

SHARE VALUATION REPORT

Presented to:



Transaction Advisor:



July 9, 2026
Addis Abeba, Ethiopia

IMPORTANT NOTICE & LIMITING CONDITIONS

Notice

This Valuation Report was prepared using information provided by the management of Berhan Bank S.C.

ECS assumes no responsibility and makes no representation as to the reliability, accuracy or completeness of such information. To the extent that this report refers to historical financial information, we have considered the forecast financial information based on the underlying assumptions. As such, actual financial performance may vary from the forecasts in this report. The variations may be material, dependent on the assumptions. The achievement of the forecasts is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the forecast financial information will be achieved.

Limiting Conditions

ECS prepared this report and the Management of Berhan Bank S.C. has provided the financial and qualitative information on which the report is based. ECS assumes that all information provided by the Management is complete, true, and accurate.

The valuation report is for Berhan Bank S.C. only and is not to be used for any other reason, any other context, or by any other person except the Client to whom the report is addressed. Possession of this report does not imply permission to publish the same or any part thereof. No part of this report is to be communicated to the general public by means of advertising, news releases, sales and promotions, or any other media without prior written consent.

This report assumes that the present and future business of Berhan Bank S.C. will continue to be a going concern and that the character of their intended and present businesses will remain intact. The various estimated values presented in this report apply to this exercise only and may not be used out of the context presented herein.

The evaluation exercise contemplates facts and conditions existing as of the date of this report. Events and conditions occurring after that date have not been considered, and our obligation extends only to the date of our engagement. Various assumptions have been made when preparing this report, which if changed, can affect the approach and the conclusions made in this report.



9th July 2026

Chief Executive Officer

Berhan Bank S.C.
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SHARE VALUATION REPORT FOR BERHAN BANK S.C.

We, the ECS, are delighted to submit our Share valuation report with respect to Berhan Bank S.C. and in accordance with the contract dated September 2025.

The purpose of the assignment is to carry out the share valuation of Berhan Bank S.C. and determine the fair estimate value of the business and the price per share with respect to the Bank's registration of its shares with the Ethiopian Capital Markets Authority (ECMA).

We carried out the valuation in terms of the contract, and based on the various valuation methodologies, the fair value estimate per share is **ETB 1,522.00**, and the fair value estimate of the Bank is **ETB 9,631,753,000** as described in detail in the appended report.

Please do not hesitate to contact us in the event of any clarification.

Yours sincerely,



Mr. Habtamu Eshetu.
CEO, Ethio Capital Solutions.

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Definitions and Abbreviations

Client	Berhan Bank S.C.
RIM	Residual Income Model/Approach
ECMA	Ethiopia Capital Markets Authority
DDM	Dividend Discount Model
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EPS	Earnings Per Share
P/E	Price to Earnings
P/B	Price to Book
NII	Net Interest Income
NOI	Non-Interest Income
ROE	Return on Equity
ECS	Ethio Capital Solutions
WACC	Weighted Average Cost of Capital
PLC	Public Limited Company
NAV	Net Asset Value
ETB	Ethiopian Birr
NYU	New York University Stern School of Business



1. EXECUTIVE SUMMARY

1.1 Report Background

ECS has been engaged to provide professional advisory services in support of Berhan Bank S.C.'s to determine the fair equity valuation of the company. This engagement aims to deliver an assessment of the company's financial position, operational performance, and market standing, culminating in the determination of the price per ordinary share with regard to the Bank's Registration of its shares with the ECMA. Therefore, this valuation has been prepared exclusively for the purpose of Berhan Bank's registration of its ordinary shares with the Ethiopian Capital Markets Authority (ECMA) and to set price of shares for subsequent Rights Issue, and the assumptions, methodologies, and conclusions presented herein are calibrated to that specific purpose.

In carrying out this assignment, ECS adopted a structured and analytical approach, drawing on both quantitative and qualitative methods. The process involved detailed financial analysis, industry benchmarking, strategic evaluation, and application of globally recognized valuation methodologies. The goal is to equip Berhan Bank S.C. management with accurate valuation insights and actionable recommendations that support informed decision-making.

1.2 Business Background

Berhan Bank S.C., established in 2009 under Article 304 of Ethiopia's Commercial Code, was founded on the bedrock principles of integrity, innovation, and service excellence. Licensed by the National Bank of Ethiopia (NBE) with an initial paid-up capital of Birr 76.59 million and authorized capital of Birr 137 million.

Over the past 16 years, Berhan Bank has steadily expanded its operations and digital footprint while maintaining an unwavering commitment to customer-centric, ethical, and inclusive banking. Early accomplishments include spearheading the formation of Berhan Insurance Company in 2010/11 and integrating with the National Payment System (NPS). In 2013/14, it introduced Berhan Card services via Premium Switch Solution (PSS). Technological leadership continued with the establishment of a state-of-the-art data centre in 2017/18 and on-going innovation in digital services.

Berhan Bank S.C. has established a strong and expanding presence across Ethiopia, positioning itself as a key player in the national banking industry. Since its establishment, the Bank has strategically expanded its branch network to ensure proximity to customers in both urban and rural areas, thereby enhancing financial accessibility and inclusion.



As of June 2025, Berhan Bank served about 2.9 million customers through a broad network of more than 374 branches, covering every regional city and major town in Ethiopia. With over 5,800 employees and more than 20,000 shareholders, the Bank has grown its paid-up capital to Birr 4.3 billion, reinforcing its strong capital base and institutional resilience. The Bank's growing reputation is further reflected in its robust customer loyalty and its recognized presence among niche communities and business leaders.

This nationwide footprint allows Berhan Bank to serve a diverse customer base from major corporate and institutional clients in metropolitan centers such as Addis Ababa to small businesses and individual customers in emerging regional towns and rural communities. The Bank's expansion strategy prioritizes high-growth economic corridors and underserved markets, aligning with national priorities for financial inclusion and regional development.

In addition to its domestic coverage, Berhan Bank maintains correspondent banking relationships with reputable international financial institutions, enabling it to facilitate international trade and foreign exchange transactions efficiently. This international connectivity enhances the Bank's ability to serve clients engaged in cross-border business and investment activities.

1.3 Valuation Summary

As indicated in the detailed working below, we have determined that the implied fair value of Berhan Bank S.C. is **ETB 9,631,753,000**, resulting in a fair value estimate per share of **ETB 1,522.00**. This has been arrived at after taking into consideration six different valuation methodologies as summarized in the table below.

	Valuation Methodology	Fair Value Estimate (ETB, '000)	Per share value (ETB)
Intrinsic	Residual Income (RIM)	10,634,558	1,680.46
	Dividend Discount Model (DDM)	8,171,164	1,291.20
Relative	P/E	9,459,891	1,494.84
	P/B	9,394,132	1,484.45
	Precedent Transactions	10,727,913	1,695.21
Asset-Based Approach	Asset-Based Approach	8,540,120	1,349.50

Blended Valuation (ETB, 000)	Implied Fair Value	Weighting	Implied Fair Value	Per Share
Intrinsic Valuation	9,402,861	50.0%	4,701,430	742.91
Relative Valuation	9,860,645	50.0%	4,930,323	779.08
Implied Value est.			9,631,753	1,522.00



2. BERHAN BANK SHARE VALUATION

2.1 Valuation Approaches

The principal determinant of value for a company is its ability to generate future free cash flows, which are driven by revenue growth, profitability, and capital investment requirements. Equally important is the company's capacity to deliver sustainable returns to shareholders, either through consistent dividend distributions or through the creation of residual income by earning returns above the required cost of equity.

While intrinsic valuation methods such as the Dividend Discount Model (DDM) and the Residual Income Model (RIM) capture these fundamentals directly, there are also other valuation approaches that are widely used and recognized in both investment literature and professional practice. These complementary methods, alongside the intrinsic methodologies, have been considered in this report to ensure a balanced and comprehensive assessment of value.

Under the main valuation frameworks applied in theory and practice, the following valuation and pricing approaches were considered:

Intrinsic Valuation Approach	Relative Valuation Approach	Asset-Based Approach
- Dividend Discount Model (DDM) - Residual Income Valuation (RI)	- Price-to-Book Multiple - Price-to-Earnings Multiple - Precedent Transactions	- Asset Valuation Approach



2.2 Intrinsic Valuation Approach

This was our primary tool for valuation under the following methods:

- **Dividend Discount Model (DDM)**, we looked at Berhan Bank's ability to pay dividends to perpetuity, given its effective historical dividend payout ratio, and obtained the present value of future dividends using a rate of return that was determined through various valuation assumptions. We factored in the need to build up capital in coming years and trimmed payout appropriately.
- **Residual Income Valuation (RIM)**, we looked into the impact of the present value of the Bank's forecasted residual income (by definition, residual income is the net earnings of a business on account of the cost of equity) on its current book value of equity.

While these methods allow for a detailed valuation analysis, they also require information that is not widely available and a number of highly subjective assumptions.

2.3 Relative Valuation Approach

To account for the market pricing of comparable companies and transactions and to provide a blended perspective, the Relative Valuation Approach was applied using Price-to-Earnings (P/E), Price-to-Book (P/B), and Precedent Transaction multiples. These methods capture how similar companies are valued in public markets and in actual market transactions, offering insight into the pricing dynamics observed among comparable entities.

It is important to note, however, that valuation multiples may vary substantially even among firms within the same industry due to differences in size, geographic footprint, capital structure, growth outlook, profitability, and risk profile. Relative valuation approaches are based on the assumption that markets efficiently reflect all available information—past, present, and future—into asset prices. This assumption holds most strongly under efficient market conditions, and deviations from efficiency may lead to temporary mispricing.

2.4 Asset-based approach

The asset-based approach focuses on the company assets or the fair market value of the total assets less total liabilities to determine what could be used to recreate the business.



2.5 Summary of Work Performed

- i. **Financial Analysis:** A detailed financial analysis was undertaken to gain a comprehensive understanding of the company's historical performance and financial position. This assessment utilized consolidated audited financial statements, management reports, and other relevant financial information. The analysis provided insights into key drivers such as revenue growth, profitability, asset quality, and capital adequacy, which were critical in informing the valuation assumptions and inputs.
- ii. **Market and Sector Analysis:** The ECS Team Conducted Research on peer banks within comparable African markets to benchmark the company's performance and derive appropriate valuation parameters.
- iii. **Banking Sector:** Additionally, a contextually adjusted P/E multiplier was applied to reflect the specific characteristics of the Ethiopian banking sector. Whereas the Banking Sector Median P/E for the Middle East & Africa region stands at 7.20x, this figure encompasses mature, liquid GCC markets (Saudi Arabia, UAE, Qatar) that are not structurally comparable to Ethiopia's pre-frontier banking environment. A P/E multiple of 4.5x was adopted as the benchmark, derived from:
 - a. the listed East African banking sector median — Kenya's NSE banking sector P/E, the closest comparable listed market, currently trading at approximately 4.5x–6.5x (Cytonn Investments, 2025¹);
 - b. the frontier market listed equity average P/E of approximately 7x (East Capital, 2024²), adjusted downward by a standard 25–35% illiquidity/pre-listing discount applicable to unlisted shares, yielding an effective range of 4.5x–5.3x; and
 - c. the structural stage of Ethiopia's capital market — the Ethiopian Securities Exchange (ESX) launched in January 2025, and Ethiopian banks have no established secondary trading history from which a market-derived multiple can be directly observed (Finance in Africa, 2025³). This sectoral and regional calibration informed the P/E multiple applied in Section 3.2.1.
- iv. **Valuation Analysis:** To derive a robust and balanced estimate of value, both intrinsic and relative valuation approaches were applied. The intrinsic valuation relied on the Dividend Discount Model (DDM) and the Residual Income Model (RIM), focusing on the company's

¹ Cytonn Investments. (2025, December 14). Kenya listed commercial banks review: Cytonn Q3'2025 banking sector report <https://cytonn.com/uploads/downloads/kenya-listed-banks-q32025-full-reportvf.pdf>

² East Capital. (2024, December). Outlook 2025: What are the trends shaping emerging and frontier markets? <https://www.eastcapital.com/insights/emerging-and-frontier-markets-outlook-2025-another-alpha-yea>

³ Finance in Africa. (2025, December 30). Ethiopia's banking sector posts strong gains as deregulation takes hold. <https://financein africa.com/insights/ethiopias-banking-sector-deregulation-takes-hold/>



ability to generate sustainable shareholder value and residual earnings. Complementing these, relative valuation techniques—specifically Price-to-Earnings (P/E), Price-to-Book (P/B), and Precedent Transaction multiples—were used to reflect prevailing market pricing benchmarks for comparable institutions. This blended approach ensured that the final valuation incorporated both fundamental and market-based perspectives, enhancing reliability and credibility.

2.6 Basis of the Valuation

We used the following sources of information in our financial analysis

- i) Reviewing annual financial reports, including audited annual financial statements and other business and financial information of Berhan Bank;
- ii) Reviewing certain internal financial statements and other financial and operating data concerning Berhan Bank;
- iii) Reviewing Information provided by management to improve understanding of the numbers and strategy;
- iv) Review of certain industry and capital markets data to establish various valuation parameters;
- v) Review of research material by the ECS team on the industry to understand the environment under which Berhan Bank operates;
- vi) Review of other third-party sources, including the internet, Bloomberg, public databases, and company websites, among others.
- vii) Performed such other analysis and reviewed such other information and considered such other factors as we have deemed appropriate

3. VALUATION DETAILS

This valuation has been prepared exclusively for the purpose of Berhan Bank’s registration of its ordinary shares with the Ethiopian Capital Markets Authority (ECMA) and set price of shares of subsequent Right issues and the assumptions, methodologies, and conclusions presented herein are calibrated to that specific purpose.

The Transaction Advisors were able to carry out the going concern valuation based on the historical financial statements of the Bank.

3.1 Intrinsic Valuation Approach

In valuing Berhan Bank, the team relied on;



- i) **Residual Income Valuation Method.** This approach is used to estimate a company's intrinsic value based on the income it generates above its required return on equity.
- ii) **Dividend Discount (DDM) Valuation Method.** This approach is used to estimate a company's intrinsic value by discounting its future dividend payments to their present value.

For a comprehensive and fair view, all approaches were applied in the intrinsic valuation and weighted equally.

Value of the business operations. This comprises the value of the core operations of the company. It does not include any non-core activities and debt financing arrangements. It reflects the value generated in utilising the existing operating assets (including net working capital) of the company. The business value assumes that an investor purchasing the business would effectively buy the operating assets and take over the existing contracts with employees and business relationships. The investor would not take over existing or contingent liabilities (other than working capital liabilities) of the business.

Enterprise Value. This comprises the value of the business including any value attributable to the non-core operating activities or assets. It includes the value of assets and operations financed by both debt and equity.

Equity Value of the company. This comprises the value of the business plus any value attributable to the non-core operating activities or assets and less any debt financing arrangements. The equity value of the company is an estimate of the price at which 100% of the issued and fully paid-up ordinary shares in the company would be exchanged between a willing buyer and a willing seller.

We define the capital structure of a company as the mixture of equity and debt finance used by the company to finance its operations. The decision on what mix of equity and debt capital to have, is called the financing decision. The financing decision has a direct effect on the weighted average cost of capital (WACC). The WACC is the simple weighted average of the cost of equity and the cost of debt. The weightings are in proportion to the market values of equity and debt; therefore, as the proportion of equity to debt vary, so will the WACC.



3.1.1 Key Assumptions

Discounting Assumptions

For the market risk premium, we applied NYU Stern's country default spreads and risk premium estimates at a rate of 16.35% (*from Professor Aswath Damodaran's data*). A beta of 1 was assumed (*Berhan is not listed*), and the U.S. 5-year bond yield (*The US is considered a relatively stable market*) of 3.72% as of 30th October 2025, was used as the implied risk-free rate. This rate corresponds to the period closest to the Bank's most recent audited financial year-end and the base date of the underlying financial data.

To reflect additional sovereign risk beyond the risk-free rate, we incorporated NYU Stern's country risk premium, adjusted relative to the U.S. country risk premium of 0.00%, to account for the sovereign spread.

Using a terminal growth rate of 16.57%, derived from the sustainable Return on Equity (ROE) of 19.74% and a sustainable retention rate of 83.92% (both based on the forecasted period), we estimated the terminal value of the business beyond the 2030 forecast period at ETB 22,705,396,000. The cost of equity was then determined from the perspective of a rational investor, and both the present value of projected cumulative dividends and the present value of the terminal value were calculated accordingly.

Discount Rate Framework and Banking-Specific Valuation Considerations

It is a well-established principle in financial institution valuation that commercial banks should be valued on an equity basis rather than through a firm-value approach, owing to the fundamental role of deposits and borrowings as operational inputs rather than discretionary financing instruments (Damodaran, 2012). Applying a traditional weighted average cost of capital (WACC) that blends the cost of debt with the cost of equity (as would be appropriate for an industrial or manufacturing enterprise) is generally considered inappropriate for banks, since doing so would double-count the cost of funding that is already embedded in net interest income (Koller, Goedhart, & Wessels, 2020⁴). This valuation is fully consistent with that principle.

Berhan Bank carries no external financial debt on its balance sheet, and accordingly the WACC computed in Section 3.1.2 is derived with a 100% equity weighting, rendering it numerically and functionally equivalent to the cost of equity (K_e) of 32.09%. The WACC label is retained

⁴ Koller, T., Goedhart, M., & Wessels, D. (2020). *Valuation: Measuring and managing the value of companies* (7th ed.). John Wiley & Sons.

for structural consistency within the valuation framework but introduces no analytical distortion i.e., the discount rate applied in both the DDM and the RIM is in every respect a pure equity discount rate.

Furthermore, consistent with best practice for bank valuation, the target output throughout this report is equity value, and not enterprise value. Unlike non-financial firms where enterprise value is first estimated and net debt subsequently deducted, bank valuation directly estimates the value attributable to equity holders, reflecting the fact that the liability side of a bank's balance sheet is intrinsic to its business operations and cannot be separated from its value-generating activities (Damodaran, 2012; Koller et al., 2020).

All intrinsic valuation models applied herein (DDM and RIM) discount equity-level cash flows (dividends and residual income respectively) at the cost of equity, producing equity value estimates that are directly comparable to the Bank's book equity and market-based multiples. References to generic corporate valuation constructs such as working capital liabilities and debt financing in the preceding sections are carried over from the standard valuation framework and should be understood in the context of this bank-specific equity valuation approach.



3.1.2 WACC Calculation

The cost of equity used in discounting the dividends and residual income is derived by building up the value on a theoretical basis, as shown in the table below, to arrive at a rate of 32.09%. The cost of equity (K_e) is a measure of the return investors would require in return for the risk of investing in an Ethiopian company. The K_e is estimated using a build-up approach drawing on Damodaran's (2024⁵) NYU Stern country risk premium dataset, following the standard methodology for valuing companies in emerging and frontier markets.

⁵ Damodaran, A. (2024). *Country risk: Determinants, measures and implications* [Annual dataset]. NYU Stern School of Business. <https://pages.stern.nyu.edu/~adamodar/>

The risk-free rate of 3.72% is sourced from the US 5-year Treasury bond yield as at 30 October 2025⁶⁷, reflecting a stable sovereign benchmark consistent with Damodaran's (2024) recommendation to use the US Treasury rate as the global risk-free proxy, adjusted subsequently for sovereign risk.

The market risk premium of 16.35% represents the equity risk premium applicable to the Middle East and Africa region as published by Damodaran (2024), which incorporates both the mature-market base ERP and a blended regional country risk adjustment. Given that this figure embeds a regional risk component, the separately added sovereign spread requires careful treatment to avoid double-counting.

The sovereign spread of 12.02% reflects Ethiopia's country-specific risk premium derived from its sovereign default spread, scaled by the relative equity-to-bond volatility ratio, consistent with Damodaran's (2024) CRP estimation methodology.

To the extent that the 16.35% regional ERP already incorporates a portion of Ethiopia's country risk, applying the full 12.02% additive sovereign spread may result in a conservative (upward-biased) cost of equity estimate. Consistent with Pereiro (2002), applying a degree of conservatism in the discount rate for frontier market valuations is defensible where market data is limited and risk is difficult to diversify. The resulting cost of equity of 32.09% therefore represents a prudent upper-bound estimate, and the sensitivity analysis spanning WACC assumptions from 28.09% to 36.09% provides valuation outcomes across a range of discount rate assumptions, including scenarios consistent with a non-overlapping ERP and CRP build-up.



⁶ <https://www.investing.com/rates-bonds/u.s.-5-year-bond-yield>

⁷ <https://finance.yahoo.com/quote/%5EFVX/history/?guccounter=1>

Applying a capital structure weighting of 100% equity – as the company has no debt, we estimated the Weighted Average Cost of Capital (**WACC**) at **32.09%**.

WACC Calculation

Risk-free rate	3.72%	Terminal growth rate	
Beta	1	Sustainable ROE	19.74%
Market Risk Premium	16.35%	Sustainable Retention Rate	83.92%
Sovereign spread	12.02%	Terminal Growth Rate	16.57%
Cost of Equity	32.09%		
Terminal Assumptions:		Cost of Debt	-
Terminal growth rate	16.57%	Value of Debt (ETB, '000)	-
Terminal year Net Profits	3,761,291	Value of Equity (ETB, '000)	8,540,120
Terminal Value (ETB, '000)	22,705,396	Equity Weight	100.00%
		Debt Weight	0.00%
		WACC	32.09%

3.1.3 Dividend Discount Model

Using the Dividend Discount approach (DDM), we obtained a fair value estimate of the business as **ETB 8,171,164,000** and a fair value per share of **ETB 1,291.20**, with a valuation range of **ETB 6,636,043,000 - 10,281,927,000** for the Bank at different levels of assumption as shown below. A key assumption in the approach was that the business would maintain a dividend policy that's in line with the effective payout over the 5-year historical period.

Dividend Payout Ratio Assumption

The DDM forecast is anchored in the Bank's historical dividend payout behavior over the five audited financial years FY2020–FY2025. The year-by-year payout ratios show moderate variation but remain averaged around the 50% level.

Historical Dividend Payout Ratios (2020-2025 FYs)

2020	2021	2022	2023	2024	2025	5-Year Average
61.36%	45.77%	49.24%	38.61%	57.32%	50.46%	50.46%

However, given the Bank's active capital accumulation phase and the regulatory capital adequacy requirements under the NBE's framework, the forecast payout ratios are deliberately set on a declining path — from 22.28% in FY2026, stepping down progressively to 20.28%, 17.28%, 12.28%, and 8.28% by FY2030 — to reflect the Bank's prioritization of retained earnings for balance sheet growth over the explicit forecast horizon. This treatment



is consistent with Damodaran's (2012⁸) recommendation that DDM payout assumptions for high-growth financial institutions should reflect sustainable, forward-looking dividend capacity rather than mechanically projecting historical averages, particularly where capital retention needs are material. The resulting dividends, discounted at the cost of equity of 32.09%, are presented in the valuation table below.

Dividend Discount Valuation Approach

Dividend Discount Model (ETB, '000)	30-Jun-26	30-Jun-27	30-Jun-28	30-Jun-29	30-Jun-30
Dividends	498,833	515,062	500,982	403,518	311,489
Terminal Value					22,705,396
Time	0.31	1.31	2.31	3.31	4.31
Discount Factor	0.92	0.69	0.53	0.40	0.30
Present value	457,655	357,752	263,241	160,522	6,931,994

Value of equity	8,171,164
Number of Shares	6,328
Fair Value per share	1,291.20



⁸ Damodaran, A. (2012). *Investment valuation: Tools and techniques for determining the value of any asset* (3rd ed.). John Wiley & Sons.

Fair Value Estimate of the Business

		WACC				
Terminal Growth Rate	14,328,971.70	28.09%	30.09%	32.09%	34.09%	36.09%
	14.57%	10,281,927	9,672,555	9,110,112	8,590,324	8,109,362
	15.57%	9,711,442	9,138,941	8,610,477	8,122,041	7,670,044
	16.57%	9,209,833	8,669,751	8,171,164	7,710,295	7,283,764
	17.57%	8,765,337	8,253,983	7,781,870	7,345,430	6,941,467
	18.57%	8,368,724	7,883,004	7,434,514	7,019,871	6,636,043

Fair Value Estimate (Per Share) of the Business

		WACC				
Terminal Growth Rate	2,525.48	28.09%	30.09%	32.09%	34.09%	36.09%
	14.57%	1,624.74	1,528.45	1,439.57	1,357.43	1,281.43
	15.57%	1,534.59	1,444.12	1,360.62	1,283.44	1,212.01
	16.57%	1,455.33	1,369.98	1,291.20	1,218.37	1,150.97
	17.57%	1,385.09	1,304.28	1,229.68	1,160.72	1,096.88
	18.57%	1,322.42	1,245.66	1,174.79	1,109.27	1,048.62

3.1.4 Residual Income Valuation

Using the Residual Income Approach, we obtained **ETB 10,634,558,000** as the fair value estimate of the business and **ETB 1,680.46** as the fair value estimate per share with a valuation range of **ETB 9,468,310,000 – 12,328,259,000** for the company at different levels of assumption, as shown below.

Residual Income Valuation Approach

Residual Income Valuation (ETB, 000)	30-Jun-26	30-Jun-27	30-Jun-28	30-Jun-29	30-Jun-30
Book Value of Common Equity	10,280,070	12,304,582	14,702,561	17,584,640	21,034,442
Cost of Equity	32.09%	32.09%	32.09%	32.09%	32.09%
Net Income	2,238,783	2,539,574	2,898,961	3,285,597	3,761,291
Equity Charge	3,298,566	3,948,171	4,717,611	5,642,383	6,749,321
Residual Income	-1,059,783	-1,408,597	-1,818,650	-2,356,787	-2,988,031
Terminal Value					22,705,396
Discount Factor	0.92	0.69	0.53	0.40	0.30
Present Value	-972,300	-978,385	-955,610	-937,545	5,938,278

PV of Residual Cashflows	2,094,438
2025 Book Value	8,540,120
Value of the firm	10,634,558
Number of Shares	6,328
Fair Value per share	1,680.46



Fair Value Estimate of the Business

		WACC				
Terminal Growth Rate	16,151,785.98	28.09%	30.09%	32.09%	34.09%	36.09%
	14.57%	12,328,259	11,933,944	11,573,506	11,243,699	10,941,629
	15.57%	11,757,774	11,400,331	11,073,871	10,775,416	10,502,310
	16.57%	11,256,165	10,931,141	10,634,558	10,363,671	10,116,031
	17.57%	10,811,669	10,515,373	10,245,264	9,998,805	9,773,733
	18.57%	10,415,056	10,144,393	9,897,908	9,673,246	9,468,310

Fair Value Estimate (Per Share) of the Business

		WACC				
Terminal Growth Rate	2,846.76	28.09%	30.09%	32.09%	34.09%	36.09%
	14.57%	1,948.10	1,885.79	1,828.83	1,776.72	1,728.98
	15.57%	1,857.95	1,801.47	1,749.88	1,702.72	1,659.56
	16.57%	1,778.69	1,727.33	1,680.46	1,637.66	1,598.52
	17.57%	1,708.45	1,661.63	1,618.94	1,580.00	1,544.43
	18.57%	1,645.78	1,603.01	1,564.06	1,528.56	1,496.17

Note on Terminal Value Methodology in the Residual Income Model

The terminal value applied in the RIM (ETB 22,705,396,000) is derived using a Gordon Growth Model (GGM) framework, consistent with standard practice for RIM terminal value estimation as described by Damodaran (2012⁹). It is calculated from the terminal-year net profit of ETB 3,761,291,000, discounted as a growing perpetuity at a sustainable long-run growth rate of 16.57%, itself derived from the forecast-period sustainable ROE of 19.74% and a sustainable retention rate of 83.92%. This terminal value represents the going-concern equity value of the Bank at the 2030 horizon date and is applied consistently across both intrinsic models (DDM and RIM) as a shared terminal anchor.

It is acknowledged that during the five-year forecast period, projected ROE (19.74%) falls short of the cost of equity (32.09%), generating negative residual income in each forecast year, a feature the model captures fully and transparently, with the aggregate present value (PV) of the forecast-period residual income flows incorporated at ETB 2,094,438,000 net. This reflects a capital-accumulation phase in which high retention rates (averaging 83.92%)

⁹ Damodaran, A. (2012). *Investment valuation: Tools and techniques for determining the value of any asset* (3rd ed.). John Wiley & Sons.



suppress near-term distributable returns while growing book value, a pattern consistent with growth-stage banking institutions in emerging markets.

As Penman (2013¹⁰) notes, equity value can remain substantially positive even when short-run returns fall below the cost of equity, provided the book value base is large relative to the annual equity charge deficit. The GGM terminal value does not assert that residual income turns positive at the horizon; rather, it captures the aggregate long-run earning capacity of the Bank's growing asset franchise, in line with the clean surplus accounting identity underlying the Ohlson (1995¹¹) valuation framework.

3.2 Relative Valuation Approach

Under the relative valuation approach, we applied the median banking sector P/E and P/B multiples for the Middle East and Africa as of 31st October 2025, which were 4.50x and 1.10x, respectively. For the P/B approach, the median banking sector P/B for the Middle East and Africa of 1.10x was applied because P/B multiples are more book-value anchored and less sensitive to market maturity differences. For the P/E approach, a contextually calibrated multiplier of 4.5x was applied for the reasons set out in Section 2.5(iii).

For the precedent transactions approach, we analysed the median P/B multiples at which banks were acquired over the past three years, resulting in a median multiple of 1.26x.

Based on the P/E approach, the estimated equity value of Berhan Bank was **ETB 9,459,891,000**, implying a fair value per share of **ETB 1,494.84**.

Under the P/B approach, the estimated equity value was **ETB 9,394,132,000**, corresponding to an implied fair value per share of **ETB 1,484.45**

Based on the Precedent transactions, the implied business value was **ETB 10,727,913,000**, resulting to **ETB 1,695.21** implied fair value per share.



¹⁰ Penman, S. H. (2013). *Financial statement analysis and security valuation* (5th ed.). McGraw-Hill Education.

¹¹ Ohlson, J. A. (1995). Earnings, book values, and dividends in equity valuation. *Contemporary Accounting Research*, 11(2), 661–687. <https://doi.org/10.1111/j.1911-3846.1995.tb00461.x>

3.2.1. P/B Valuation Approach

P/B Valuation Approach (ETB,'000)

P/B	
Banking Sector Median P/B	1.10x
2025 Shareholders' Equity (Actual)	8,540,120
Number of Shares	6,328
NAV	1,349.50
Implied Value of the firm	9,394,132
Implied Fair Value Per Share	1,484.45

3.2.2. P/E Valuation Approach

P/E Valuation Approach (ETB,'000)

P/E	
Banking Sector Median P/E (Mid-East & Africa)	4.50x
2025 Net Income (Actual)	2,102,198
Number of Shares	6,328
EPS	332.19
Implied Value of the firm	9,459,891
Implied Fair Value Per Share	1,494.84

3.2.3. Precedent Transactions Valuation Approach

Precedent Transactions Valuation Approach (ETB,'000)

Acquirer	Acquired	P/B Multiple	Year
Access Bank PLC (Nigeria) *	NBK	1.25x	2024
Pioneer General Insurance and 4 others	Sidian Bank	0.95x	2024
Equity Group	Cogebanque	1.26x	2023
Premier Bank Limited *	First Community Bank	1.94x	2023
KCB Group	Trust Merchant Bank	1.49x	2022
Median		1.26x	

Precedent Transactions Median P/B	1.26x
2025 Shareholders' Equity (Actual)	8,540,120
Number of Shares	6,328
NAV	1,349.50
Implied Value of the firm	10,727,913
Implied Fair Value Per Share	1,695.21



Abbreviation	Bank Name
Access Bank PLC (Nigeria)	Access Bank Public Limited Company
Equity Group	Equity Group Holdings PLC
Sidian Bank	Sidian Bank Limited
KCB Group	Kenya Commercial Bank Group PLC
NBK	National Bank of Kenya Limited
Cogebanque	Compagnie Générale de Banque Plc

The five precedent transactions applied are drawn exclusively from East and Central African markets (Kenya, Rwanda, and the DRC), as no arm’s-length M&A transactions involving Ethiopian private commercial banks have been publicly recorded, which is a structural constraint reflecting Ethiopia's historically closed banking sector that prohibited foreign ownership and operated without a functional capital market until the launch of the Ethiopian Securities Exchange (ESX) in January 2025 and the issuance of the first investment banking licenses by the Ethiopian Capital Markets Authority (ECMA) in March 2025 (Finance in Africa, 2025).

Material differences limit the direct transferability of the observed P/B multiples to the Ethiopian context: the comparator markets operate under more established regulatory frameworks, carry significantly lower FX risk (Ethiopia experienced a managed devaluation of approximately 30% in July 2024 following FX regime liberalization), exhibit higher financial inclusion rates (Kenya at around 84% versus Ethiopia at ~46%), and benefit from deeper interbank and credit markets — all factors that structurally support higher acquisition multiples than would be negotiated in an Ethiopian transaction (International Monetary Fund, 2024; Finance in Africa, 2025).

3.3. Blended Valuation

We further did a blended valuation approach to ensure a more comprehensive, balanced, and reliable estimation of Berhan Bank’s implied fair value estimates by combining multiple valuation techniques.

We assigned equal weighting (**50:50**) to both the intrinsic valuation and relative valuation approaches. This equal weighting provides a balanced outcome that equally considers both the fundamental (intrinsic) and market-based views of value.

This integration provided a more nuanced perspective that reflected both intrinsic value and prevailing market conditions, allowing for the triangulation of results, enhancing the credibility of the valuation outcome.



3.3.1. Intrinsic Valuation

Equal weighting was assigned to both DDM and RIM approaches. The resulting implied value of the business was **ETB 9,402,861,000**, and a fair value estimate per share of **ETB 1,485.83**

Intrinsic Valuation (ETB, 000)	Implied Fair Value	Weighting	Implied Fair Value	Per Share
DDM	8,171,164	50.0%	4,085,582	645.60
Residual Income	10,634,558	50.0%	5,317,279	840.23
Implied Value est.			9,402,861	1,485.83

3.3.2. Relative Valuation

For the relative valuation, we assigned equal weighting to each of the three approaches: P/E, P/B, and Precedent Transactions. This gave an implied fair value of the business as **ETB 9,860,645,000** and Fair value per share of **ETB 1,558.17**.

Relative Valuation (ETB, 000)	Implied Fair Value	Weighting	Implied Fair Value	Per Share
P/E	9,459,891	33.3%	3,153,297	498.28
P/B	9,394,132	33.3%	3,131,377	494.82
Precedent Transactions	10,727,913	33.3%	3,575,971	565.07
Implied Value est.			9,860,645	1,558.17

3.3.3. Blending Intrinsic Valuation and Relative Valuation Approaches

Subsequently, equal weighting was assigned to Intrinsic valuation and relative valuation approaches. This gave an Implied business fair value of **ETB 9,631,753,000**, and a fair value per share of **ETB 1,522.00**, with a valuation range of **ETB 8,956,411,000 – 10,582,869,000** for the Bank at different levels of assumption, as shown below.

Blended valuation approach

Blended Valuation (ETB, 000)	Implied Fair Value	Weighting	Implied Fair Value	Per Share
Intrinsic Valuation	9,402,861	50.0%	4,701,430	742.91
Relative Valuation	9,860,645	50.0%	4,930,323	779.08
Implied Value est.			9,631,753	1,522.00

3.4. Asset-Based Approach

To validate the reasonableness of our valuation results, we conducted an asset-based valuation approach, which gave an estimated fair value of **ETB 1,349.50** per share. This result



largely aligns with our valuation outcomes of a fair value estimate of **ETB 1,522.00** per share, given the premiums in the market, reinforcing the overall plausibility of our estimates.

Asset- Based Approach

Total Assets (2025)	58,958,858
Less Liabilities	-50,418,739
	8,540,119
Number of Shares	6,328
2025 Shareholders' Equity (Actual)	8,540,120
Implied Fair Value Per Share	1,349.50

The Asset-based approach is intentionally excluded from the blended valuation and is applied solely as a reasonableness cross-check for three principal reasons.

First, the asset-based approach values a business by reference to the net realizable value of its recorded assets and liabilities, and consequently does not capture franchise value, customer relationships, earnings capacity, or future growth prospects - all of which are central to the value of a going-concern commercial bank (Damodaran, 2012).

Second, for financial institutions, the book value of equity reflects regulatory capital rather than economic value, and asset-based approaches are therefore most appropriate for liquidation scenarios or asset-holding entities rather than actively operating banks with demonstrated profitability and growth trajectories (Koller et al., 2020).

Third, the inclusion of a liquidation-oriented metric in a going-concern blended value would structurally suppress the final estimate in a manner inconsistent with the valuation mandate, which is to determine fair equity value on a going-concern basis for the purposes of ECMA registration.

The Asset-based value of ETB 1,349.50 per share nonetheless provides a useful floor reference, and the fact that all five going-concern methodologies yield estimates above this floor is consistent with Berhan Bank's sustained profitability and the market premiums observed in comparable African banking transactions (Rosenbaum & Pearl, 2013).

3.5. Valuation Summary & Other Considerations

The table below presents all six valuation outcomes. The mean and median statistical measures are computed across the five going-concern methodologies only (RIM, DDM, P/E, P/B, and Precedent Transactions), deliberately excluding the Asset-Based Approach. This



exclusion is consistent with standard valuation practice, which treats asset-based valuation as a floor or cross-check rather than a going-concern value indicator, given that it does not capture franchise value, earnings capacity, or future growth — attributes that are material to the value of a regulated, growth-stage commercial bank (Damodaran, 2012; Rosenbaum & Pearl, 2013). The Asset-Based value of ETB 1,349.50 per share is nonetheless presented for transparency and serves to validate the reasonableness of the going-concern estimates, all of which carry a premium above net asset value consistent with the Bank's demonstrated earnings capacity and growth trajectory.

The Precedent Transaction Multiples approach yielded the highest fair value per share across all six methodologies applied, at **ETB 1,695.21**, while the DDM approach produced the lowest fair value estimate per share overall, at **ETB 1,291.20**.

Summary Valuation Results Table (ETB,'000)

Intrinsic Valuation (ETB, 000)	Implied Fair Value	Per share
Residual Income	10,634,558	1,680.46
DDM	8,171,164	1,291.20
Relative Valuation (ETB, 000)	Implied Fair Value	Per share
P/E	9,459,891	1,494.84
P/B	9,394,132	1,484.45
Precedent Transactions	10,727,913	1,695.21

Mean Fair Value est.	9,677,531	1,529.23
Median Fair Value est.	9,459,891	1,494.84
Blended Fair Value est.	9,631,753	1,522.00

Intrinsic Valuation (ETB, 000)	Implied Fair Value	Weighting	Implied Fair Value	Per Share
DDM	8,171,164	50.0%	4,085,582	645.60
Residual Income	10,634,558	50.0%	5,317,279	840.23
Implied Value est.			9,402,861	1,485.83

Relative Valuation (ETB, 000)	Implied Fair Value	Weighting	Implied Fair Value	Per Share
P/E	9,459,891	33.3%	3,153,297	498.28
P/B	9,394,132	33.3%	3,131,377	494.82
Precedent Transactions	10,727,913	33.3%	3,575,971	565.07
Implied Value est.			9,860,645	1,558.17

Blended Valuation (ETB, 000)	Implied Fair Value	Weighting	Implied Fair Value	Per Share
Intrinsic Valuation	9,402,861	50.0%	4,701,430	742.91
Relative Valuation	9,860,645	50.0%	4,930,323	779.08
Implied Value est.			9,631,753	1,522.00



Blended Fair Value Estimate of the Business

Terminal Growth Rate	WACC					
		28.09%	30.09%	32.09%	34.09%	36.09%
	14.57%	10,582,869	10,331,947	10,101,227	9,888,828	9,693,070
	15.57%	10,297,627	10,065,140	9,851,410	9,654,687	9,473,411
	16.57%	10,046,822	9,830,546	9,631,753	9,448,814	9,280,271
	17.57%	9,824,574	9,622,662	9,437,106	9,266,382	9,109,123
	18.57%	9,626,268	9,437,172	9,263,428	9,103,602	8,956,411

Terminal Growth Rate	WACC					
		28.09%	30.09%	32.09%	34.09%	36.09%
	14.57%	1,672.29	1,632.64	1,596.18	1,562.62	1,531.69
	15.57%	1,627.22	1,590.48	1,556.71	1,525.62	1,496.98
	16.57%	1,587.59	1,553.41	1,522.00	1,493.09	1,466.46
	17.57%	1,552.47	1,520.56	1,491.24	1,464.26	1,439.41
	18.57%	1,521.13	1,491.25	1,463.80	1,438.54	1,415.28

4. CONCLUSION

Based on the analyses conducted across intrinsic, relative, and asset-based valuation approaches, and incorporating the Ethiopia-contextualised P/E multiplier of 4.5x in lieu of the unadjusted Mid-East & Africa regional median, the Equity value estimate of Berhan Bank is **ETB 9,631,753,000**, corresponding to a fair value per share of **ETB 1,522.00**. This value reflects a balanced consideration of the bank's financial performance, growth prospects, market positioning, and the structural characteristics of Ethiopia's pre-frontier, nascent-capital-market environment. The asset-based valuation of **ETB 1,349.50** per share provides a supportive floor, reinforcing the plausibility of this revised estimate.

