Amendment of Shabelle Bank S.C in the 2nd Extra-Ordinary General Meeting of Shareholders

Introduction

Whereas, it is known that Shabelle Bank S.C. was first established under the Revised Commercial Code of Ethiopia (Proclamation No. 1243/2021), the repealed Banking Business Proclamation No. 592/2008 (as amended by Proclamation No. 1159/2019), and the Licensing and Supervision of Banking Business Requirements for Relicensing a Microfinance Institution as a Bank Directive No. SBB/74/2020, and was promoted from Shabelle Microfinance Institution S.C. to Shabelle Bank Share Company (hereinafter referred to as the "Bank");

Whereas, the Bank's Memorandum of Association (hereinafter referred to as the "MoA") was amended and approved in compliance with the then-latest laws, developments, and changes in the commercial and banking laws and regulations of Ethiopia on Sene 19, 2014 E.C. (June 26, 2022), by the 1st Extraordinary General Meeting of Shareholders of the Bank held on that date;

Whereas, since the first Extraordinary General Meeting of the Bank on the above-mentioned date, very significant and profound changes have been introduced to the banking and financial laws of the country, as well as to the capital market laws and institutional frameworks, and among others, the following significant changes may be mentioned:

- In recent years, several tremendous changes in the legal and policy framework have been taking place in the country's banking and financial sector. Among these changes, the first and major change is the opening of banking and financial sector to foreign investors to enter Ethiopia for providing banking and financial services through different modalities of entry. To this effect, a new law, Banking Proclamation No. 1360/2025, has been enacted;
- The National Bank of Ethiopia has enacted various significantly important directives applicable to private commercial banks, among which are the Bank Corporate Governance Directive No. SBB/91/2024, the Requirements for Licensing, Renewal of Banking Business and Representative Office Directive No. SBB/94/2025, and NBE Directive No. FXD/01/2024;
- Another significant change in the last few years has been the tremendous introduction and establishment of the capital market system and law in Ethiopia, as a result of which the Capital Market Proclamation No. 1248/2021 was enacted, and based on this Proclamation, the Ethiopian Capital Market Authority (hereinafter referred to as

"ECMA") has been established since 2021, and many directives have been issued affecting banks and other share companies;

Whereas, to ensure the Bank's legal compliance, maintain a modern and competent MoA, and enable the Bank to adapt to changes in banking and financial laws, the operational framework, and capital market developments, while remaining competitive and progressive;

Now, therefore, it has become necessary to propose the following points of amendment to the MoA of the Bank:

1. Amendment to the Preamble of Existing MoA

The preamble of the current MoA shall be amended to reflect the new developments and changes in the governing laws and operational developments in the banking sector, as reflected hereinabove.

2. Amendment on the Objectives of the Bank

To ensure the comprehensiveness and inclusiveness of the objectives of the Bank, in addition to what is provided in the existing MoA, Article 3 of the MoA should be amended, and the following additional sub-articles following Article 3 (5) are proposed to be added:

6. The Bank shall engage in the buying and selling of foreign exchange, as well as in any other foreign exchange transactions permitted under NBE Directive No. FXD/01/2024, pursuant to the directives of the National Bank of Ethiopia;
7. The Bank shall enter legally acceptable and compliant loan and other commercial transactions to achieve its business purposes;
8. The Bank shall provide permitted international banking and financial services;
9. The Bank shall engage in investment activities, subject to the limits set by the National Bank of Ethiopia;
10. The Bank shall issue securities, including shares, bonds, and debentures, in the Ethiopian capital market and other securities, pursuant to and in compliance with the directives of the Ethiopian Capital Market Authority (ECMA);
11. The Bank shall provide digital financial services under its auspices;
12. The Bank shall regulate and administer investment funds;
13. The Bank shall deal with the issuance of Letters of Credit (LCs), loans, financial guarantees, and other forms of permitted guarantees for import and export, as well as local transactions, in compliance with applicable laws; and

14. The Bank shall engage in any and all business activities allowed for private commercial banks, in compliance with applicable laws and regulations, as well as Islamic banking principles.

3. Addition of New Provision on Limitations and Prohibitions of Banking Activities

For legal compliance of the business activities of the Bank, the following new Article 4, titled "Limitations and Prohibitions of the Bank," is added, and Article 4 of the MoA shall be renumbered as Article 5, with the remaining articles shifting to their respective order:

"**Article 4: Limitations and Prohibitions of the Bank**

The Bank is not allowed to engage in or perform the following activities unless authorized in writing by the National Bank of Ethiopia:

1. The Bank shall not merge its business or assets with another entity by sale or any other means or enter into an agreement that changes its legal status in any other way.
2. The Bank shall not reduce its capital without the express permission of the National Bank and without following due procedures.
3. The Bank shall not amend the Memorandum of Association of the Bank without the permission and approval of the National Bank of Ethiopia.
4. The Bank shall not change the business name under which a license to conduct banking business has been obtained.
5. The Bank shall not exceed the limits set out in the Banks Investment Restrictions Directive No. SBB/92/2024 by engaging in trading in the capital market, real estate, becoming a shareholder in another company, or engaging in other business activities.
6. The Bank shall not engage in Transaction Advisory and other direct capital market service provisions by itself, contrary to the law and without the express approval of the Ethiopian Capital Market Authority (ECMA).

4. Amendment on Shareholding in the Bank

For clarity and legal compliance regarding the limitations on shareholding in the Bank considering new legal developments, Article 4 of the existing the Memorandum of Association of the Bank (which shall become Article 5 after amendment) is amended. Accordingly, Articles 4.7 and 4.8 (to be renumbered as Articles 5.7 and 5.8 after amendment) are deleted, pursuant to Article 13 of the Banking Business Proclamation No. 1360/2025, and replaced with the following sub-articles:

"5.7. No natural person may hold more than 7% (seven percent) of the total subscribed capital of the Bank directly.

5.8. No legal entity may hold more than 10% (ten percent) of the total subscribed share capital of the Bank directly unless authorized by the National Bank of Ethiopia.

5.9. A natural person or a legal entity that directly holds more than 10% (ten percent) of the subscribed capital of another bank may not hold shares in the Bank.

5.10. Notwithstanding the provisions of sub-articles 5.7 and 5.8 above, no natural person, other than strategic investors, may directly or indirectly hold more than 15% (fifteen percent) of the total subscribed shares of the Bank, and no legal entity may directly or indirectly hold more than 20% (twenty percent) of the total subscribed shares of the Bank unless authorized by the National Bank of Ethiopia.

5.11. The total number of shares held jointly by a natural person and a legal entity may not exceed 20% (twenty percent) of the total subscribed capital of the Bank unless authorized by the National Bank of Ethiopia."

5. <u>Amendment of the Quotation and Reference of a Repealed Law</u>

It is noted that Article 5.1 (which shall become Article 6.1 after the amendment) of the Memorandum of Association of the Bank cites Proclamation No. 592/2008 (as amended by Proclamation No. 1159/2019). However, since these proclamations have been repealed and replaced by the Banking Business Proclamation No. 1360/2025, it is proposed that the first paragraph of Article 5.1 be replaced with the following:

"Subject to the provisions of the Banking Business Proclamation No. 1360/2025 and the Revised Commercial Code, each shareholder of the Bank shall have the following shareholders' rights:"

6. <u>Amendment of Share Registration</u>

Pursuant to the relevant directives of the Ethiopian Capital Market Authority (ECMA) and to ensure legal compliance and clarity, Article 6 (Share Register) of the Memorandum of Association of the Bank shall be amended and replaced with the following new Article 6:

"Article 6: Share Register and Dematerialization of Shares

1. The Bank shall maintain an internal share register, as determined by the National Bank of Ethiopia, containing the names, citizenship, addresses, number of subscribed and paid-up shares and their serial numbers, the amount paid, the date of registration, and all other relevant information as prescribed by the relevant Capital Market Authority and the National Bank of Ethiopia.

2. In accordance with the requirements for dematerialization of securities pursuant to the Capital Market Proclamation No. 1248/2021 and the Dematerialization, and other directives issued pursuant to the Proclamation, the register of shareholders shall be maintained by the Central Securities Depository, in accordance with the Capital Market Proclamation and other applicable directives of the Ethiopian Capital Market Authority.
3. The Bank shall maintain internal records and shall cooperate with the Central Securities Depository to ensure the accuracy and completeness of all shareholder information. These internal records shall contain all details required by applicable laws and the Memorandum of Association of the Bank. Any error discovered in the internal records of the Bank, or any error reported to the Central Securities Depository, shall be investigated and corrected. The Chief Executive Officer or the appropriate personnel of the Bank shall, within thirty (30) consecutive days of the date of discovery of the error, ensure that it is investigated and corrected, in cooperation with the Central Securities Depository, as necessary. The internal shareholders' register of the Bank shall be open to inspection by authorized persons in accordance with applicable laws. Access to the shares of the Bank in the Central Securities Depository shall be governed by Central Securities Depository's operating procedures and relevant capital market laws.
4. Shareholders and relevant government agencies may inspect the register free of charge. Any person other than a shareholder may inspect the register upon payment of the service fee determined by the Bank for this purpose and upon meeting other conditions set forth in the relevant laws.
5. All securities of the Bank offered for sale to the public shall reflect the information contained in the electronic register maintained by the Central Securities Depository, which contains the information required by law.
6. The Bank shall not issue physical security certificates. The conditions for converting the Bank's paper shares into dematerialized shares, verifying ownership, and other related conditions shall be determined in accordance with the guidelines issued by the Board of Directors of the Bank and the Dematerialization Directive No. 1047/2017."

7. <u>Amendment on the Transfer of Shares</u>

Whereas the Capital Market Proclamation No. 1248/2021 and Public Offering and Trading of Securities Directive No. 1030/2024 of the Ethiopian Capital Market Authority provide that the shares of share companies shall be freely transferable without limitation; and whereas the

Memorandum of Association of the Bank does not contain an express restriction on the transfer of shares, it also does not expressly and clearly affirm the principle of free transferability; the following new Article 7.2 is hereby introduced. The existing Article 7.2 shall be renumbered as Article 7.3, and the subsequent sub-articles shall be renumbered accordingly: “7.2 The shares of the Bank, being public securities, shall be freely transferable without restriction in accordance with the Capital Market Proclamation No. 1248/2021, the Public Offering and Trading of Securities Directive No. 1030/2024, and the rules and regulations of the Ethiopian Securities Exchange and the Central Securities Depository, as regulated by the Ethiopian Capital Market Authority.”

8. <u>Deletion of Article 10 of the Memorandum of Association of the Bank</u>

As the existing Article 10 of the Memorandum of Association of the Bank has already been addressed in this amendment of the Memorandum of Association of the Bank under Article 4, there is no relevance for it to continue to exist, and the laws referred to therein are outdated. Accordingly, it is proposed that the entire provision be deleted.

9. <u>Amending Citation of Outdated Law</u>

It is noted that Article 13.3 cites the repealed law, Proclamation No. 591/2008 (as amended by Proclamation No. 1159/2019), and the first paragraph of this Article shall be replaced by:

“13.3 The Extraordinary General Meeting of the Bank shall be governed by the Banking Business Proclamation No. 1360/2025 (as amended from time to time) and the relevant provisions of the Ethiopian Revised Commercial Code.” Likewise, it is noted that the repealed Proclamation No. 591/2008 (as amended by Proclamation No. 1159/2019) is mentioned under Article 13.6 of the Memorandum of Association of the Bank, and it shall be replaced by “Banking Business Proclamation No. 1360/2025 (as amended from time to time).”

10. <u>Amendment of Number of Members in the Board of Directors</u>

It is also found to be important to amend the number of directors on the Board of Directors of the Bank, as the NBE’s Banking Corporate Governance Directive No. SBB/91/2024 permits the minimum number of directors to be nine (9). the current composition of the Board of Directors of the Bank shall be amended. Accordingly, Article 23.1 shall be amended as follows:

“23.1. The Bank shall be governed by a Board of Directors consisting of 9 members (Nine Members) members appointed by the General Assembly.”

11. <u>Amendment of the Powers and Functions of Board of Directors</u>

Pursuant to the Capital Market Proclamation No. 1248/2021 and the relevant Ethiopian Capital Market Authority directives, including Directive No. 1030/2024 and Directive No. 1047/2025, the Board of Directors of the Bank shall be assigned additional powers to effectively facilitate and lead the Bank in a competitive and progressive manner in line with new developments and market changes. Accordingly, the following Article 25.10 and its sub-articles shall be added to Article 25 of the Memorandum of Association of the Bank:

"25.10 In addition to what is provided hereinabove, the Board of Directors of the Bank shall have the following powers and functions:

25.10.1 The Board of Directors of the Bank shall have the authority to make decisions on the marketing of securities that do not directly increase the capital of the Bank, in accordance with applicable laws and regulations.

25.10.2 The Board of Directors of the Bank shall have the authority to regulate, initiate, and determine the details of any securities of the Bank to be listed or offered for sale on a stock exchange or over-the-counter (OTC) market, including through the Ethiopian Capital Market Authority and the Ethiopian Securities Exchange, in accordance with applicable laws and regulations.

25.10.3. The Board of Directors of the Bank shall have the authority to ensure that the Bank continuously complies with applicable capital market requirements, disclosure obligations, reporting standards, and corporate governance obligations, in accordance with the law, as prescribed for securities markets, over-the-counter markets, by the Ethiopian Capital Market Authority, or by any other relevant institution.

25.10.4 The Board of Directors of the Bank shall, in accordance with the relevant laws, determine the conditions for the dematerialization of the securities issued and to be issued by the Bank; prepare the documents required by the relevant laws and the enforcing authorities; and advise the shareholders of the Bank to meet the conditions required for the dematerialization of the securities.

25.10.5 The Board of Directors of the Bank shall have the authority to announce the commencement date through newspapers, the Bank's website, SMS, and other appropriate means; determine the conditions under which the documents shall be registered with the authorized bodies; and undertake all necessary actions to ensure that the shareholders and the management bodies of the Bank have a proper understanding of this process.

25.10.6 The Board of Directors of the Bank shall exercise all powers and functions vested in the Bank, unless otherwise specifically delegated to another organ of the Bank by law or this Memorandum of Association.

25.10.7 The Board of Directors of the Bank may delegate its powers to one or more Board members or to the President of the Bank, as necessary."

12. Amending the Powers and Functions of the President of the Bank

As the President of the Bank is required to work cooperatively with the Board of Directors of the Bank under the new capital market business regime, and in order to provide a clause in the Memorandum of Association to that effect, the following sub-article shall be added after Article 31.2(m):

"(n) In accordance with the directions given by the Board of Directors of the Bank and as permitted by law, to carry out and ensure the execution of the activities of the Bank in relation to the capital market; to make decisions and perform all necessary functions; and to sign documents and exercise all powers and functions not expressly granted to the General Meeting of Shareholders or the Board of Directors under this Memorandum of Association, the relevant law, or any other applicable document."

13. Replacing the Citation of the Repealed Laws

It is noted that Articles 34.1 and 34.2, Article 37, Article 45.1, Article 50, Article 51.1, and Article 51.2 of the Memorandum of Association of the Bank cite the repealed law, Proclamation No. 591/2008 (as amended by Proclamation No. 1159/2019). Accordingly, in all such provisions, the cited Proclamations shall be replaced by "Banking Business Proclamation No. 1360/2025 (as amended from time to time)."

14. Amendment of Distribution of Profit

To ensure compliance with the Capital Market Proclamation No. 1248/2021 and the relevant directives related to capital market, the following additional sub-article shall be added to Article 40 of the Memorandum of Association after Article 40(5): "40 (6) The Bank shall disclose its dividend policy and any amendments thereto to the shareholders and the public by notifying the relevant information to the Ethiopian Capital Market Authority (ECMA) and the Ethiopian Securities Exchange (ESX), in accordance with Article 77 of the Capital Market Proclamation No. 1248/2021 and Article 107 of the Public Offering and Trading Directive No. 1030/2024."

15. **<u>Publication and Announcement of Annual Report</u>**

As the existing provision is not compliant with current capital market laws and developments, Article 44 of the Memorandum of Association shall be replaced by the following comprehensive Article:

“Article 44: Publication and Announcement of Annual Report

44.1 All publications, registrations, and matters requiring public announcement shall be carried out in accordance with the relevant provisions of the Revised Commercial Code of Ethiopia.

44.2 In order to incorporate developments in capital market laws and regulatory frameworks, the Bank shall publish material and significant information on its official website in accordance with Article 493 of the Revised Commercial Code and the applicable capital market laws.

44.3 In accordance with the Public Offering and Trading Directive No. 1030/2017, the Bank, as an issuer, shall make all information required under the Directive available to the public through its official website and shall make all required disclosures to the Ethiopian Capital Market Authority and the Ethiopian Securities Exchange.

44.4 The Bank shall prepare and disclose financial and market-related information concerning its securities, including but not limited to annual and semi-annual financial statements, annual reports, and financial forecasts, as may be required by the applicable laws and directives.

44.5 Upon approval of the General Meeting of Shareholders of the Bank, the Bank’s annual report shall be published and announced through the following means:

a) publication on the Bank’s official website;
b) notice published in the official gazette;
c) submission of two copies to the Commercial Registrar; and
d) registration in the Commercial Register.”