital channels.

Any material technology breakdown, cyber security incident, or data breach could compromise customer trust, result in regulatory penalties, cause significant financial losses, and negatively affect the market value of Sidama Bank's shares offered under this prospectus.

9.11. Risks Related to the Ordinary Shares

Investment in the ordinary shares of Sidama Bank carries market and liquidity risks. The shares have a par value of ETB 1,000 per share. There is no assurance that an active or liquid trading market for the shares will develop or be sustained after listing on the Ethiopian Securities Exchange. As the Ethiopian secondary market is still at an early stage of development, trading volumes may remain low, which could restrict investors' ability to sell their shares promptly or at favourable prices.

The future trading or market price of the shares may fluctuate significantly due to changes in macroeconomic conditions, the Bank's financial performance, regulatory developments, investor sentiment, and overall market liquidity. The market price may not correspond to the par value of ETB 1,000 and may trade materially below par. As a result, investors may be unable to recover their full investment and could suffer a material loss of capital.

9.12. Macroeconomic Risk

The Ethiopian financial sector operates within a macroeconomic environment marked by persistent inflationary pressures, foreign-exchange shortages, exchange-rate volatility following recent currency reforms, and evolving monetary and fiscal policy measures. These conditions can weaken overall economic activity, reduce investment and savings, increase operating costs for financial institutions, and heighten credit and liquidity risks across the sector.

Within this environment, Sidama Bank S.C. may be exposed to macroeconomic risks that may adversely affect its operations and financial performance. Inflation and currency volatility can

impair borrowers' repayment capacity and reduce the real value of collateral, leading to asset quality deterioration. Foreign-exchange constraints may disrupt trade-related financing and limit business expansion, while tight monetary policy and interest-rate adjustments may constrain credit growth and compress margins. Additionally, changes in fiscal policy, taxation, or regulatory interventions introduced in response to economic pressures may affect profitability, capital adequacy, and growth prospects. Prolonged macroeconomic instability could materially and adversely impact the Bank's liquidity position, earnings, and long-term sustainability.

9.13. Reputational Risk

Sidama Bank S.C.'s reputation is a key asset, given its cooperative roots, rural customer base, and role as an inclusive financial services provider. Events such as regulatory breaches, governance disputes, high non-performing loans, operational failures, or delays in servicing customers could undermine public trust. Negative media coverage, customer complaints, or issues with regulators such as the National Bank of Ethiopia (NBE) or the Financial Intelligence Service (FIS) could significantly damage the Bank's credibility.

In Ethiopia's competitive and trust-sensitive banking sector, reputational damage could lead to deposit withdrawals, reduced customer acquisition, and erosion of shareholder value. Any significant setback could materially affect the Bank's growth strategy, access to capital, and the value of its securities.



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Sidama Bank

SECTION 10
**OTHER RELATED
MATTERS**



SECTION TEN - OTHER RELATED MATTERS

10.1. Trading Arrangements

After completing registration of its securities with the Ethiopian Capital Market Authority, Sidama Bank will proceed to list its shares on the Ethiopian Securities Exchange. The listing will be carried out on the Main Board Market through a direct listing (also known as listing by introduction). Trading will commence only upon the completion of all regulatory requirements, including the dematerialization of securities and their registration with the Central Securities Depository and all applicable listing requirements of the Ethiopian Securities Exchange have been fulfilled, and the listing process has been finalized.

10.2. Documents made available to the public

The Bank will make this approved Prospectus, the ongoing disclosure, and all accompanying documentation publicly accessible through the Bank website, under a dedicated 'Investor Relations' section. The documents can be accessed at <https://sidamabanksc.com>.



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Sidama Bank

SECTION 11

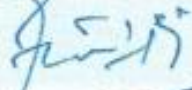
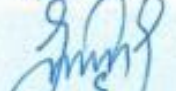
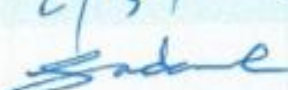
APPROVAL OF THE PROSPECTUS



SECTION ELEVEN - APPROVAL OF THE PROSPECTUS

This Prospectus document, along with pertinent annexures, is approved for publication by the Board of Directors, Chief Executive Officer, Chief Corporate Service Officer and Director Finance and Treasury of Sidama Bank, whose names and signatures appear below as of July 20/ 2026.

Table 93: List of Approvals of the Prospectus

S. No.	Name	Responsible Authorities	Signature	Date
1	Ato Abreham Marshalo Etiso	Chairperson, Board of Directors		July 20/26
2	Ato Tsegaye Anebo Alemaso	Vice Chairperson, Board of Directors		July 20/26
3	Ato. Timotwos Hayeso Borsamo	Member, Board of Directors		July 20/26
4	Dr. Wogene Markos Dumo	Member, Board of Directors		July 20/26
5	W/ro. Woinshet Mengesha Sinkale	Member, Board of Directors		July 20/26
6	Derese Degisew	Member, Board of Directors		July 20, 2026
7	Ato Haile Harsisa Haro	Member, Board of Directors		July 20, 2026
8	Ato. Shimelis Hatiso Hankalo	Member, Board of Directors		July 20/26
9	Ato Shebeku Magane Gafa	BoDs Member and Chief, Corporate Service Officer		July 20/26
10	Ato Tadesse Hatiya Oge	Chief Executive Officer		July 20, 2026
11	Ato Dawit Gueiye	Director Finance and Treasury		July 20, 2026



Annex 1. List of Branches

S.No	Name of Branches	Region	City	S.Sity	Wereda	Telephone
1.	Tilte Branch	Sidama	Hawassa	Tabor	Tilte	916596551
2.	Addis Ketema Branch	Sidama	Hawassa	Hayik Dar	Gebya Dar	927075948
3.	Menharia Branch	Sidama	Hawassa	Misrak	Tesso	926158962
4.	Tabor Branch	Sidama	Hawassa	Tabor	Hitetea	916024756
5.	Bensa Branch	Sidama	Daye	2	Bensa	916406705
6.	Duguna Dubale	Sidama	Hawassa	Tabor	Guwe	916040704
1.	Shebedino Branch	Sidama	Morocho	Shebedi no	Shebedi no	926396173
2.	Dalle Branch	Sidama	Yirgalem	Dalle	Shebedi no	927072027
3.	Darra Branch	Sidama	Kebado	Kebado	Dara kawado	926914021
4.	Aleta Wondo Branch	Sidama	Aleta Wondo	Aleta Wondo	Chefie	939685858
5.	Hulla Branch	Sidama	Hagereselam	Hulla	Sucha 01	921830344
6.	Hawassa Branch	Sidama Region	Hawassa	Bahil Adarash	Harer	916139676
7.	Yirgalem Branch	Sidama	Yirgalem	Arada	Kidistem ariam	932555544
8.	Hawella Tulla Branch	Sidama	Hawassa	Tulla	Hawella Tula	916373834
9.	Wondogenet	Sidama	Chuko	Chuko	Wondo Genet	938307319
10.	Fura Branch	Sidama	Tabor		Dume	924393206
11.	Dilla Branch	Sidama	Dilla	Oda Yao	Gediyo	904639986
12.	Aleta Chuko Branch	Sidama	Chuko	Chuko	Aleta Chuko	976156967
13.	Alamura Branch	Sidama	Tabor		Fara	916162946

S.No	Name of Branches	Region	City	S.Sity	Wereda	Telephone
14.	Chire Branch	Sidama	Chire	Balo	Chire	926291113
15.	Otilicho Branch	Sidama	Teferkela	Shewa Ber	Daro Otilicho	931553410
16.	Hororessa Branch	Sidama	Bensa	Bensa	Daye	982260503
17.	Loka Abaya Branch	Sidama	Hatate	Hatate	Loka Abaya	934692973
18.	Bole Branch	Addis Ababa	Addis Ababa	Kirkos	2	912628265
19.	Leku Branch	Sidama	Leku	Shebedi no	Shebedi no	925632134
20.	Shashemene Branch	Oromia	Shashemene	Harufa	Burqa Gudina	916005475
21.	Merkato Branch	Addis Ababa	Addis Ababa	Addis Ketema	1	934401897
22.	American Gibi Branch	Addis Ababa	Addis Ababa	Addis Ketema	1	917632950
23.	Malga Branch	Sidama	Malga Manicho	Malga Manicho	Malga	984653692
24.	Bursa Branch	Sidama	Bursa	Bursa	Bursa	916369273
25.	Girja Branch	Sidama	Girja	Girja	Hoko Woreda	926384340
26.	Wonsho Branch	Sidama	Wansho	Wansho	Wansho	916305588
27.	Hawassa Zuria Branch	Sidama	Dore Bafano	Dore Bafano	Hawassa Zuria	935918544
28.	Boricha Branch	Sidama	Boricha	Boricha	Boricha	912136912
29.	Bona Branch	Sidama	Bona	Bona	Bona Zuria	905118683
30.	Goriche Branch	Sidama	Goriche	Goriche	Goriche	916140499
31.	Arbegona Branch	Sidama	Yaye	Arbegona	Arbegona	938974622

S.No	Name of Branches	Region	City	S.City	Wereda	Telephone
32.	Chabe Branch	Sidama	Chabe	Chabe Gabeltu	Chabe	906540294
33.	Darara Branch	Sidama	Darara	Darara	Darara	912077010
34.	Beko Bet Branch	Addis Ababa	Addis Ababa	Kirkos	4	913648048
35.	Saris Branch	Addis Ababa	Addis Ababa	Akaki Kality	6	912333511
36.	Sidama Buna Branch	Sidama	Hawassa	Menehar ia	Millenni um	943493854
37.	Adama Branch	Oromia	Adma	Addis Ketema	Aba Geda	921514368
38.	Dato Branch	Sidama	Hawassa	Dato Odae	Hawella Tula	916024625
39.	Bilate Branch	Sidama	Bilate	Bilate	Bilate	916135337
40.	Teticha Branch	Sidama	Teticha	Teticha	Teticha	915612922
41.	Burra Branch	Sidama	Burra	Burra	Burra	926587659
42.	Main Branch	Addis Ababa	Addis Ababa	Kirkos	4	928668090

Annex 2. Deposit Breakdown

NO	Product	No Of Customers as of June 30/ 2025	Acc Balance as of June 30/2025	No Of Customers as of June 30/ 2024	Acc Balance as of June 30/2024	No Of Customers as of June 30/2023	Acc Balance as of June 30/2023
1.	Personal (demand) current account	1,503	263,045,446.76	718	56,985,068.52	85	8,445,735.70
2.	Organization (demand) current account	2,174	1,359,994,181.47	1,189	353,496,167.58	24	11,168,548.53
3.	Non-Resident Foreign Currency A/C USD	3	53,769.80	5	28,949.90	1	5,514.03
4.	Non-Resident Foreign Currency A/C – USD	7	94,097.15	-		-	
5.	Children Saving Account	1,153	2,949,874.07	868	789,487.31	55	38,015.57
6.	Compulsory Saving	20,465	131,957,063.41	21,421	70,641,218.09	21,717	65,181,811.06
7.	Resident Saving Foreign Currency A/C – USD	45	3,550,957.59	32	1,522,475.24	-	
8.	Resident Saving Foreign Currency A/C – EURO	1	14,550.96	1	13,623.24	-	
9.	Fixed Time Deposit 10-12 months	1	1,632.31	1	15,000,000.00	-	
10.	FCY Current Account for Foreign Entities – USD	1	20,166,766.76	302	2,968,005.69	-	
11.	Furra Women Saving Account	2,190	12,808,282.69	649	5,733,674.72	-	
12.	Golden Age Saving	1,486	19,395,574.34	2	2,820.00	19	114,103.78
13.	Indemnity Special Account	245	1,635,786.87	-		-	
14.	Non-Resident Saving Foreign Currency A/C – USD	1	13,442.45	-		-	
15.	Overdraft Facility	5	500,000.01	1	450.00	-	
16.	Premium Saving Account	27	17,820,991.46	17	15,977,738.85	2	57,000.00

NO	Product	No Of Customers as of June 30/ 2025	Acc Balance as of June 30/2025	No Of Customers as of June 30/ 2024	Acc Balance as of June 30/2024	No Of Customers as of June 30/2023	Acc Balance as of June 30/2023
17.	Foreign Currency Retention A Account-USD	2	100,872,469.44	-		-	
18.	Staff Account	34	246,627.67	20	184,820.23	-	
19.	Non-Interest Bearing-NIB	5,004	12,181,266.79	2,225	2,622,174.24	105	81,955.96
20.	Special Saving	552	30,841,837.47	159	1,723,104.41	29	4,407.82
21.	Special Saving Organization	959	284,051,305.38	404	178,394,698.46	10	3,569,714.87
22.	Personal Saving Account	289,835	1,112,470,670.34	184,284	348,982,417.98	64,934	112,998,060.59
23.	Box Saving	97	381,380.17	69	2,262,001.01	7	2,134.13
24.	Institutional Saving	3,592	263,990,086.81	1,913	162,404,193.31	1,067	26,081,319.20
25.	Provident fund Saving	37	321,488.61	39	416,432.35	55	1,405,851.55
26.	Wolima Youth Saving Account	3,710	35,803,741.93	482	3,552,172.91	-	
Total		33,129	3,675,163,292.72	214,801	1,223,701,694.04	88,110	229,154,172.79

Annex 3. Top Ten Borrowers of the Bank As of 2025 (in millions)

s.no	Name of Borrowers	Approved loan	Outstanding Balance	Off Balance Sheet	Total outstanding exposure	% of Capital
1.	Yirgalem Construction PLC	0	0	214.9	214.9	18.15
2.	Sisay Wondesen Kebede	72.8	95.4		95.4	8.06
3.	Daye Bensa Business	91.2	91.2		91.2	7.7
4.	Yehulu Saving and Credit Cooperative Organization	78	78		78	6.59
5.	Sidama Coffee Farmers Cooperation Union	100	67.08		67.08	5.66
6.	Hawassa City Water Supply and Sewarge Service Enterprise	56.44	56.44		56.44	4.77
7.	Syntrans Logistics Plc	62	45.44	6	51.44	4.34
8.	Fiseha Mengistu Hailemariam	20	20	23.64	43.64	3.69
9.	Birtukan Fue Yoke	44	41.69		41.69	3.52
10.	Girma Gifewosen Nigd Dirijit	0	0	40	40	3.38

Annex 4- Deposit Report by Branch

As of February 13, 2026

Branch Name	No Of Customers	Acc Balance
ADAMA BRANCH	921	7,486,967.60
ADDIS KETEMA BRANCH	10414	88,702,676.05
ALAMURA BRANCH	10130	113,068,696.06
Aleta Chuko Branch	14795	92,001,234.22
ALETA WONDO BRANCH	14114	110,779,738.90
AMERICAN GIBI BRANCH	7658	15,441,476.78
ARBEGONA BRANCH	8646	30,923,447.76
ARORESA BRANCH	10276	62,981,125.82
BEKLOBET BRANCH	4555	371,944,492.25
BENSA BRANCH	12179	94,301,424.97
BILATE BRANCH	2839	20,275,607.62
BOLE BRANCH	6083	223,820,593.75
BONA BRANCH	8482	46,158,739.51
BORICHA BRANCH	8374	25,903,678.58
BURRA BRANCH	2240	17,066,107.51
BURSA BRANCH	5702	26,543,877.88
CHABE BRANCH	3316	39,425,175.02
CHIRE BRANCH	11467	100,529,845.56
DALE BRANCH	15278	76,690,692.72
DARARA BRANCH	3668	23,594,238.39
DARRA BRANCH	15037	26,490,906.46
DATO BRANCH	1227	17,814,384.50
DILLA BRANCH	7038	15,902,678.44
DUGUNA DUBALE BRANCH	9839	550,809,328.73
FURRA BRANCH	5216	73,230,727.04
GIRJA BRANCH	10145	55,519,693.98
GORCHE BRANCH	6047	16,590,483.81
HAWASSA BRANCH	10593	408,986,477.14
HAWASSA ZURIA BRANCH	9976	30,512,653.72
HAWELA TULA BRANCH	11075	83,110,347.44
HEAD OFFICE	58	8,613,586.56
HULA BRANCH	7505	24,036,842.73
LEKU BRANCH	11527	45,199,095.56
LOKA ABAYA BRANCH	10771	32,463,382.87
MALIGA BRANCH	8082	37,961,108.62
MENAHARIA BRANCH	14456	352,051,798.91
MERKATO BRANCH	6714	20,932,702.63
MEXICO BRANCH	7673	404,480,309.92
OTILCHO BRANCH	9001	30,834,929.71
SARIS BRANCH	1306	6,905,052.02

Branch Name	No Of Customers	Acc Balance
SHASHEMENE BRANCH	4010	14,934,673.58
SHEBEDINO BRANCH	14038	34,915,828.29
SIDAMA BUNNA BRANCH	863	17,383,634.57
TABOR BRANCH	10464	264,558,095.11
TETICHA BRANCH	2502	20,241,490.21
TILITE BRANCH	9561	287,769,909.60
WONDO GENET BRANCH	11487	94,476,956.81
WONSHO BRANCH	9120	43,511,985.96
YIRGALEM BRANCH	10582	46,326,934.37
Total	397050	4,654,205,836.25

Annex 5 - NPL summary Report By Branch

S.no	Branch Name	Number of Active Clients	Total NPLs (>=90Days)	Total Outstanding balance	NPL's ratio
1	HAWASSA BRANCH	238	8,403,357.74	300,690,677.37	2.79%
2	SHEBEDINO BRANCH	109	693,181.94	14,071,038.21	4.93%
3	DALE BRANCH	617	1,079,743.16	23,242,921.66	4.65%
4	ALETA WONDO BRANCH	339	2,649,998.09	104,432,811.71	2.54%
5	DARRA BRANCH	260	587,467.57	14,393,054.62	4.08%
6	HULA BRANCH	107	241,340.55	4,787,511.04	5.04%
7	ARBEGONA BRANCH	245	444,776.79	7,589,862.43	5.86%
8	BENSA BRANCH	551	5,312,901.70	148,757,684.66	3.57%
9	ARORESA BRANCH	249	1,039,170.59	29,909,629.43	3.47%
10	BORICHA BRANCH	202	761,893.07	12,714,511.52	5.99%
11	CHIRE BRANCH	232	640,143.67	16,383,281.24	3.91%
12	Aleta Chuko Branch	622	2,063,255.11	45,657,451.13	4.52%
13	DUGUNA DUBALE BRANCH	254	8,626,687.98	236,026,919.88	3.65%
14	HAWASSA ZURIA BRANCH	241	1,083,275.57	22,592,831.67	4.79%
15	MALIGA BRANCH	288	447,873.85	7,710,035.15	5.81%
16	LOKA ABAYA BRANCH	81	565,757.84	10,784,951.57	5.25%
17	BONA BRANCH	433	2,008,668.53	43,642,512.77	4.60%
18	HAWELA TULA BRANCH	437	1,499,064.63	35,764,536.95	4.19%
19	WONSHO BRANCH	322	301,714.87	4,698,583.78	6.42%
20	BURSA BRANCH	215	296,143.72	6,371,793.69	4.65%
21	GORCHE BRANCH	88	287,159.85	8,342,313.88	3.44%
22	TABOR BRANCH	236	10,697,713.31	316,910,159.75	3.38%
23	WONDO GENET BRANCH	301	1,058,554.80	28,544,208.79	3.71%
24	ADDIS KETEMA BRANCH	102	3,599,254.41	100,980,870.15	3.56%
25	ALAMURA BRANCH	213	5,425,835.29	140,627,280.70	3.86%
26	GIRJA BRANCH	127	175,010.06	6,053,780.47	2.89%
27	TILITE BRANCH	187	4,466,914.70	134,017,555.77	3.33%
28	YIRGALEM BRANCH	224	1,010,975.84	18,711,282.98	5.40%
29	OTILCHO BRANCH	166	258,934.44	6,667,440.31	3.88%
30	MENAHARIA BRANCH	152	14,679,029.65	475,132,796.95	3.09%
31	MEXICO BRANCH	123	7,151,264.23	472,777,480.43	1.51%
32	DILLA BRANCH	51	1,062,205.82	27,055,543.08	3.93%
33	MERKATO BRANCH	15	3,071,291.82	63,597,258.39	4.83%
34	AMERICAN GIBI BRANCH	9	0.00	14,204,362.06	0.00%
35	BOLE BRANCH	29	3,216,772.14	234,803,072.41	1.37%

S.no	Branch Name	Number of Active Clients	Total NPLs (>=90Days)	Total Outstanding balance	NPL's ratio
36	LEKU BRANCH	41	0.00	22,756,978.17	0.00%
37	SHASHEMENE BRANCH	21	537,398.44	67,331,358.44	0.80%
38	FURRA BRANCH	53	8,038,799.43	257,694,193.96	3.12%
39	BEKLOBET BRANCH	30	0.00	186,607,452.71	0.00%
40	CHABE BRANCH	15	0.00	7,997,440.59	0.00%
41	DARARA BRANCH	23	0.00	14,522,822.91	0.00%
42	DATO BRANCH	15	0.00	64,909,550.32	0.00%
43	TETICHA BRANCH	2	0.00	1,985,239.46	0.00%
44	BILATE BRANCH	10	0.00	22,245,119.12	0.00%
45	BURRA BRANCH	6	0.00	1,802,173.43	0.00%
46	SARIS BRANCH	1	0.00	2,157,351.23	0.00%
47	ADAMA BRANCH	1	0.00	123,220.33	0.00%
48	SIDAMA BUNNA BRANCH	28	0.00	2,555,086.31	0.00%
		8,311	103,483,531.20	3,791,335,993.58	2.73%