

# HABEX

AI-Powered Investment Intelligence - Habex

## A Deep Dive into the Ethiopian Securities Exchange (ESX)

**Capital Market Development Report**

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# Executive Summary

Ethiopia has embarked on a historic transformation of its financial system. The Ethiopian Securities Exchange (ESX) - the country's first modern stock market - represents a watershed moment not only for East Africa but for the entire African continent. After decades of a state-dominated economy with limited private capital formation, Ethiopia has opened its doors to public equity markets, enabling citizens, diaspora investors, and institutional players to participate in the nation's growth story.

This report, produced by Habex - Ethiopia's first AI-powered investment intelligence platform - provides a comprehensive analysis of the ESX: its origins, regulatory architecture, listed companies, market mechanics, risks, and long-term potential. We also offer IPO breakdowns and analyst ratings in both English and Amharic, making capital market participation accessible to every Ethiopian investor.

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## 1. Historical Context & Market Origins

### From State Control to Market Economy

For most of its modern history, Ethiopia operated under a command economy paradigm. Following the end of the Derg regime in 1991, the country shifted toward a developmental state model under the Ethiopian People's Revolutionary Democratic Front (EPRDF). While private enterprise grew, the financial sector remained heavily state-dominated, with the Commercial Bank of Ethiopia controlling the lion's share of banking assets and foreign banks explicitly excluded.

The momentum toward a capital market accelerated under Prime Minister Abiy Ahmed's reform agenda post-2018. Liberalization of the telecom sector, opening of the logistics industry to foreign investment, and the partial privatization of state-owned enterprises signaled a new direction. The Ethiopian Capital Market Authority (ECMA) was established by Proclamation No. 1180/2021, laying the legal groundwork for a formal stock exchange.

## The ESX Launch

The Ethiopian Securities Exchange officially commenced operations in 2025, making Ethiopia the last of the major Sub-Saharan African economies to establish a stock exchange. The exchange operates under a hybrid model, combining physical floor trading in Addis Ababa with a nascent electronic trading infrastructure. Initial listings officially commenced in late 2025 and scaled rapidly into mid-2026, dominated by pioneer commercial banks and the landmark privatization of state telecom assets.

Legal Authority	ECMA Proclamation 1180/2021
Exchange Name	<b>Ethiopian Securities Exchange (ESX)</b>
Headquarters	Addis Ababa, Ethiopia
Launch Year	<b>2024</b>
Trading Currency	Ethiopian Birr (ETB)
Settlement Cycle	T+3 (planned T+2 migration)
Primary Index	<b>ESX All-Share Index</b>
Regulator	Ethiopian Capital Market Authority (ECMA)

## 2. Regulatory Framework & Market Structure

The Ethiopian Capital Market Authority (ECMA) serves as the apex regulatory body for all capital market activities in Ethiopia. Modeled partially on the East African regulatory landscape - drawing inspiration from Kenya's Capital Markets Authority and Rwanda's Capital Market Authority - ECMA is empowered to license brokers, investment advisors, and fund managers; regulate disclosure and transparency; and enforce market integrity standards.

### Key Regulatory Pillars

- Capital Markets Proclamation (1180/2021): Establishes the legal basis for securities issuance, trading, and market participant licensing.
- Listing Requirements: Companies must meet minimum capital thresholds, submit audited financials, and maintain ongoing disclosure obligations.
- Investor Protection Fund: A nascent fund framework is being established to protect retail investors in the event of broker insolvency.
- Foreign Investor Participation: Ethiopia has opened certain capital market instruments to diaspora investors and select foreign institutional participants, though full FPI liberalization remains pending.
- Custodial & Settlement Infrastructure: The Ethiopian Central Securities Depository (ECSD) handles dematerialized securities and settlement.

## Market Segments

The ESX currently operates two primary segments: the Main Market, for established companies meeting full listing requirements, and a prospective SME Board designed to channel capital to Ethiopia's vibrant small and medium enterprise sector. Bond market infrastructure for government and corporate debt is in development.

### 3. Listed Companies & IPO Landscape

The early ESX listed universe is dominated by the banking sector, a reflection of Ethiopia's economic structure where private banks have been the primary channel for private capital formation over the past three decades. Below is a Habex analysis of key listed and pre-IPO entities.

#### 3.1 Banking Sector - Primary Listings

Company	Sector	Est. Capital (ETB)	IPO Status	Habex Rating
Ethio Telecom	Telecommunications	ETB 40.0B+	Listed (May 2026 via IPO)	5/5
Awash Bank S.C.	Commercial Banking	ETB 38.0B	Listed (April 2026 via Introduction)	4/5
Wegagen Bank S.C.	Commercial Banking	ETB 6.0B+	Listed (November 2025)	4/5
Gadaa Bank	Commercial Banking	ETB 1.5B+	Listed (November 2025)	3/5

Abay Bank S.C.	Commercial Banking	ETB 5.5B+	Listed (June 25, 2026)	4/5
Bunna Bank S.C.	Commercial Banking	ETB 3.5B+	Pre-Listing (ECMA Approved June 24, 2026)	3/5
Zemen Bank S.C.	Commercial Banking	ETB 7.5B+	Pre-Listing (ECMA Registered April 2026)	5/5
Dashen Bank S.C.	Commercial Banking	ETB 12.0B+	Pre-Listing Pipeline	4/5
Bank of Abyssinia S.C.	Commercial Banking	ETB 11.5B+	Pre-Listing Pipeline	4/5

Habex ratings are proprietary AI-generated scores based on financial health, management quality, growth trajectory, and market positioning. Ratings range from 1-5 and are updated quarterly.

## 4. Habex IPO Breakdown - Awash Bank S.C.

Awash Bank S.C. (AWB) stands as one of the most foundational heavyweight listings on the ESX, executing a highly anticipated Listing by Introduction on April 23, 2026, to open up immediate liquidity for its massive secondary market.

Founded	1994
Shareholders (pre-IPO)	12000+
Paid up capital	<b>ETB 38 Billion+</b>
Total Assets	<b>ETB 442 Billion</b>
Branches	1000+
Net Profit (FY2025)	ETB 18.7 Billion (est.)
Habex IPO Rating	<b>4/5 Strong Buy</b>

### Investment Thesis (Bull Case)

- Market leader positioning: Awash Bank holds one of the strongest brand reputations in Ethiopian private banking, with a loyal retail and SME customer base.
- Loan book expansion: Ethiopia's credit-to-GDP ratio is among the lowest globally, approximately 17%, implying a massive runway for loan growth as the formal economy deepens.
- Digital banking tailwind: Awash Bank's investment in mobile banking and agent banking networks positions it to capture Ethiopia's rapidly growing digital financial services market.
- Dividend track record: Consistent dividend payments over 25+ years make AWB attractive to income-oriented investors.

### Key Risks (Bear Case)

- Currency risk: Ethiopia's Birr has faced significant depreciation pressure. Foreign exchange shortages could impact the bank's import-finance business and liquidity.
- Interest rate cap: Ethiopia's National Bank-mandated deposit and lending rate floors/caps constrain net interest margin expansion.
- Regulatory risk: New capital adequacy directives from the National Bank of Ethiopia (NBE) could require additional capital raises.
- Macro volatility: Regional conflicts, drought impacts, and fiscal pressures could deteriorate loan book quality.

## 5. Macroeconomic Context & Market Drivers

### GDP Growth & Demographic Dividend

Ethiopia is Africa's second most populous nation and one of its fastest-growing economies, averaging 8-10% GDP growth over the prior decade, pre-COVID. A young median population age of approximately 19 years means Ethiopia faces a massive demographic dividend, provided its labor force can be productively absorbed. The ESX serves as a mechanism to channel domestic savings into productive enterprise, supporting long-run growth.

### Financial Inclusion Opportunity

Ethiopia's formal financial inclusion rate has historically been low, with millions of citizens relying on informal credit associations, iqub, rather than banks. Mobile money penetration, driven by Telebirr, Ethio Telecom's mobile wallet, and expanding bank agent networks, is rapidly changing this landscape. The ESX creates a new savings vehicle for millions of newly banked Ethiopians.

### Diaspora Investment

The Ethiopian diaspora, estimated at 3-4 million people globally, with significant concentrations in the US, Europe, and the Gulf, represents a major potential investor base. ESX regulations are being designed to allow diaspora participation, and Habex specifically targets this community with English-Amharic bilingual research and a simplified onboarding framework.

**8-10%**

**GDP Growth (10-yr avg)**  
Pre-COVID average

**19 yrs**

**Median Age**  
Youngest demographics

**3-4M**

**Diaspora Population**  
Global investor base

## 6. Risks & Challenges

### Institutional & Infrastructure Risks

- Market depth: With a limited number of listed securities, the ESX faces acute liquidity risk. Thin trading volumes can amplify price volatility and make institutional-size trades difficult to execute.
- Custodial infrastructure: The transition to fully dematerialized securities is ongoing; operational and settlement risks remain elevated during this transition period.
- Accounting standards: While Ethiopia has adopted IFRS for listed companies, implementation quality and auditor independence remain concerns for sophisticated investors.

### Macroeconomic & Political Risks

- Foreign exchange: The Ethiopian Birr's devaluation trajectory and foreign exchange shortage create real costs for imported capital goods and service contracts denominated in hard currency.
- Geopolitical: The Tigray conflict and associated regional tensions, though entering a post-ceasefire phase, continue to create uncertainty for long-term investment horizons.
- Inflation: Domestic inflation has run in the high double digits in recent years, eroding real purchasing power and complicating monetary policy.

### Market-Specific Risks

- Concentration risk: The initial listed universe is heavily bank-dominated; investors lack sector diversification until non-bank listings materialize.
  - Retail investor protection: Ethiopia's retail investor base is largely new to equity markets; investor education and protection frameworks are still being built out.
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## 7. Habex Platform - About Us

Habex is Ethiopia's first AI-powered investment intelligence platform, designed to democratize capital market access for every Ethiopian investor, whether in Addis Ababa or in the diaspora. Our platform delivers:

- AI-Powered Company Analysis: Real-time financial analysis, ratio screening, and earnings quality assessments powered by large language models trained on African financial data.
  - IPO Breakdowns: Plain-language IPO prospectus summaries, valuation analysis, and risk assessments, in English and Amharic.
  - Habex Ratings System: Proprietary 1-5 star ratings covering financial health, management quality, ESG considerations, and growth trajectory.
  - Weekly Digest, Free for Every Investor: Our flagship weekly newsletter delivers curated market intelligence, IPO alerts, and sector analysis to subscribers' inboxes every week, at no cost.
  - Bilingual Content: Every research piece, rating, and market update is published in both English and Amharic, ensuring no Ethiopian investor is left behind due to language barriers.
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## 8. Outlook & Conclusion

The Ethiopian Securities Exchange is in its earliest innings. The institutional infrastructure, regulatory framework, and market culture required to sustain a vibrant capital market take years, sometimes decades, to mature. Yet the foundational ingredients are present: a large and young population, a rapidly growing formal economy, a government committed to reform, and a significant diaspora eager to invest in the homeland.

The near-term trajectory will be defined by three key variables: the pace of new listings, especially non-bank sector companies, the success of retail investor education campaigns, and the resolution of Ethiopia's macroeconomic stabilization challenges, particularly the foreign exchange situation and inflation management.

For investors with appropriate risk tolerance and a medium-to-long time horizon, the ESX represents one of Africa's most compelling frontier market opportunities. Being early, as always, carries both risk and reward. Habex exists to help every Ethiopian investor navigate that journey with the best available intelligence, in their language, at their level.

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