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VALUATION REPORT
MEBA MFI S.C.

FIRST ADDIS INVESTMENT BANK
Central Printing Press Building, 6th Floor, Gabon Street (Meskel Flower Road)

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Expert's Confirmation

First Addis Investment Bank ("FAB"), as the valuation practitioner responsible for this report, hereby confirms that:

- FAB is independent of Meba Microfinance Institution S.C. ("Meba" or "the Company") and its shareholders. FAB has no present or contemplated financial interest in the Company. FAB's compensation for this engagement is not contingent on the outcome of the valuation. FAB confirms that there are no conflicts of interest that would influence the analysis or conclusions presented in this report.
- The valuation has been conducted using recognized valuation approaches appropriate for a regulated financial institution including Residual Income Method (primary) and a Market Approach using comparable listed deposit-taking financial institutions as a reasonableness check. Where professional judgment was required in relation to the cost of equity, terminal growth, and scenario assumptions, such judgment has been applied on a reasonable and supportable basis in the Ethiopian market context and consistent with the nature of an early-stage microfinance institution.
- To the best of FAB's knowledge, the information used in this valuation including Meba's audited financial information (FY2024/25), management forecasts (FY2025/26 to FY2029/30), and supporting market data has been obtained from sources believed to be reliable, including the National Bank of Ethiopia and the World Bank. For the Market Approach cross-check, comparable trading multiples were sourced from publicly available market data and reputable third-party research and data platforms such Faida Investment Bank, Simply Wall St, and CDH Capital.
- This report has been prepared in accordance with applicable valuation principles and standards, including the International Valuation Standards (IVS) and the fair value concepts reflected in IFRS 13: Fair Value Measurement, and is intended to meet the requirements of relevant Ethiopian Capital Market Authority (ECMA) Directive 1030/2024 for expert valuation reports supporting share offerings. This report is prepared for inclusion in, or submission alongside, Meba's Prospectus and related regulatory filings. FAB consents to its use for that purpose.
- FAB is a licensed investment bank in Ethiopia and provides financial advisory and valuation services. The valuation work reflected in this report was prepared by qualified professionals within FAB with relevant experience in business valuations and financial institutions within Ethiopia's emerging capital market.

In FAB's professional opinion, the valuation conclusions contained herein are appropriate and justified given the information made available and the assumptions described. The valuation remains subject to the assumptions and limiting conditions set out in this report. Actual performance and outcomes may differ from forecasts, and no assurance is provided that the Company will achieve the projected results.

Transaction Advisor
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1. Introduction

This valuation has been prepared to determine the fair value of the ordinary shares of Meba Microfinance Institution S.C. ("the Company") in connection with the Company's planned share offering and the related disclosures to prospective investors and regulators. The valuation is being conducted by First Addis Investment Bank ("FAB"), acting in its capacity as transaction advisor to the Company, and is intended to support the preparation of the Company's Prospectus and accompanying documentation.

FAB applied the Residual Income Method as the primary valuation approach, supported by a Market Approach reasonableness check, to estimate the fair value of the Company's shares based on management's financial forecasts for FY2025/26 to FY2029/30. The forecast model was reviewed by FAB and, where necessary, refined to improve internal consistency and reflect prevailing operating realities, including the Company's early-stage scale-up profile, capital plan, and risk environment. These valuation approaches are widely used for regulated financial institutions and are consistent with generally accepted valuation practice, including the principles set out in the International Valuation Standards (IVS) issued by the International Valuation Standards Council (IVSC) and the valuation concepts reflected in IFRS 13: Fair Value Measurement.

The valuation is intended to provide an objective basis for independently assessing a value range for the Company's ordinary shares. Based on this analysis, the Transaction Advisor's indicative valuation range is ETB 550 - 700 per share. This report details the valuation methodology, assumptions, scenario analysis results, comparable company analysis, and the industry context supporting these conclusions.

2. Market Opportunities and Industry Context

Ethiopia's microfinance market remains structurally under-served, with demand for small-ticket credit, safe savings, and payment-linked financial services continuing to outpace the sector's capacity to supply them at scale. As of 30 June 2024, the NBE reported 56 licensed MFIs with 1,138 branches at end-June 2024, with total sector assets of ETB 60.1 billion, savings deposits of ETB 31.4 billion, outstanding credit of ETB 39.7 billion, and total capital of ETB 11.4 billion. While deposits expanded by 29.2% and net loans grew by 26.9%, capital increased only by 4.7%, suggesting that sector lending has been constrained by capital adequacy requirements, liquidity management, and risk capacity, rather than a lack of borrower demand.

In parallel, customer expectations are shifting toward faster service, simpler onboarding, and digital-enabled transactions, supported by Ethiopia's national push for payment modernization. NBE's digital payments agenda (NDPS) emphasizes building a more interoperable and inclusive digital payments ecosystem, and Ethiopia launched the NDPS 2026-2030 alongside an Instant Payment System (IPS) in December 2025. These measures are expected to accelerate adoption of digital channels and reduce frictions in low-value payments.

Within this context, Meba's growth does not depend on creating demand. Instead, it depends on unlocking institutional capacities including capital, systems, governance, risk controls, and delivery channels needed to meet existing demand responsibly and profitably.

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3. Basis and Scope of Valuation

This valuation is conducted on a going-concern basis, assuming the Company continues its operations and implements its strategy as reflected in management's forecasts and business plan. The standard of value applied is Fair Market Value (FMV), interpreted as the price at which the Company's equity would change hands between a willing buyer and a willing seller, acting at arm's length, with both parties having reasonable knowledge of relevant facts, and neither being under any compulsion to buy or sell.

FAB's work for the purposes of this valuation included:

- Reviewing the Company's available audited historical financial information (FY2024/25), together with management's FY2025/26 plan and subsequent financial projections.
- Assessing the reasonableness and internal consistency of the projections against stated operational assumptions and broader industry context.
- Applying valuation approaches considered appropriate for a regulated microfinance institution, namely the Income Approach using the Residual Income Model (as the primary method), supported by a Market Approach reasonableness check using comparable listed regional financial institutions.
- Performing sensitivity analysis around key valuation parameters, particularly discount-rate inputs, to derive an indicative valuation corridor for pricing considerations.
- Preparing this Report in a format suitable for inclusion in, or reference by, the Company's Prospectus and related ECMA submission materials.

This Valuation Report is based on information provided by the Company and on publicly available data believed to be reliable. FAB has not conducted a forensic investigation or independent verification of all underlying records beyond the scope described above. Valuation outcomes are inherently sensitive to assumptions and forward-looking projections. Actual results may differ materially from those forecasts due to changes in market conditions, regulatory developments, or Company execution. Accordingly, this Report is intended solely for the stated purpose in connection with the share offering and Prospectus submission and should not be relied upon for any other purpose without FAB's prior written consent.

4. Valuation Methodologies and Inputs

Microfinance institutions are regulated, deposit-taking financial intermediaries whose enterprise value is fundamentally anchored in the strength and sustainability of their equity capital base, the institution's ability to preserve regulatory solvency through prudent risk management, and the generation of sustainable returns on equity over time. Unlike many non-financial businesses, the value of an MFI is less meaningfully captured by conventional free-cash-flow concepts because cash is also a working asset and funding source, and capital adequacy requirements materially constrain growth and distributions.

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Accordingly, FAB applied the following approaches:

- **Income Approach (Primary):** Specifically, Residual Income Model (RIM) used as the principal valuation method due to its direct linkage to book equity, profitability, and the cost of equity for regulated financial institutions; and
- **Market Approach (Secondary):** Applying comparable trading multiples as a reasonableness cross-check, recognizing that pure-play listed MFIs are limited in the region and that listed deposit-taking institutions such as retail banks are the closest observable market proxies.

Residual Income Model:

FAB used the Residual Income Model as the main way to estimate the Company's intrinsic share value because it fits how a microfinance institution creates value. The model starts with what the Company already owns for shareholders today, its book equity, and then adds the value of what the Company is expected to earn in the future above a fair required return for investors. That required return is the cost of equity (Ke), which reflects the risk investors take by investing in the Company.

Each year, the model compares the Company's projected profit to the profit investors would normally expect on the equity invested; any excess (or shortfall) is called residual income, and it is then discounted back to today's value. This approach is appropriate for the Company because MFIs are regulated and growth depends heavily on equity capital. It also works well for a young institution like Meba, where profits may be lower in early years due to branch expansion and system build-out, but are expected to improve as the business scales.

FAB used this model using a base-case forecast assumptions described below.

Table 1: Key valuation inputs and assumptions

Input	Value	Remark
Valuation date	30 June 2026	Aligns with the end of the most recent forecast year included in the Prospectus and provides a consistent base for discounting forward residual income.
Cost of Equity (Ke)	27.82%**	Derived using an ETB nominal risk-free proxy and Ethiopia risk premium inputs, consistent with the high interest-rate environment and country-risk profile, and reflective of the required return for equity investors in a regulated lender.
Terminal growth (g)	3.00%	Long-run growth assumption applied to terminal residual income, selected as a conservative long-term growth rate relative to macro conditions
Forecast period	FY26/27-FY29/30	Residual income estimated using the Company's linked forecast model over four years beyond the valuation date, with a terminal value applied thereafter.

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** The Cost of Equity (Ke) is the required return demanded by shareholders, and it is the discount rate used in the residual income valuation. Calculation of Ke includes computing the following assumptions:

- **Risk-free rate:** The risk-free rate represents the baseline return available in the domestic market with minimal credit risk. In this valuation, it is proxied by the NBE 364-day Treasury bill yield, estimated at 19.1% (annualized weighted average). This proxy is appropriate because the Company's forecast and residual income calculations are prepared on an annual basis, and the 364-day tenor provides a closer match to annual cash flows than shorter-term bills. Given Ethiopia's high nominal rates driven by inflation and macro conditions, the risk-free rate is a major driver of the required return for equity investors.
- **Mature Equity Risk Premium (ERP):** The mature equity risk premium represents the additional return investors require for investing in equities over risk-free assets in a stable, mature market. FAB applies a mature ERP estimate of 4.23%, sourced from Aswath Damodaran's market-implied and long-run risk premium references, which are widely used in professional valuation practice.
- **Country Risk Premium (CRP):** The country risk premium captures the additional return investors demand for investing in Ethiopia relative to mature markets, reflecting factors such as sovereign risk, macroeconomic volatility, policy uncertainty, inflation risk, and market frictions. In this valuation, the CRP is estimated at approximately 11.6%–11.7%, based on Damodaran's rating-based default spread methodology, which is commonly used when local capital market pricing data is limited.
- **Beta:** Beta measures the sensitivity of the Company's expected returns to broader market risk. Since the Company is not publicly listed and does not have an observable traded beta, beta is assumed using a reasonable proxy. In the base case, beta is set at market-level exposure (1.0), reflecting the view that the Company's performance is meaningfully influenced by economy-wide conditions.
- **Lambda (λ):** Lambda is a scaling factor (between 0 and 1) applied to the country risk premium to reflect how much country risk is assumed to be borne by the Company's equity cash flows. This adjustment is important because Ethiopia's the T-bill rate is a local nominal rate that already reflects macro, inflation and country conditions, therefore λ is used to avoid layering the full CRP on top in a way that can overstate required returns. In the base case, FAB uses λ = 0.30, implying that 30% of the CRP is incorporated into the cost of equity, providing a balanced treatment that recognizes country risk while avoiding excessive conservatism in the discount rate.

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Based on these assumptions, the table below presents the Residual Income calculation for the forecast period under the Base Case, using beginning book equity, forecast net income, equity charge, residual income, and present value factors.

Table 2: Residual Income valuation schedule (base case, ETB million)

Year	Beginning Equity	Net Income	Equity Charge	Residual Income	Discount Factor	PV of RI
FY26/27	117.30	5.49	32.63	(27.15)	0.782	(21.24)
FY27/28	122.79	17.87	34.16	(16.29)	0.612	(9.97)
FY28/29	140.66	39.98	39.13	0.85	0.479	0.41
FY29/30	180.65	81.28	50.25	31.03	0.375	11.62

In the first two years, Meba's residual income is negative because the returns the Company is expected to generate on its equity are still below the return investors require, which is common during an early growth phase when branches are expanding and capital is not yet fully utilized. As operations scale and profitability improves, residual income turns positive in later years.

Beyond the forecast period, a terminal value is estimated using a continuing residual income formulation. This assumes that after FY29/30 the Company reaches a more stable operating profile where book equity growth and profitability converge toward a long-run level consistent with the assumed terminal growth rate and the Company's long-run competitive and regulatory environment.

Under the Base Case, the Company's book equity at the valuation date (end FY2025/26) is ETB 117,303,187 with a resulting intrinsic equity value of ETB 146,371,041. To ensure an appropriate pricing range is estimated for a share offering, FAB performed sensitivity analysis around the cost of equity, focusing on the country-risk exposure embedded in the discount rate build-up.

Based on sensitivity analysis of the Residual Income valuation, the estimated intrinsic value of the Company's shares falls within a range of ETB 550 to ETB 700 per share, with a total equity value range of ETB 128,913,499 to ETB 164,071,600, consistent with the Base Case valuation outcome.

Market Approach:

Ethiopia does not currently have publicly listed microfinance institutions. Accordingly, FAB applied a Market Approach as a secondary reasonableness check using comparable listed deposit-taking financial institutions in peer countries such as Kenya, Rwanda and Uganda. These institutions were selected because they share similar characteristics to the Company including retail deposit mobilization, SME/retail lending exposure, branch-led distribution, and regulated capital frameworks.

Given the absence of directly comparable listed Ethiopian MFIs and the limited availability of listed MFIs in the region, the Market Approach is not used as a standalone determinant of value. Instead, it is used to contextualize the Income Approach results and support the proposed pricing range.

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To ensure comparability, FAB anchors the Market Approach on book equity per share (BVPS) as of the valuation date (30 June 2026). As at that date, Meba's projected book equity is ETB 117,303,187 with 234,388 ordinary shares, implying a BVPS of ETB 500.47.

Using this BVPS, the implied Price-to-Book (P/B) at key price points is as follows: ETB 500 per share implies P/B of 1.0×, while the base-case RIM intrinsic estimate of ETB 624 per share implies P/B of 1.25×. This framing is particularly relevant because, for deposit-taking institutions, P/B is typically the most stable market multiple, especially when near-term profitability is still normalizing. For early-stage institutions, P/E is less informative because earnings can be temporarily depressed by branch rollout, systems investment, and conservative provisioning.

The table below presents indicative trading multiples for selected listed regional peers (latest publicly available ratios as of January 2026, where available; otherwise, the most recent published research reference). These ratios are used as a reasonable reference for how public market investors price regulated lenders in comparable emerging markets.

Table 3: Selected comparable multiples (2024/25)

Market	Comparable (Ticker)	P/E (x)	P/B (x)
Kenya	Co-operative Bank (NSE: COOP)	4.4	0.86
Kenya	Equity Group (NSE: EQTY)	-	0.96
Rwanda	I&M Bank Rwanda (RSE: IMR)	4.6	0.81
Uganda	Stanbic Uganda Holdings (USE: SBU)	6.0	1.43

Across comparable listed financial institutions in Kenya, Rwanda, and Uganda, P/B multiples generally fall between below 0.8× and about 1.4×. In this context, the Transaction Advisor's indicative valuation range of ETB 550 to ETB 700 per share, implying P/B of approximately 1.10× to 1.40×, sits within the upper end of observed regional P/B outcomes. When considered together with the Company's forward-looking scaling profile and the Residual Income approach results, the Market Approach provides supportive context for the Income Approach valuation range, reflecting a regulated lender expected to improve ROE as it deploys capital and matures operationally.

In conclusion, FAB places primary reliance on the Residual Income Method, as it is the most appropriate framework for valuing a microfinance institution whose value is closely linked to its equity capital base and ability to generate sustainable ROE. The Market Approach is applied only as a reasonableness cross-check and to provide context for pricing, given the absence of listed MFIs in Ethiopia and the limited availability of directly comparable listed peers in the region. Taking into account Meba's early-stage profile, the inherent uncertainty in forward projections during a scale-up phase, and Ethiopia's prevailing macro and risk environment.

FAB concludes that an indicative valuation range is **ETB 550** to **ETB 700** per share.

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