National Bank of Ethiopia

(Federal Democratic Republic of Ethiopia)

Financial Statements

For the year ended 30 June 2024

MSE Audit Service LLP
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Chartered Certified Accountants

National Bank of Ethiopia
Financial Statements
For the year ended 30 June 2024

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National Bank of Ethiopia
Annual Financial Statements
For the year ended 30 June 2024

Statement of Director's Responsibility

The Directors are responsible for the preparation and fair presentation of the financial statements of National Bank of Ethiopia ("The Bank"), comprising the statement of financial position as at 30 June 2024, statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards.

To enable the Directors, meet those responsibilities, the Board of Directors (the "Board") and management sets standards and management implements systems of internal control, accounting and information systems aimed at providing reasonable assurance that assets are safeguarded, and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

To their best knowledge and belief, based on the above, the Directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review. The Directors have reviewed the performance and financial position of the Bank to the date of signing of these financial statements and its prospects based on prepared budgets and are satisfied that the Bank is a going concern and, therefore, have adopted the going concern assumption in the preparation of these financial statements.

Approval of the annual financial statements

The financial statements on pages 9 to 117 were approved by the Governor on behalf of the Board of Directors on 12 June 2025.

Signed on behalf of the Directors

H.E. Mamo Esmelealem Mihretu .... Date: 12 June 2025

Mamo Esmelealem Mihretu
Governor

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National Bank of Ethiopia
Board of Directors

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INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF THE NATIONAL BANK OF ETHIOPIA

Report on the Audit of the Financial Statements

Audit Opinion

We have audited the financial statements of The National Bank of Ethiopia, which comprise the statement of financial position as at 30 June 2024, and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 30 June 2024, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard (IFRSs) and the requirement of the Pronouncements on the application of International Accounting Standards (IAS 29), Financial reporting in Hyperinflationary Economies in Ethiopia by the Accounting and Auditing Board of Ethiopia.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Bank in accordance with the requirements of the International Ethics Standards Board for Accountants (IESBA), International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) and other independence requirements applicable to performing audits of financial statements in Ethiopia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of financial statements in Ethiopia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matter to be communicated in our report.

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<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>

1. Impairment of financial assets

As discussed under Note 9 of the financial statements, the National Bank of Ethiopia extends various loans to private commercial banks, government banks, and the Government of Ethiopia, summarized as follows:

<table>
<tr><td>Loan to government banks</td><td>134,953,595,130</td></tr>
<tr><td>Loans to private commercial banks</td><td>13,210,129,051</td></tr>
<tr><td>Due from Government of Ethiopia</td><td>687,897,177,830</td></tr>
<tr><td></td><td>836,060,902,011</td></tr>
</table>

The Bank conducted an impairment assessment of these assets as of 30 June 2024, and 30 June 2023. A provision of Birr 5,456,148,892 has been recognized for these balances, reflecting an increase from Birr 4,768,090,699 in 2023, which corresponds to a rise of 14.4%. This provision represents 0.65% of the total outstanding amount.

Given the absence of credit ratings for both private commercial banks and government banks, along with the substantial amount due from the Government, we identified the assessment of impairments for these assets as a key audit matter due to the significant judgments applied by management.

Key areas of significant judgment within the Expected Credit Loss (ECL) process included:

- Assessing the expected cash flows associated with these instruments.
- Evaluating whether an appropriate discount rate was used to calculate the ECL for these assets.
- Assessing whether there was an elevated credit risk linked to other issued instruments and evaluating the appropriateness of the staging classification based on the Significant Increase in Credit Risk assessment.
- Evaluating the validity of the references used to establish the relevant rates for loss given default and the probability of default for these instruments.

The accounting policies, critical estimates and judgments, and impairment allowance are outlined in Notes 3(b), 9, and 28 (a) of the financial statements.

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We conducted the following procedures on the Expected Credit Loss (ECL) for these financial instruments:

- We assessed the design and tested the implementation of key controls related to the calculation of impairment losses.
- We observed that the initial financial model was developed by third-party IFRS experts with the requisite experience. Subsequently, this model has been adapted by internal resources for the current reporting period, taking into account relevant factors that may impact its accuracy and reliability.
- In evaluating the control design, we examined its suitability considering the nature and significance of the risk, the competence and authority of the individuals executing the control, and the frequency and consistency of its application.
- We verified the completeness of these financial assets by obtaining confirmations and reconciling the carrying amounts of each asset category to ensure that all related exposures were thoroughly evaluated for impairment.
- We consulted with our internal IFRS specialists to scrutinize the appropriateness of the discount rate used for calculating the present value of cash flows for the assets, confirming that the rate was suitable.
- We questioned management regarding the appropriate staging and the determination of suitable Loss Given Default (LGD) and Probability of Default (PD) for each asset category.
- We consider that the assumptions made by management are reasonable.
- We also reviewed the disclosures to confirm that they complied with IFRS 9 requirements.

Based on the procedures conducted, we concluded that the judgments made by the Bank are reasonable and that the related disclosures are appropriate.

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- We consider that the assumptions made by management are reasonable.
- We also reviewed the disclosures to confirm that they complied with IFRS 9 requirements.

Based on the procedures conducted, we concluded that the judgments made by the Bank are reasonable and that the related disclosures are appropriate.

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2. Going concern assessment and operating losses

As discussed in Note 2(a), the National Bank of Ethiopia incurred an operating loss of Birr 10.5 billion and a net loss from operations totalling Birr 9.7 billion for the year. This has led to a negative equity balance of Birr 5.1 billion. In response, the board of directors has resolved to transfer the outstanding dividend payable to the Ministry of Finance from the previous period into the general reserve. This transfer has effectively diminished the deficit in the general reserve, resulting in a surplus in the equity balance.

The operating losses were primarily due to:
- Impairment losses on government and government bank-related securities and loans and advances which amounts to 0.7 billion Birr,
- Write-downs of gold commodities to net realizable value (NRV) which amounts to 6.9 billion Birr and
- Exchange losses as a result of depreciation of the local currency and other foreign currency related transactions which amounts to 38.1 billion Birr.

The assessment of the bank's going concern status, along with the current period's operating loss, is considered a key audit matter due to the significant risks it presents, affecting:

• The Bank's ability to meet its operational and debt obligations as they become due.
• The Bank's capacity to fulfil its policy mandates, including maintaining stable rate of price and exchange, to foster a healthy financial system and to undertake such other related activities as are conducive to rapid economic development of Ethiopia.
• The Bank's ability to continue operating as a going concern.

This situation necessitates careful evaluation and monitoring to address the going concern issues and results of its operation.

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The National Bank of Ethiopia operates to achieve its policy mandates, which include maintaining price and financial stability. Therefore, the effectiveness of its interventions is evaluated based on their success in meeting these mandates. To assess the impact of the current period operating losses and the negative general reserve balance on the Bank's operations, we undertook the following procedures:
• We engaged with management and those charged with governance to discuss their assessment of the going concern status, as well as their strategies to address the underlying causes of the operating losses and potential remedial actions to manage the negative general reserve position.
• We reviewed the decision made by the board of directors to rectify the negative equity position by transferring the dividend payable balance to the general reserve.
• We reviewed various policy reforms and interventions initiated by the Board aimed at enhancing the Bank's operations and strengthening the equity position to mitigate loss exposures from these interventions.
• We analysed the effects of various policy reforms implemented after the year-end, including the newly enacted proclamation which increases the bank capital and its implications for the Bank's equity and liquidity.
• We assessed the impact of the Domestic Gold Purchase Program on the Bank's equity and reserve.
• We further examined the associated disclosures.
Based on the procedures performed, we concluded that the judgments made and the response strategies adopted by the Bank to address the going concern issue and resolve the underlying causes of the operating loss, as well as the resulting negative general reserve, are reasonable. Additionally, the related disclosures were deemed appropriate.

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3. **Foreign exchange risk and currency conversion losses** As disclosed in Note 8(b), the National Bank of Ethiopia incurred a net foreign exchange losses amounting to ETB 38.1 Billion for the year ended 30 June 2024 (ETB 12.2 Billion in 2023). These losses are primarily attributable to the on-going devaluation of the Ethiopian Birr, and the Bank's high exposure to foreign currency-denominated assets and liabilities, including obligations to international financial institutions and foreign currency reserves. The Bank operates in a macroeconomic context characterized by significant exchange rate volatility, high inflation, and regulatory interventions affecting foreign currency accessibility. In addition, the Government has issued forex regulations to reform the foreign exchange regime starting from July 2024, which could introduce further volatility and affect the Bank's financial position and results. The accounting treatment of foreign currency transactions and balances is governed by IAS 21 – The Effects of Changes in Foreign Exchange Rates, which requires entities to apply appropriate spot rates at each reporting date and to recognize exchange differences in profit or loss. Given the magnitude of the losses, the sensitivity of the results to currency movements, and the complexity of the underlying exposures, we determined that the assessment of foreign exchange losses constituted a key audit matter.	To address this matter, we designed and performed audit procedures to evaluate the accuracy, completeness, and compliance of the Bank's accounting for foreign currency transactions, including: • Assessing the accounting policies adopted by the Bank for foreign currency translation and ensuring consistency with IAS 21 requirements. • Recalculating the exchange differences for a sample of foreign currency balances (assets and liabilities) to test the mathematical accuracy and appropriateness of applied exchange rates. • Reviewing year-end conversion rates to ensure they were based on observable and reliable sources, and that consistent methodologies were applied across all instruments. • Testing internal controls over the foreign exchange management process, including approval mechanisms, and controls over the recognition of exchange gains or losses. • Evaluating post-balance sheet events, including the policy decision on exchange rate reform announced by the Government in July 2024, and assessing the Bank's disclosure regarding the associated uncertainties and potential financial impact. We also reviewed the disclosures provided in the financial statements to ensure they were transparent, complete, and informative regarding the nature and sources of foreign exchange losses. Based on the procedures performed, we considered that the accounting treatment and related disclosures were appropriate, and that the Bank had adequately presented the impact of foreign exchange volatility. MSE Audit Service LLP MSE Since 1981 Chartered Certified Accountants

4. Classification and valuation of financial instruments As presented in Notes 3(b), 9, 10, and 28 of the financial statements, the Bank holds a significant portfolio of financial instruments, including government securities, loans to commercial banks, investment placements, and deposits. These instruments are measured at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL) in accordance with IFRS 9 – Financial Instruments. The classification of financial assets under IFRS 9 requires an evaluation of both the business model for managing the instruments and the results of the SPPI test (Solely Payments of Principal and Interest). These assessments involve significant management judgment, particularly for instruments with non-standard features or where the contractual terms are complex or perpetual in nature. In addition, the Bank applies IFRS 13 – Fair Value Measurement for the determination of fair values. For certain instruments, especially those falling into Level 2 (observable inputs other than quoted prices) or Level 3 (unobservable inputs) of the fair value hierarchy, the use of valuation techniques and assumptions becomes critical. These include discount rate selection, expected cash flow modelling, and adjustments for liquidity or credit risk. Due to the subjectivity, complexity, and materiality of these judgments, we considered the classification and valuation of financial instruments as a key audit matter.	Our audit procedures addressed both the classification criteria and the fair value measurement approaches applied by the Bank: • We reviewed the Bank's assessment of its business models, including internal documentation, reporting structures, and evidence supporting whether financial assets were held to collect, to sell, or both. • We evaluated the SPPI test outcomes, ensuring that the contractual cash flows of selected instruments represented only principal and interest. For complex instruments (e.g., perpetual advances), we challenged management's assumptions and classifications. • We tested the valuation techniques and assumptions used for instruments. This included evaluating the appropriateness of discount rates, cash flow forecasts, and liquidity adjustments. • We reconciled fair value disclosures with supporting schedules and assessed compliance with IFRS 7 and IFRS 13, particularly in terms of fair value hierarchy classification and sensitivity disclosures. Based on our work, we found that the classification decisions were appropriate and that the valuation methodologies were applied consistently and aligned with IFRS requirements.

Other information

The Directors are responsible for the other information. The other information comprises the Report of the Directors and the Annual Report, which is expected to be made available to us after the audit report date. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process and ensuring the adequacy of internal controls and risk management.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit conducted in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a bases for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Seid Abdela

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Addis Ababa
13 June 2025

National Bank of Ethiopia

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2024
(In Ethiopian Birr)

	Note	30 June 2024	30 June 2023
Interest income	4	27,997,420,307	22,712,530,273
Interest expense	4	(9,272,965,249)	(5,342,833,233)
Net interest income		**18,724,455,058**	**17,369,697,040**
Fee and commissions income	5	13,406,174,311	12,109,205,742
Revenue from sale of gold	6	4,978,625,325	14,098,776,971
Other income	7(a)	250,861,069	217,375,911
Net non-interest income		**18,635,660,705**	**26,425,358,624**
Net operating income		**37,360,115,763**	**43,795,055,664**
Currency costs	8 (a)	(1,030,743,077)	(3,816,098,288)
General and administration costs	8 (b)	(38,629,764,167)	(13,221,606,686)
Salaries and related benefits	8 (c)	(600,216,540)	(513,580,743)
Gold purchase, refinery, and other related costs	8 (d)	(6,920,772,961)	(15,522,836,443)
Impairment losses on financial assets	8(e),9,15	(691,015,146)	(1,663,471,402)
Operating surplus/Loss before (un) realised gains / (losses)		**(10,512,396,128)**	**9,057,462,102**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligation	25 (b)	50,478,770	(172,418,020)
Fair value gains/(losses) on monetary gold		-	-
Fair value gains / (losses) on financial assets	7(b)	801,483,553	1,309,320,567
Other comprehensive income		**851,962,323**	**1,136,902,547**
Total comprehensive profit/(loss)		**(9,660,433,805)**	**10,194,364,649**

The notes on pages 13 to 117 are an integral part of these financial statements.

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National Bank of Ethiopia
Statement of Financial Position
As at 30 June 2024
(In Ethiopian Birr)

Assets	Note	30 June 2024	30 June 2023
Balances due from foreign entities - Commercial banks	9 (c)	32,055,598,466	26,546,453,204
Balances due from foreign entities - Central banks	9 (d)	47,483,737,622	27,228,439,137
Cash - foreign currencies	9 (e)	712,631,306	654,953,910
Funds held with IMF	9 (f),18	176,870,099	106,243,555
IMF Quota Subscription	18	22,557,124,177	21,941,217,675
Gold commodity	11	141,169,916	95,104,815
Loans to government banks	9 (b)	134,058,854,802	137,758,663,898
Loans to private commercial banks	9 (g)	13,209,468,542	15,054,294,232
Equity Investment	10	1,130,087,452	913,787,046
Property and equipment	13	2,023,678,015	1,434,863,480
Other assets	15	18,264,837,377	18,884,556,376
Intangible asset	14	427,643	1,234,513
Due from Government of Ethiopia	9 (a)	683,336,429,771	583,119,662,333
Right of use asset	16	5,634,610	2,747,351
Total assets		**955,156,549,798**	**833,742,221,525**
Liabilities			
Currency in circulation	21	258,835,844,757	255,855,630,180
Deposits due to local financial institutions, government, and government institutions	17	352,308,833,697	359,930,191,365
Due to International Monetary Fund (IMF)	18	81,338,275,471	90,657,013,578
Funds due to international financial institutions	19	35,839,398	9,854,742
Due to other institutions	20	232,846,343,070	110,269,289,467
Due to the Ministry of Finance	24	-	11,120,875,954
Deferred revenue	23(d)	8,392,833	8,878,846
Lease liability	16	5,893,892	3,090,450
Provisions	22	44,465,837	41,419,704
Employee benefits	25	408,533,094	394,772,324
Other liabilities	26	23,367,552,387	955,071,700
Total Liabilities		**949,199,974,436**	**829,246,088,310**
Equity			
Capital	27 (a)	500,000,000	500,000,000
General reserve	27 (b)	(377,188,338)	(985,668,162)
Retained earnings	27 (b)	-	-
Fair value reserve	27 (e)	2,397,094,874	1,595,611,321
Defined benefit reserve	25 /27(f)	(68,903,678)	(119,382,448)
International reserve valuation	27 (c)	3,849,198,654	3,849,198,654
Other reserve	27 (g)	(343,626,150)	(343,626,150)
Total equity		**5,956,575,362**	**4,496,133,215**
Total liabilities and equity		**955,156,549,798**	**833,742,221,525**

The notes on pages 13 to 117 are an integral part of these financial statements.

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Since 1981
Formerly known as NA Thomas LP
Chartered Certified Accountants

National Bank of Ethiopia
Statement of Changes in Equity
For the year ended 30 June 2024
(In Ethiopian Birr)

	Note	Capital	General reserve	Other Reserve	International reserve valuation	Retained earnings	Defined benefit reserve	Fair value reserve	Total Equity
Balance as of 1 July 2022		**500,000,000**	**(2,797,160,582)**	**(343,626,150)**	**3,849,198,654**	**-**	**53,035,572**	**286,290,754**	**1,547,738,248**
Total comprehensive income:									
Profit/Loss for the year	27 (d)	-	-	-	-	9,057,462,102	-	-	**9,057,462,102**
Other comprehensive income	27 (f)	-	-	-	-	-	(172,418,020)	1,309,320,567	**1,136,902,547**
Total comprehensive income		-	-	-	-	**9,057,462,102**	**(172,418,020)**	**1,309,320,567**	**10,194,364,649**
Transactions with owners of the Bank:									
Transfer to / (from) General reserve	27 (b)	-	1,811,492,420	-	-	(1,811,492,420)	-	-	-
Transfer to MOF	24/27 (d)	-	-	-	-	(7,245,969,682)	-	-	**(7,245,969,682)**
Balance as at 30 June 2023		**500,000,000**	**(985,668,162)**	**(343,626,150)**	**3,849,198,654**	**-**	**(119,382,448)**	**1,595,611,321**	**4,496,133,215**
Total comprehensive income:									
Profit for the year	27 (d)	-	-	-	-	(10,512,396,128)	-	-	**(10,512,396,128)**
Other comprehensive income	27 (f)	-	-	-	-	-	50,478,770	801,483,553	**851,962,323**
Total comprehensive income		-	-	-	-	**(10,512,396,128)**	**50,478,770**	**801,483,553**	**(9,660,433,805)**
Transactions with owners of the Bank:									
Transfer to / (from) Other reserve	27 (b)	-	(10,512,396,128)	-	-	10,512,396,128	-	-	-
-Transfer to/(from) MOF	24/27 (d)	-	11,120,875,952	-	-	-	-	-	**11,120,875,952**
Balance as of 30 June 2024		**500,000,000**	**(377,188,338)**	**(343,626,150)**	**3,849,198,654**	**-**	**(68,903,678)**	**2,397,094,874**	**5,956,575,362**

The notes on pages 13 to 117 are an integral part of these financial statements.

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National Bank of Ethiopia
Statement of Cash Flows
For the year ended 30 June 2024
(In Ethiopian Birr)

	Note	30 June 2024	30 June 2023
Cash flows from operating activities:			
Operating surplus/Loss for the year		(10,512,396,128)	9,057,462,102
Impairment of loans and advances	8(e),9, 15	691,015,146	1,663,471,402
Depreciation and amortization	13, 14	102,418,314	94,918,477
Net interest income	4	(18,724,455,058)	(17,369,697,040)
Dividend income	7	(35,852,659)	(18,430,518)
Interest paid on lease obligation	16	376,937	140,956
Loss/ (Gain) on disposal of property, plant, and equipment	13	1,294,941	47,310
Loss on inventory write down	11	78,942,028	34,046,877
Losses on currency notes in custody	21	-	60,261,200
		(28,398,656,479)	**(6,477,779,234)**
Changes in working capital:			
Loans to government banks and commercial banks	9 (b, c, g)	5,537,874,737	2,734,708,450
Other assets	15	617,299,750	1,700,978,832
Deposits due from foreign entities – central banks and commercial banks	9(c,d)	(1,786,108,060)	3,922,562,205
Currency in circulation	21	2,980,214,577	46,104,132,856
Due to International Monetary Fund (IMF)	18	(9,336,796,780)	5,780,707,324
Due to International financial institutions	19	25,984,656	7,035,388
Due to other institutions	20	120,725,389,051	5,246,854,904
Deposits due to local financial institutions, government, and government institutions	17	(7,621,357,668)	107,061,033,672
Gold commodity	11	(125,007,129)	2,890,180,172
Due from Government of Ethiopia	9 (a)	(100,602,039,994)	(206,832,576,315)
Provisions	22	3,046,133	5,357,799
Deferred revenue	23 (d)	(486,013)	(3,160,193)
Employee benefits	25	64,239,540	26,039,382
Other liabilities	26	22,412,480,687	(1,384,179,355)
Interest income received		27,701,394,719	28,073,132,486
Interest expense paid		(7,403,242,024)	(5,242,313,670)
Net cash provided by operating activities		**24,794,229,703**	**(16,387,285,297)**
Cash flows from investing activities:			
Increase of ROU assets	16	(4,062,894)	(1,305,914)
Dividends received	7	35,852,659	18,430,518
Increase in equity investment & IMF quota*	10	(30,723,355)	(379,880,714)
Acquisition of properties and equipment	13	(690,545,287)	(200,824,293)
Net cash used in investing activities		**(689,478,877)**	**(563,580,403)**
Cash flows from financing activities:			
Payments on finance lease obligations	16	(1,333,277)	(472,818)
(Increase)/decrease in lease measurement	16	3,759,782	1,305,914
Remittance of annual profits to the Ministry of Finance	24	-	(1,500,000,000)
Net cash from financing activities		**2,426,505**	**(1,499,166,904)**
Increase (decrease) in cash and cash equivalents		**24,107,177,331**	**(18,450,032,604)**
Cash and cash equivalents at beginning of period	9 (f)	34,762,919,079	53,212,951,683
Cash and cash equivalents at end of period	9 (f)	**58,870,096,410**	**34,762,919,079**

*Fair value related adjustments of Equity investment and CVA of IMF quota subscription measured through OCI has been excluded from the cash flow statement (as per IAS-7 p.43). For detail refer (note 10 & 18).

The notes on pages 13 to 117 are an integral part of these financial statements.

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1. Reporting entity

National Bank of Ethiopia ("the Bank") is the Central Bank of Ethiopia. It was established by Order No. 30/1963 as an autonomous institution. It is governed by the National Bank of Ethiopia Establishment (as Amended) Proclamation No. 591/2008 and is wholly owned by the Government of the Federal Democratic Republic of Ethiopia.

Its principal place of business is Addis Ababa.

It operates as the Central Bank of Ethiopia and acts as the banker, fiscal agent and financing advisor of the Government of Ethiopia and is domiciled in Ethiopia.

2. Basis of preparation

(a) Going concern

The National Bank of Ethiopia recorded a net operating loss of Birr 10.5 billion for the 2024 financial year. However, following the Board's decision to strengthen the Bank's capital position, the accumulated dividend payable to the Ministry of Finance was transferred to the General Reserve. As a result, the General Reserve balance improved to a negative Birr 0.4 billion as of 30 June 2024, compared to a negative balance of Birr 1 billion in 2023. The net operating loss of Birr 10.5 billion in 2024 F.Y. was largely due to: (1) an impairment loss on government and government bank related securities plus loans and advances, 2) gold commodity inventory write down to the NRV and (3) a depreciation of the local currency which resulted in exchange losses.

In the view of the Board of Directors and Management, the Bank will continue to operate as a going concern. A central bank is considered policy solvent when it generates sufficient realized income to cover the costs associated with monetary policy operations. Given the expectation of more favorable macroeconomic conditions, driven by ongoing and wide-ranging policy reforms, the Directors believe there is minimal risk to the Bank's ability to generate adequate income to sustain its monetary policy operations.

In addition to the anticipated positive impact of macroeconomic conditions on the Bank's financial position, the Management has assessed the impact of the new National Bank of Ethiopia (NBE) Proclamation No. 1359/2025 on the Bank's solvency. Based on this assessment, management believes that the provisions under Article 8 of the Proclamation will significantly enhance the policy solvency of the central bank.

Article 8, Sub-article 1, establishes the authorized capital of NBE at Birr 20 billion, of which Birr 10 billion is paid-up capital. Furthermore, Article 8, Sub-article 4(a), clearly stipulates that unrealized gains shall not be distributed but instead maintained in the valuation reserve. In addition, the General Reserve Fund is required to be equal to 5% of the Bank's monetary liabilities, and no profit distribution shall occur until this reserve target is met.

These provisions are expected to strengthen NBE's capital base, improve loss absorption capacity, and thereby contribute positively to the Bank's policy solvency.

Based on the above, the Directors have a reasonable expectation that these measures will support the Bank's continued operational efficiency and long-term sustainability.

Thus, the financial statements of the Bank have been prepared under the going-concern assumption.

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2. Basis of preparation (Continued)

(b) Statement of compliance

The accompanying financial statements of the Bank have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and National Bank of Ethiopia Establishment (as Amended) Proclamation No. 591/2008.

Extension of Pronouncement on the Application of International Accounting standard (IAS 29), Financial Reporting in Hyperinflationary Economies, in Ethiopia by Accounting and Auditing Board of Ethiopia

The Accounting and Auditing Board of Ethiopia is a statutory body established under Ethiopia Council of Ministers Regulation No. **332/2014** basing the financial reporting proclamation **847/2014**, to regulate the accounting profession as well as for issuing a national professional accountancy qualification in Ethiopia. As part of its regulatory functions, it issued Pronouncement No. AABE/002/2025, reaffirming that the evidence and conclusions outlined in Pronouncement No. AABE/001/2023 remains valid. Specifically, the indicators of a hyperinflationary economy, as outlined in paragraph 3 of IAS 29 including a cumulative three-year inflation rate approaching or exceeding 100% are not currently evident in the Ethiopian economy. The statutory body concluded that, Ethiopia is not operating in a hyperinflationary economy. The requirements of IAS 29 are therefore deemed not applicable in the recognition, measurement, presentation, and disclosures in the financial statements for the financial year ended 30 June 2024.

Accounting standards are applied on the assumption that the value of money (the unit of measurement) is Constant over time. However, when the rate of inflation is no longer negligible, a number of issues arise impacting the true and fair nature of the accounts of entities that prepare their financial statement on historical cost basis. To address such concerns International Accounting Standards Board has issued IAS 29, Financial Reporting in Hyperinflationary Economies. However, IAS 29 does not establish an absolute inflation rate at which an economy is considered hyperinflationary. Instead, it considers a variety of non-exhaustive factors to determine the existence of hyperinflation. The indicators stated under paragraph 3 of the standard include, but are not limited to, the following:

a. The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;
b. The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
c. Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
d. Interest rates, wages, and prices are linked to a price index; and
e. The cumulative inflation rate over three years is approaching, or exceeds, 100%.

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2. Basis of preparation (Continued)

(b) Statement of compliance (continued)

Given most of the criteria (a-e) stated above and based on the assessments conducted to check whether Ethiopia is hyperinflationary economy or not, the Accounting and Auditing Board of Ethiopia has concluded that Ethiopia is not a hyperinflationary economy for the year 2024, 2025 and beyond, unless new evidence emerges and a new revised pronouncement issued. Therefore, the requirements of IAS 29 are not applicable for financial reporting for the year ended 30 June 2024.

On 12 June, 2025, the Governor authorized the issuance of the accompanying financial statements.

(c) Basis of accounting

The financial statements have been prepared on the historical cost basis, except for the following significant items:

1. Financial instruments measured at amortised cost and at fair value;
2. Monetary gold measured at fair value; and
3. Measurement of defined benefits obligations: key actuarial assumptions.

(d) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates (the "Functional currency").

The financial statements are presented in Ethiopian Birr (ETB), which is the Bank's functional currency, and all values are rounded to the nearest Birr, except when otherwise indicated.

(e) Use of judgments and estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Judgments

Information about judgment made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

Note 3 (b (ii)) - Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding;

2. Basis of preparation (Continued)

(e) Use of judgments and estimates (Continued)

Note 3 (b (viii)) - Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Losses (ECL) and selection and approval of models used to measure ECL; and

Note 3 (e) - Leases; whether a contract contains a lease.

Estimates on uncertainties and assumptions

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively in the financial statements.

Information on assumptions and uncertainty of estimates posing a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the year ending 30 June 2024 is included in the following notes as set out below:

Note 3 (b (i; ii)) – identification and measurement of financial instruments;
Note 3 (c) and (d) – useful lives and salvage value of tangible and intangible assets;
Note 3 (k) – measurement of employee benefits liability: key actuarial assumptions;
Note 3 (b) (viii) - impairment of financial instruments: key assumptions used in estimating recoverable cash flows; and
Note 3 (j) and (t) – recognition and measurement of provisions and contingencies.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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3. Significant accounting policies

(a) Foreign currency transactions

Transactions in foreign currencies on a day to day basis are recorded at the respective buying and selling rate. The closing balances on these foreign currency accounts at the close of business are translated using the mid-exchange rate.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the mid-exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the mid-exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

(b) Financial instruments

(i) Recognition and initial measurement

The Bank initially recognizes cash, loans and advances, deposits, and debt securities on the date on which they are originated. All other financial instruments (including assets designated at fair value through profit or loss) are initially recognized on the trade date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

a. Financial assets:

On initial recognition, financial assets are classified into one of the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVTPL);
- Elected at fair value through other comprehensive income (equities only); or
- Designated at FVTPL

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3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

a. Financial assets (continued)

Financial assets include both debt and equity instruments. Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its Business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the Business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Debt instruments, including loans and debt securities, are classified into one of the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVTPL); or
- Designated at FVTPL

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3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

(a.) Financial assets (continued)

Classification of debt instruments is determined based on:
(i) The business model under which the asset is held; and
(ii) The contractual cash flow characteristics of the instrument.

Business model assessment

Business model assessment involves determining how financial assets are managed in order to generate cash flows. The Bank's business model assessment is based on the following-categories:

- *Held to collect:* The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.
- *Held to collect and for sale:* Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- *Other business model:* The business model is neither held-to-collect nor held-to-collect and for sale.

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

a. Financial assets (continued):

Business model assessment (continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Bank's continuing recognition of the assets.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and interest

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g., periodical reset of interest rates.

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3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

a. Financial assets (continued):

Assessment whether contractual cash flows are solely payments of principal and interest (continued)

Debt instruments measured at amortized cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost. Interest income on these instruments is recognized in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI). Upon derecognition, realized gains and losses are reclassified from OCI and recorded in non-interest income in the Statement of Profit or Loss and Other Comprehensive Income on an average cost basis. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

Premiums, discounts, and related transaction costs are amortized over the expected life of the instrument to Interest income in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest rate method.

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3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

a. Financial assets (continued):

Debt instruments measured at FVOCI (Continued)

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The allowance for credit losses (ACL) on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Statement of Financial Position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to provision for credit losses in the Statement of Profit or Loss and Other Comprehensive Income. The accumulated allowance recognised in OCI is recycled to the Statement of Profit or Loss and Other Comprehensive Income upon derecognition of the debt instrument.

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:
i) Are held for trading purposes;
ii) Are held as part of a portfolio managed on a fair value basis; or
iii) Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the Statement of Financial Position, with transaction costs recognized immediately in the Statement of Profit or Loss and Other Comprehensive Income as part of non-interest income. Realized and unrealized gains and losses are recognized as part of non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Debt instruments designated at FVTPL

Financial assets classified in this category are those that have been designated by the Bank upon initial recognition, and once designated, the designation is irrevocable. The FVTPL designation is available only for those financial assets for which a reliable estimate of fair value can be obtained.

Financial assets are designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise. The decision to designate relates to assets that otherwise meet requirements to be measured at amortised cost or as at FVOCI but are designated as at FVTPL to reduce account mismatch.

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3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

a. Financial assets (continued):

Debt instruments designated at FVTPL (Continued)

Financial assets designated at FVTPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognized in non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Equity instruments

Equity instruments are classified into one of the following measurement categories:

- Fair value through profit or loss (FVTPL); or
- Elected at fair value through other comprehensive income (FVOCI).

Equity instruments measured at FVTPL

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognized immediately in the Statement of Income as part of non-interest income. Subsequent to initial recognition the changes in fair value are recognized as part of non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Equity instruments measured at FVOCI

At initial recognition, there is an irrevocable option for the Bank to classify non-trading equity instruments at FVOCI. This election is used for certain equity investments for strategic or longer-term investment purposes. This election is made on an instrument-by-instrument basis and is not available to equity instruments that are held for trading purposes.

Gains and losses on these instruments including when derecognized/sold are recorded in OCI and are not subsequently reclassified to the Statement of Profit or Loss and Other Comprehensive Income. As such, there is no specific impairment requirement.

Dividends received are recorded in other income in the Statement of Profit or Loss and Other Comprehensive Income. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the Statement of Profit or Loss and Other Comprehensive Income on sale of the security.

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3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

a. Financial assets (continued):

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

b. Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

The financial instruments at NBE have been classified into one of the following categories and their measurement criteria defined as follows based on their nature and business purpose:

Financial assets	**Measurement criteria**
Due from Government of Ethiopia *(Note 9(a))*	Amortised cost
Loans to government banks *(Note 9(b))*	Amortised cost
Due from foreign institutions – commercial banks *(Note 9 (c))*	Amortised cost
Due from foreign institutions – central banks *(Note 9(d))*	Amortised cost
Cash - foreign currencies *(Note 9 (e))*	Amortised cost
Funds held with IMF *(Note 9 (f)*	Amortised cost
Loans to private commercial banks *(Note 9 (g))*	Amortised cost
Loans to employees *(Note 15 (a)*)	Amortised cost
Equity Investment and IMF Quota Subscription (*Note 10 &18*)	Fair value through OCI

Financial liabilities	**Measurement criteria**
Deposits from banks and government *(Note 17)*	Amortised cost
Due to International Monetary Fund (IMF) (Note 18)	Amortised cost
Due to international financial institutions *(Note 19)*	Amortised cost
Due to other institutions *(Note 20)*	Amortised cost
Currency in circulation *(Note 21)*	Fair value

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Derecognition

Financial assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities:

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Bank also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

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3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(iv) Modifications of financial assets and financial liabilities

Financial assets:

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognized, then impairment of the asset was measured using the pre-modification interest rate.

Financial liabilities:

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

(v) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Bank has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(vi) Amortized cost measurement

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(vii) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

There is no active market or observable prices to measure the Bank's financial assets or financial liabilities at fair value. Fair value of financial assets and financial liabilities is determined at each reporting date for disclosure in the financial statements purposes only.

(viii) Impairment of financial assets

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

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3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(viii) Impairment of financial assets (continued)

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

The Bank considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of Expected Credit Losses (ECL)

Expected Credit Losses (ECL) is a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- *financial assets that are credit-impaired at the reporting dat*e: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- *financial guarantee contracts*: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(viii) Impairment of financial assets (continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors:

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3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(viii) Impairment of financial assets (continued)

Credit-impaired financial assets (continued)

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

There are also international support mechanisms in place to provide the necessary support to NBE as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of loss allowance in the statement of financial position

Loss allowances for Expected Credit Losses (ECL) are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts:* generally, as a provision;
- *Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component:* the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *Debt instruments measured at FVOCI:* no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

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3. Significant accounting policies (continued)

(c) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation, cumulative impairment losses and residual value.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within operating and administrative expenses in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Bank and the cost of the item can be measured reliably. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss. Land is not depreciated.

The estimate useful lives and residual values of significant items of property and equipment are as follows:

Asset classification	Useful life	Depreciation rate	Residual value
Buildings	20 years	5%	25%
Furniture and fittings	5 years	20%	1%
Office and other equipment	5 years	20%	1%
Motor vehicles	5 years	20%	25%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted prospectively, if appropriate.

3. Significant accounting policies (continued)

(d) Intangible assets

(i) Software

Software acquired by the Bank is measured at cost less accumulated amortization and any accumulated impairment losses. Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. All other expenditure is expensed as incurred.

Software is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is 5 years this is amortized at a rate of 20% less the residual value. The estimated residual value of software for the current period and comparative periods is nil. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Leases

(i) Bank acting as a lessee

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future leases payments arising from a change in a rate.

After the commencement date, the Bank measures the right-of-use asset applying a cost model (cost less any cumulative depreciation and any cumulative impairment). In the case of the lease liability, the Bank measures it by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments

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3. Significant accounting policies (continued)

(e) Leases (continued)

(i) Bank acting as a lessee (continued)

Made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases of equipment that have a lease of 12 months or less and leases of low-value assets defined as those below ETB 135,000 (equivalent to USD 5,000 at an exchange rate of USD1 to ETB27, the prevailing mid-rate as at 2016). The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) Bank acting as a lessor – Finance leases

Where the Bank is the lessor, it determines at lease inception whether each of its leases is an operating or finance lease.

Finance lease

A lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognized and presented within receivables.

At the commencement date, the Bank recognizes assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. After the initial measurement, the Bank recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Operating lease

A lease agreement that does not transfer substantially all of the risks and rewards incidental to the ownership of the asset to the lease is classified as an operating lease.

The Bank recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Bank applies another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

3. Significant accounting policies (continued)

(f) Taxes

The Bank is exempt from income tax as defined under article 23 of Proclamation No. 591/2008.

(g) Accounting for currency expenses

The cost relating to printing of bank notes and minting of coins are charged to profit or loss in the period in which the notes and coins are received by the bank from the printing company.

(h) Currency in circulation

Notes and coins in circulation are recorded at fair value. The fair value of notes and coins approximates their carrying value and represents the nominal value of all bank notes and coins held by the public and commercial banks.

(i) Inventories

The bank holds gold, office and other consumables as inventory. Included in the office and other consumables are spare parts, stationery items, fuel and lubricants, tyres and inner tubes and cleaning and sanitary items. Refer to Note 15(c) for the qualitative disclosures.

Gold inventory is initially measured at the lower of cost and net realizable value while office and other consumables are measured at cost.

Cost of inventories comprises of purchase price (after deducting trade discounts), and related tax and duty for imports, any costs directly attributable to the acquisition of the stock item such as transport costs, labour costs, unpacking, temporary warehousing fees and inspection costs and destination charges in case of imports.

Net realizable value is the price at which the inventory can be realised in the normal course of business after allowing for costs of realisation. The cost of inventories to the Bank is determined on a First in First Out (FIFO) basis.

(j) Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably as at the Statement of Financial Position date, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are not recognized for future operating losses. Provisions at NBE are recognized in respect of legal cases and bonus payments to employees as well as to board members who are not employees of the bank.

3. Significant accounting policies (continued)

(k) Employee benefits

(i) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank accounts not only for its legal obligation but also for any constructive obligation that arise from the Bank's customary practices. A customary practice in place gives rise to a constructive obligation where the Bank has no realistic alternatives but to pay employee benefits.

The Bank's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value, and any unrecognized past service costs and the fair value of any plan assets is deducted.

The discount rate is the yield at the reporting date on governmental bonds that have maturity dates approximating the terms of the Bank's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. This method takes into account various parameters, specific to the Ethiopia market such as demographic assumptions, the probability that employees will leave before retirement age, salary inflation, a discount rate, general inflation rate as well as any other relevant financial assumptions. The net liability recognized with respect to post-employment benefit plans is the difference between the present value of the defined-benefit obligation and the fair value of any plan assets, if any.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss during which the services are rendered. The annual expenses recognized in the profit or loss statement under "Salaries and employee benefits" with respect to defined-benefit plans includes the current service cost (the rights vested by each employee during the period in return for service rendered), the net interests linked to the effect of discounting the net defined-benefit liability, the past service cost arising from plan amendments or curtailments, and the effect of any plan settlements.

Remeasurements of the net defined-benefit liability are recognized in other comprehensive income in the period they arise and are never reclassified to profit or loss. These include: all actuarial gains and losses arising from defined benefit plans.

3. Significant accounting policies (continued)

(k) Employee benefits (continued)

(ii) Short-term benefits

Short-term benefit obligations consist of salaries, bonuses, and any non-monetary benefits. They exclude the following benefits which are expected to be paid over periods exceeding 12 months: funeral expenses; medical expenses for pension employees; prize pay; severance pay and leave benefits. Short-term benefits are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonuses if the Bank has a present legal or constructive obligation to pay this amount as a result of past services provided by the employees, and the obligation can be estimated reliably.

(iii) Termination benefits

Termination benefits are employee benefits payable in exchange for the termination of an employee's contract as a result of either a decision by the Bank to terminate a contract of employment before legal retirement age, or a decision by an employee to accept voluntary redundancy in exchange for these benefits. Some of the termination benefits at NBE include severance payments.

Termination benefits are expensed at the earlier of when the Bank can no longer withdraw the offer of those benefits and when the Bank recognizes costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

(iv) Long-term benefits

These are benefits, other than short-term benefits, post-employment benefits and termination benefits. These benefits relate to compensation deferred for more than 12 months, which is accrued in the financial statements for the period in which it is earned.

The actuarial techniques used are similar to those used for defined benefit post-employment benefits except that the revaluation items are recognized in the profit or loss and not in equity.

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3. Significant accounting policies (continued)

(l) General reserve

The General reserve is defined in the NBE proclamation No. 591/2008. The balance of this reserve fund is dependent on the Capital amount. The limit of the General reserve should equal the Capital account. The proclamation defines that 20% (twenty percent) of net profit shall be paid each financial year into the General reserve fund until such fund equals the paid-up capital of the National Bank. The remaining 80% (eighty percent) shall be credited to the account of the Ministry of Finance (MOF).

Where the General reserve fund equals the paid-up capital of the Bank, the total amount of the net profit shall be credited each financial year to the account of the Ministry of Finance (MOF). Net losses of the National Bank shall be debited to the General reserve fund. If at any time, as a result of net losses sustained by the Bank, the General reserve fund is less than the paid-up capital, the fund is replenished as per proclamation guidance until it equals the paid-up capital.

(m) Revenues

Revenue comprises of:
- Interest income (Note 3 (m))
- Revenue from gold (Note 3(n))
- Fee and commission (Note 3(n))

(n) Interest

Effective interest rate
Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial assets; or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. For credit-impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs, fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

3. Significant accounting policies (continued)

(n) Interest (continued)

Amortized cost and gross carrying amount

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit loss.

Calculation of interest income and expenses

In calculating interest income and expenses, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation of interest income and expenses

Interest income and expense presented in the statement of profit or loss and OCI include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- Interest on debt instruments measured at FVOCI calculated on an effective interest basis; and
- Interest expense on lease liabilities.

Interest income and expense on all assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of assets and liabilities in net trading income.

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3. Significant accounting policies (continued)

(o) Revenues from contracts with customers

Revenue from sale of gold, fee and commission income from contracts with customers is based on the consideration specified in a contract with a customer. The Bank recognizes revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant terms, and the related revenue recognition policies.

Type of product (good or service)	Nature and timing of satisfaction of performance obligations, including significant payment terms
Gold	NBE recognizes revenue from gold when the customer receives right and ownership of the gold. This occurs when a deal is struck between the Bank and the customer on pricing and the customer takes possession of the product. The Bank's performance obligation is satisfied at a point in time when the gold is delivered to the customer.
Fee and commission income	The Bank provides foreign currency transactions services to banks, government and government agencies in Ethiopia. It also provide services relating to selling gold, issuance of bonds and treasury bills on behalf of the government. Transaction based fees are charged to the customer when the transaction takes place. The Bank's performance obligations are satisfied at a point in time.

(p) Dividend income

Dividend income is recognized when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss (FVPTL) or other revenue based on the underlying classification of the equity investment.

(q) Due from Government of Ethiopia

Balances due from the Government of Ethiopia arise from the following transactions:

- Direct advances bearing interest at 3% per annum, issued with no maturity date;
- Bonds bearing interest at the rate of 2% per annum which mature on 03 October 2044 and 08 October 2047; and
- Non-interest bearing bond that is expected to mature in 2034.

Other than non-interest-bearing bonds which are measured at fair value by discounting them using a market related interest rate, all other balances due from the Government of Ethiopia are measured at amortized cost.

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3. Significant accounting policies (continued)

(r) Funds held at/due to International Monetary Fund (IMF)

Ethiopia has been a member of the International Monetary Fund (IMF) since 1945. The Bank acts as the fiscal agent that conducts the financial transaction with the IMF and designated as the depository for IMF's currency holdings. IMF currency holdings are held in the form of either promissory notes which are payable on demand or in the No. 1 and No. 2 Accounts, which are deposit accounts of the IMF with the Bank.

Borrowings from and repayments to the IMF are denominated in Special Drawing Rights (SDRs). The SDR balances in the two IMF accounts (No. 1 and No. 2) are translated into Birr at the prevailing exchange rates as at 30 April of each year and any unrealized gains or losses resulting thereof are accounted for in accordance with accounting policy on foreign currencies.

(s) Gold

NBE is mandated by the Government to buy gold deposits locally and sell the same in international markets. NBE works in conjunction with the Ministry of Mines and Ethiopian Geology survey to undertake gold purchase activities. The Ministry is responsible for verifying purity of gold purchased by the Bank. NBE recognizes three types of gold transactions which are: gold commodity; gold in transit and monetary gold.

Gold commodity comprises of raw gold or gold bullion which is sourced locally before it is refined and sold abroad. Gold commodity not sold at year end is considered as inventory and is measured at the lower of cost and net realizable value.

Gold in transit refers to gold that is held by the refineries or is in transit to refineries before it is processed to gold bullion. It is measured at the lower of cost and net realizable value.

Monetary gold refers to gold that is held in foreign financial institutions to enable the bank to build an international reserve. NBE invests a maximum of 8,000 ounces of gold in the form of time deposits at Commerz Bank.

In the absence of an accounting standard that specifically applies to accounting for transaction relating to monetary gold, NBE chose to apply IAS 8:10 and 11 (Accounting Policies, Changes in Accounting Estimates and Errors) and guidance issued by World Gold Council on how to account for gold by monetary authorities. This guidance was prepared with reference to the conceptual framework of current financial reporting standards and uses similar terminology as far as possible.

NBE measures monetary gold at fair value with gains and losses being recognized in statement of other comprehensive income (OCI).

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3. Significant accounting policies (continued)

(t) Contingencies

The Bank, discloses by way of a note, a contingent liability when a condition or circumstance at the end of the reporting period of which the eventual result, either beneficial or prejudicial, can only be confirmed upon the occurrence or non-occurrence of one or more uncertain future events which are beyond the control of the Bank.

(u) Comparatives

Where necessary, comparatives figures have been adjusted to conform to changes in presentation in the current year.

(v) New Standards, amendments and interpretations

(i) New and amended standards and interpretations in issue but not yet effective during the period ended 30 June 2024

A number of new standards, amendments to standard and interpretations are not yet effective for the period ended 30 June 2024 and have not been applied in preparing these financial statements. These are summarized as follows:

Standards / Interpretations	Effective for annual periods beginning on or after
- Classification of liabilities as current or non-current and non- current with covenant (IAS 1 amendment)	1 July 2024
- Lease liability in a sale and leaseback (IFRS 16 amendment)	1 July 2024
- Disclosure: Supplier Finance Arrangements (IAS 7 and IFRS 7 amendment)	1 July 2024
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (IFRS 10 and IAS 28 amendment)	Deferred indefinitely by amendments made in December 2015

There were no new or revised standards and interpretations that became effective and implemented by the bank during the year. Of the standards listed above, IFRS 16 (lease liability) and Sale or Contribution of Assets between an Investor & its Associate or Joint Venture (IFRS 10 and IAS 28 amendment) are not applicable to the bank and will therefore have no impact on future financial statements.

Classification of liabilities as current or non-current and non-current with covenant (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

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3. Significant accounting policies (continued)

(v) New Standards, amendments and interpretations (continued)

(i) New and amended standards and interpretations in issue but not yet effective during the period ended 30 June 2023 (continued)

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.

The amendments are to be applied retrospectively from the effective date.

The Bank will make an assessment of the impact of this adoption.

Disclosures: Supplier Finance Arrangements (Amendments to IAS 7 & IFRS 7)

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers.

The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements. The Bank will make an assessment of the impact of this adoption.

Early adoption of standards

The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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4. Interest income and expense

Interest income and expense are recognized in profit or loss using the effective interest method and are analyzed as follows:

Interest income	For year ended 30 June 2024	For year ended 30 June 2023
Advance to Central Treasury	3,485,972,603	2,524,931,507
Priority sector loans	634,479,454	1,732,388,883
DBE Special bond	2,114,366,658	150,200,910
Foreign time deposits	2,460,179,051	1,576,532,772
Call and ordinary accounts	1,303,879,082	652,936,705
Foreign securities	168,781,290	178,060,371
Advance to domestic banks	9,099,619,900	8,451,943,217
Government bonds	8,730,142,268	7,445,535,908
Total interest income	**27,997,420,307**	**22,712,530,273**

Interest expense	For year ended 30 June 2024	For year ended 30 June 2023
Government deposits	974,918,084	970,345,491
International Monetary Fund	1,280,830,357	832,403,625
Correspondent banks	3,007,992	2,947,336
Interest on time deposits	6,667,709,383	3,292,282,140
General Resource Account (GRA) charge on Special Drawing Rights (SDR) Purchase[1]	344,818,395	244,854,641
Acc. interest Exp. On FCY Reserve	1,681,038	-
Total interest expense	**9,272,965,249**	**5,342,833,233**

[1] Refer to Note 18 for details on this disclosure item

5. Fee and commission income

Exchange service commission

	For year ended 30 June 2024	For year ended 30 June 2023
Foreign exchange transfers	1,739,738,264	2,220,569,449
Local banks	9,542,302,694	7,547,860,796
Government and Government institutions	941,384,835	1,488,044,159
Exchange service commission	**12,223,425,793**	**11,256,474,404**
Service charge commission		
Treasury bills	500,370,056	361,488,339
Other service charges	682,378,462	491,242,999
Service charge commission	**1,182,748,518**	**852,731,338**
Total fee and commission income	**13,406,174,311**	**12,109,205,742**

6. Revenue from sale of gold *

	For year ended 30 June 2024	For year ended 30 June 2023
Local sales	28,625,186	17,040,298
Foreign sales	4,950,000,139	14,081,736,673
	4,978,625,325	**14,098,776,971**

* Revenue from sale of gold was less than the gold purchase cost due to the increase on premium price which was paid to the suppliers of the gold on the world gold price.

7. Other Operating Income and Fair value gains / (losses) on financial assets measured at FVOCI

a) Other Operating Income

	For year ended 30 June 2024	For year ended 30 June 2023
Dividend income	35,852,659	18,430,518
Postage, telephone and telex refunds	772,700	712,521
License fee*	73,672,723	35,922,676
Sundries	137,294,365	159,150,003
Amortisation of deferred revenue	3,268,622	3,160,193
	250,861,069	**217,375,911**

***License fees:** The Bank is mandated to issue business licenses to financial institutions operating in Ethiopia. The license fees are earned from the issuance of new and renewal of business licenses to financial institutions giving them mandate to operate in Ethiopia. The financial institutions that are licensed include: banks, microfinance institutions as well as insurance businesses, insurance agencies, insurance actuaries, insurance surveyors and insurance brokers.

b). Fair value gains / (losses) on financial assets measured at FVOCI

	For year ended 30 June 2024	For year ended 30 June 2023
Fair value gain/Loss on Equity Investments	185,577,051	145,298,948
Fair value gain /Loss on IMF quota Subscription	615,906,502	1,164,021,619
	801,483,553	**1,309,320,567**

Fair value gains/losses on financial assets measured at FVOCI include Birr 185.6 million, representing the valuation of the Bank's shares in Afreximbank and Africa Reinsurance Corporation. Additionally, Birr 615.91 million relates to the revaluation of the IMF quota in SDR, translated at the Ethiopian Birr exchange rate determined by the IMF as of 30 April 2024.

For more details, refer to notes 10 & 18.

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8. Operating expenses

a). Currency costs

	For year ended 30 June 2024	For year ended 30 June 2023
Printing of bank notes	1,030,733,777	3,684,696,781
Minting of coins	9,300	131,401,507
Total currency costs	**1,030,743,077**	**3,816,098,288**

b). General and administration costs

Depreciation and Amortization	101,242,679	94,122,131
Depreciation – Right of use asset	1,175,635	398,446
Loss on foreign exchange differences[1]	38,136,853,904	12,169,582,584
Loss on Inventory write down[2]	78,942,028	34,046,877
Fuel and lubricants	6,494,083	5,189,185
Membership fees	2,598,015	2,496,244
Travelling and per diem	18,041,234	9,291,531
Stationery and printing	13,000,044	10,264,354
Transportation of currency	32,698,425	36,268,839
Repairs and maintenance costs	94,733,429	65,645,041
Advertisements	836,641	2,456,956
Communications	11,034,851	10,648,989
Utilities	10,893,287	5,423,340
Reuters' Service	6,541,730	5,749,878
Insurance	11,625,628	8,789,516
Tuition fees	1,374,134	980,370
Subscriptions	684,186	558,193
Audit fee	1,840,000	1,380,000
Bankers' Club	8,072,597	3,373,698
Uniforms	8,922,651	1,954,555
Entertainment	12,661,387	4,089,809
Board fees	1,505,241	1,458,000
Legal expenses	66,620	1,280,205
Miscellaneous	67,925,738	685,896,746
Losses on currency notes in custody[3]	-	60,261,200
Total general and administration expenses	**38,629,764,167**	**13,221,606,686**

[1] **Loss on foreign exchange differences;** This balance arises from the net impact/differences resulting from translating a given number of units of foreign currencies into the bank's reporting currency, that is, ETB at different exchange rates. Included in the above balance is payment incurred by the bank amounting to birr 28.3 billion, which represents reimbursement paid by the Bank to settle foreign exchange remittance related claim.

[2]Loss on Inventory write down arises due to gold purchase cost is less than the NRV as a result of the increase on premium price which was paid to the suppliers of the gold on the world gold price.

8. Operating expenses (continued)

c). Salaries and related benefits

	For year ended 30 June 2024	For year ended 30 June 2023
Staff salaries	274,547,294	264,032,786
Periodic employees' benefits costs	64,239,540	26,039,382
Overtime	3,204,891	7,580,355
Bonus	42,136,814	38,196,259
Medical expenses	39,944,972	27,995,113
Representation allowance	25,439,404	18,024,695
Fuel and transportation allowance	99,663,570	77,502,025
Housing allowance	29,049,526	30,349,700
Salary outsourcing	20,329,307	22,304,937
Accumulated leave expenditure	1,661,222	1,555,491
Total salaries and related benefits	**600,216,540**	**513,580,743**

d). Gold purchase, refinery and other related costs

	For year ended 30 June 2024	For year ended 30 June 2023
Gold purchase costs	6,903,950,044	15,509,844,931
Gold transport and other costs	16,822,917	12,991,512
	6,920,772,961	**15,522,836,443**

e). Impairment losses on financial instruments

	For year ended 30 June 2024	For year ended 30 June 2023
Balance as at 1 July – Financial assets[1]	(4,773,417,421)	(3,110,130,602)
Balance as at 1 July – Other assets: Loans to employees[2]	(813,357)	(696,402)
Balance as at 1 July – Other assets: Staff advances[3]	(812,144)	(744,516)
Total balance as at 1 July	**(4,775,042,922)**	**(3,111,571,520)**
Charged to profit or loss – Financial assets[1]	(688,595,897)	(1,663,286,819)
Charged to profit or loss – Other assets: Loans to employees[2]	240,732	(116,955)
Charged to profit or loss – Other assets: Staff advances[3]	(2,659,981)	(67,628)
Total charged to profit or loss	**(691,015,146)**	**(1,663,471,402)**
Total cumulative impairment losses	**(5,466,058,068)**	**(4,775,042,922)**

8. Operating expenses (continued)

e). Impairment losses on financial instruments (continued)

[1]Financial assets relate to instruments held in favour of the bank or owed to the bank by other financial institutions. The bank holds the following financial assets: loans due from the Government of Ethiopia, loans to Government banks; as well as call, current and time deposits held with foreign commercial and central banks.

[2] The bank provides interest free loans to employees. These loans are checked off against the staff payroll. However, in some cases employees may leave the Bank without settling their due loans in full. The Bank therefore assesses each of the cases and provides an impairment loss allowance against the outstanding staff loan balance.

[3] The Bank also provides staff advances to employees for field work purpose.

9. Financial assets

The following balances represent financial assets disclosures after factoring in expected credit loss (ECL):

	30 June 2024	30 June 2023
Due from Government of Ethiopia *(a)*	687,897,177,830	586,975,969,831
Loans to government banks *(b)*	134,953,595,130	138,669,694,348
Due from foreign institutions – commercial banks *(c)*	32,061,462,892	26,551,779,926
Due from foreign institutions – central banks *(d)*	47,483,737,622	27,228,439,137
Cash - foreign currencies* *(e)*	712,631,306	654,953,910
Funds held with IMF*(f)*	176,870,099	106,243,555
Loans to private commercial banks*(g)*	13,210,129,051	15,055,046,984
Total Gross amounts	**916,495,603,930**	**795,242,127,690**

Allowance for credit losses	**30 June 2024**	**30 June 2023**
Due from Government of Ethiopia *(a)*	(4,560,748,058)	(3,856,307,497)
Loans to government banks *(b)*	(894,740,328)	(911,030,450)
Due from foreign institutions – commercial banks *(c)*	(5,864,426)	(5,326,722)
Loans to private commercial banks(g)	(660,506)	(752,752)
Total impairment	**(5,462,013,318)**	**(4,773,417,421)**
Financial assets net of allowance for credit losses	**911,033,590,612**	**790,468,710,269**
Allowance for credit losses movement		
Balance as at 1 July	(4,773,417,421)	(3,110,130,602)
Charged to profit or loss	(688,595,897)	(1,663,286,819)
Balance as at 30 June	**(5,462,013,318)**	**(4,773,417,421)**

*These financial assets were not impaired.

For the rest of the financial assets that were impaired, the following disclosures denote the impairment of the same.

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9. Financial assets (continued)

(a) Due from Government of Ethiopia

	30 June 2024	30 June 2023
Direct advance[1]	242,000,000,000	130,000,000,000
Non-interest-bearing bond[2]	3,638,562,667	4,378,313,269
Interest bearing bonds[3]	430,806,916,373	430,478,888,156
IMF Loan to Ministry of finance[4]	11,451,698,791	22,118,768,405
Less: allowance for credit losses	(4,560,748,058)	(3,856,307,497)
	683,336,429,771	**583,119,662,333**

[1]NBE issues on a regular basis a perpetual direct advance to the government which bears interest at the rate of 2% per annum.

[2]NBE has issued a non-interest-bearing bond with a maturity date of 1 July 2034. The bond has been measured at the present value of all its future cash receipts discounted at an effective interest rate of 3%. The bank determined this to be the prevailing market rate of interest for similar bonds issued to the government. NBE has reclassified day one fair value gains and losses of non-interest-bearing bond financial assets in order to eliminate any accounting mismatch which would otherwise arise.

[3]NBE has issued a 2% annual interest bonds which mature on 03 October 2044. In addition, following decision by the Bank's board of directors in October 2022, the bank restructured the direct advance loan balance outstanding as at 07 October 2022 of Birr 236,500,000,000 to a 2% government bond which is payable in thirty equal semiannual installments as from 08 April 2033 which mature on 08 October 2047.

[4]Refer to note 18 for details on RFI loan from IMF to the government of Ethiopia.

NBE does not require collateral or guarantee to loan funds to the Government of Ethiopia.

(b) Loans to government banks

	30 June 2024	30 June 2023
Development Bank of Ethiopia priority sector loans [1]	11,494,465,755	15,233,673,680
Commercial Bank of Ethiopia bonds[2]	93,180,441,507	93,163,109,757
Development Bank of Ethiopia Special Bond[1]	30,278,687,868	30,272,910,911
Less: allowance for credit losses	(894,740,328)	(911,030,450)
	134,058,854,802	**137,758,663,898**

[1]NBE issues loans to DBE for priority sector investment projects and charges interest at the rate of 5%. These loans have loan tenure of 5 years. Birr 30.3 billion which was converted to 12 years special bond on June 05, 2023 following NBE repealed a policy for a DBE priority sectors loan financing. The bond shall bear interest at the rate of 7% per annum which shall be paid semi-annually.

[2]The Bank issued term bonds to the Commercial Bank of Ethiopia amounting to ETB 81.4 billion and ETB 9.0 billion, respectively. The principal amounts of these bonds shall become due within 10 years from the date of receipt by CBE. The interest on these bonds is paid semi-annually and bears 7% interest.

NBE does not require collateral or guarantee to loan funds to government banks.

9. Financial assets (continued)

(c) Due from foreign institutions – commercial banks

	30 June 2024	30 June 2023
Due from foreign institutions – commercial banks	32,061,462,892	26,551,779,926
Less: Impairment	(5,864,426)	(5,326,722)
	32,055,598,466	**26,546,453,204**

The balance due from commercial banks by NBE represents call, current and time deposit accounts held with the following foreign institutions: CITIBANK New York (USD); JP Morgan Chase (USD); National Westminster - London (GBP); Commerz bank AG Frankfurt (Euro & USD); Bank of Tokyo (YEN), Afreximbank(USD) , Eastern and Southern African Trade and Development Bank(USD) and Standard Chartered Bank – London (GBP).

(d) Due from foreign institutions – central banks

The Bank maintains call, current and time deposits with several central banks domiciled in Europe, USA and Asia. These central banks include: Federal Reserve Bank of New York (USD); Bank for International Settlements (BIS); Bank of England (GBP & USD); Deutsche Bundesbank (EURO); International Bank of Reconstruction and Development (USD) and Central Bank of The United Arab Emirate (USD & AED).

	30 June 2024	30 June 2023
Balances due from foreign entities – Central banks	47,483,737,622	27,228,439,137
Less: Impairment	-	-
	47,483,737,622	**27,228,439,137**

(e) Cash - foreign currencies

This relates to cash held by NBE in foreign currency denominations. The foreign currency balances are translated to Ethiopian Birr (ETB) at each reporting date using the mid- rate applicable on that date. As at 30 June 2024, NBE held foreign currency balances worth ETB 712,631,306 (2023: ETB 654,953,910).

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9. Financial assets (continued)

(f) Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including foreign currencies on hand, balances held with foreign institutions – commercial and central banks and funds held with IMF.

Cash and cash equivalents comprise:	For year ended 30 June 2024	For year ended 30 June 2023
Balances due from foreign entities – Commercial banks	32,055,598,466	26,546,453,204
Balances due from foreign entities – Central banks	47,483,737,622	27,228,439,137
Cash - foreign currencies	712,631,306	654,953,910
Funds held with IMF[2]	176,870,099	106,243,555
	80,428,837,493	**54,536,089,806**
Less: Time Deposit with maturity period over three months[1]		
IBRD*	(2,930,459,469)	(2,787,002,910)
Eastern and Southern African Trade and Development Bank (TDB)	(18,313,568,606)	(16,701,866,380)
Afreximbank	(314,713,008)	(284,301,437)
	58,870,096,410	**34,762,919,079**

* IBRD - The International Bank for Reconstruction and Development

[1] The tenure of time deposits with IBRD, Eastern and Southern African Trade & Development Bank, and Afreximbank is one year. The interest rate for IBRD is based on offer acceptance and changed on a quarterly basis and for Afreximbank and TDB it is based on negotiation in accordance with the terms of the deal and fixed annually. The tenure of other time deposits ranges between one to three months.

[2] This is stock of IMF currency for NBE held with IMF. The account which is denominated in SDR is used to deposit funds to effect payments against IMF obligations such as loan repayments and charges. The SDR currency is derived from a basket of 5 currencies (USD, EURO, GBP, JPY and Yuan).

For further details on cash and cash equivalents, refer to notes 9 (c, d, e, and f) above.

(g) Loans to private commercial banks

In the financial period ended 30 June 2024, NBE extended one-month credit facilities to 18 local commercial Banks worth ETB 86,923,868,091 in total of which ETB 13,210,129,051 was outstanding as at 30 June 2024. The loans are aimed at promoting financial sector stability and temporarily support for the liquidity assistance to banks and attract an 18% interest rate. These loans are guaranteed by NBE bills and other government securities worth ETB 14,780,294,760.

	30 June 2024	30 June 2023
Loans to private commercial banks	13,210,129,050	15,055,046,984
Less: Impairment	(660,508)	(752,752)
	13,209,468,542	**15,054,294,232**

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10. Equity Investment

The Bank holds the following investments in shares:

	30 June 2024	30 June 2023
African Export-Import Bank	971,392,047	782,539,660
Africa Re-insurance	158,689,405	131,246,386
Local Currency Investment-Ethswitch S.C	6,000	1,000
	1,130,087,452	**913,787,046**

On initial recognition the bank made an irrevocable election to present in other comprehensive income the changes in the fair value of all its investments in shares as these equity investments represent strategic long-term holdings not held for trading.

The Bank measures the fair value of its equity investments classified as fair value through OCI (FVOCI) using the Market Approach, in accordance with IFRS 13 Fair Value Measurement. To determine fair value, the bank uses a valuation technique that: is appropriate in the circumstances; for which sufficient data is available to measure fair value; maximizes use of relevant observable inputs and minimizes use of unobservable inputs. The investments have been classified within Level 2 of the fair value hierarchy, as the valuation relies on observable market information of comparable companies to the investee companies being valued, with adjustments for inputs that are not directly observable.

For the purpose of a valuation, a price to book multiple were selected based on observed multiples for peer companies and adjusted for specific factors such as company specific and liquidity discounts.

The changes in the fair values of the investment instruments were as follows:

	Amount in ETB
Opening balances – 1 July 2022	**388,607,382**
Fair value adjustments - African Export-Import Bank	155,260,124
Fair value adjustments - Africa Re-insurance	(9,961,174)
Local Currency Investment-Ethswitch S.C	1,000
Additional investment (381 share of African Export-Import Bank)	379,879,715
Closing balances – 30 June 2023	**913,787,046**
Fair value adjustments - African Export-Import Bank	158,134,033
Fair value adjustments - Africa Re-insurance	27,443,019
Additional Investment-Ethswitch S.C	5,000
Additional share acquisition by dividend payment (27 shares of African Export-Import Bank)	30,718,354
Closing balances – 30 June 2024	**1,130,087,452**

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The African Export-Import Bank (Afreximbank) is a supranational institution, established on 27 October 1993. Afreximbank is a grouping of regional central banks and financial institutions designed to facilitate intra and extra African trade. During the year, the Bank acquired 27 shares from Afreximbank, this shares were bought using the 2022 dividend proceeds. The total holding in Afreximbank increased from 762 shares in 2023 to 789 shares in 2024, representing 0.36% of the total holdings.

The African Reinsurance Corporation (Africa Re) is the leading pan-African reinsurance company and the largest reinsurer in Africa in terms of net reinsurance written premiums.

As of 2024, the Bank's equity interest in African Reinsurance Corporation remained amounted to 9,200 shares with a nominal value of $100 per share, representing 0.32% of the total holdings.

11. Gold Commodity

Gold commodity comprises of raw gold or gold bullion which is sourced locally before it is refined and sold abroad. Gold commodity not sold at year end is considered as inventory and is measured at lower of cost and net realizable value.

The value of commodity gold is as follow;

	30 June 2024	30 June 2023
Opening balance	95,104,815	3,019,331,864
Purchases	7,028,957,174	12,620,023,356
Sales	(6,903,950,045)	(15,510,203,528)
Inventory write down*	(78,942,028)	(34,046,877)
Closing balance	**141,169,916**	**95,104,815**

* Refer to Note 8 (b) for details on this disclosure item

12. Related parties

(a) Parent and ultimate controlling party

The National Bank of Ethiopia was established in 1963 under order No. 30/1963 and is fully owned by the government of Ethiopia through the Ministry of Finance (MOF).

In the normal course of its operations, the Bank enters into transactions with related parties who include the following:

No	Related party	Nature of relationship	Terms of transaction
1	Key management personnel	Members of the management team at NBE	Normal business terms
2	Commercial Bank of Ethiopia (CBE	Associate	Normal business terms
3	Development Bank of Ethiopia (DBE)	Associate	Normal business terms
4	Government of Ethiopia through The Ministry of Finance (MOF)	Owner	Normal business terms

(b) Key management personnel

The key management personnel of the National Bank of Ethiopia comprise of the following:

i.) The Board which includes the Governor and Vice governor in charge of monetary stability cluster
ii.) Vice-Governor – Financial Institutions Supervision
iii.) Vice-Governor – Corporate Services

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12. Related parties (continued)

Key management members received the following remuneration during the years ended 30 June 2024 and 30 June 2023:

	30 June 2024	30 June 2023
Short-term employee benefits	7,082,353	5,375,831
Other long-term benefits	202,714	256,958
Post-employment benefits	4,426,241	3,138,114
	11,711,308	**8,770,903**

Compensation of the Bank's key management personnel includes all short- and long-term benefits as well as consideration of their post-employment benefits. Some of the key management personnel, who are not part of NBE staff such as some of the Board members, are only entitled to monthly board fee and annual bonus. These amounts are also included within salaries and related benefits note (Note 8 (c)).

(c) Loans to key management personnel

In accordance with the Bank's policy, NBE issues interest-free loans to key management personnel whose collateral is personal guarantees from NBE members of staff.

At the end of each reporting period, the Bank performs an impairment assessment on the outstanding balances and provides for expected credit losses. The impairment loss has been included in the sum of impairment losses of all staff loan balances for the periods ended 30 June 2024 and 30 June 2023. The loans to key management and the impairing arising thereof for these periods were as follows:

	30 June 2024	30 June 2023
Gross loans to key management (governor and vice-governors)	296,660	474,656
Impairment	(715)	(2,159)
Net loans to key management (governor and vice-governors)	**295,945**	**472,497**

(d) Other related parties transactions

The Bank entered into related party transactions whose terms were not equivalent to those that prevail in arm's length transactions. These transactions include loans, deposits and foreign currency transactions.

The volumes of the related party transactions, outstanding balances at the end of the year and the related expenses and incomes for the year are as follows:

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12. Related parties (continued)

(d) Other related parties transactions (continued)

i.) Transactions with Commercial Bank of Ethiopia:

	30 June 2024	30 June 2023
CBE Term Bonds [1]	93,180,441,507	93,163,109,757
Commercial Bank of Ethiopia A/R (ETB)[2]	12,274,225,019	14,061,842,855
	105,454,666,526	**107,224,952,612**

The above amounts are the gross carrying amounts before impairment.

[1]The interest earned on the CBE Term Bonds was ETB 6,343,420,608 (**2023:** ETB 6,978,143,654). The impairment loss on CBE Term bond was ETB 617,784,941 (**2023:** ETB 612,061,851).

[2]The balance relates to advances provided to CBE for the settlement of Letter of Credit commitments in connection with the Government.

ii.) Transactions with Development Bank of Ethiopia:

	30 June 2024	30 June 2023
DBE Priority loan	11,494,465,755	15,233,673,680
DBE Special Bond	30,278,687,868	30,272,910,911
	41,773,153,623	**45,506,584,591**

The above amounts are the gross carrying amounts before impairment.

The interest earned on the DBE priority loan and Special Bond was ETB 2,748,846,112 (**2023:** ETB 1,882,589,794). The impairment loss on DBE priority loan and Special Bond was ETB 276,955,387 (**2023**: ETB 298,968,599).

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13. Property and equipment

2024	ETB	Balance at 30 June 2023	Additions	Disposals	Reclassifications	Adjustments	Balance at 30 June 2024
Cost							
Buildings		1,328,433,978	-	-	-	-	1,328,433,978
Office and other equipment		472,766,806	60,523,468	(14,175,046)	-	-	519,115,227
Office furniture and fittings		33,917,082	2,832,141	(787,450)	-	-	35,961,773
Motor vehicles		186,541,139	17,726,368	(4,519,989)	-	-	199,747,518
Work in progress		267,544,256	609,463,310	-	-	-	877,007,566
		2,289,203,261	**690,545,287**	**(19,482,485)**	**-**	**-**	**2,960,266,062**
Depreciation							
Building		(348,315,182)	(49,816,274)	-	-	-	(398,131,456)
Office and other equipment		(398,855,179)	(27,467,416)	14,022,387	-	-	(412,300,210)
Office furniture and fittings		(25,194,591)	(3,470,144)	775,166	-	-	(27,889,569)
Motor vehicles		(81,974,829)	(19,681,975)	3,389,991	-	-	(98,266,812)
		(854,339,781)	**(100,435,809)**	**18,187,544**		**-**	**(936,588,047)**
Net carrying amount	**ETB**	**1,434,863,480**	**590,109,477**	**(1,294,941)**	**-**	**-**	**2,023,678,015**

- Property, Plant, and Equipment (PPE) with a total purchase price of Birr 375,575,967 are fully depreciated and have a residual value of Birr 16,213,505, yet they are still in use.

13. Property and equipment (continued)

2023	ETB	Balance at 30 June 2022	Additions	Disposals	Reclassifications	Adjustments	Balance at 30 June 2023
Cost							
Buildings		1,328,433,978	-	-	-	-	1,328,433,978
Office and other equipment		442,310,950	30,763,097	(307,241)	-	-	472,766,806
Office furniture and fittings		33,415,841	632,211	(130,969)	-	-	33,917,082
Motor vehicles		141,376,648	45,164,490	-	-	-	186,541,139
Work in progress*		143,677,661	124,264,495	-	-	(397,900)	267,544,256
		2,089,215,078	**200,824,293**	**(438,210)**	**-**	**(397,900)**	**2,289,203,261**
Depreciation							
Building		(298,498,908)	(49,816,274)	-	-	-	(348,315,182)
Office and other equipment		(372,809,933)	(26,313,006)	267,760	-	-	(398,855,179)
Office furniture and fittings		(21,843,651)	(3,474,081)	123,140	-	-	(25,194,591)
Motor vehicles		(68,784,650)	(13,190,179)	-	-	-	(81,974,829)
		(761,937,142)	**(92,793,539)**	**390,900**		**-**	**(854,339,781)**
Net carrying amount	**ETB**	**1,327,277,936**	**108,030,754**	**(47,310)**	**-**	**(397,900)**	**1,434,863,480**

The total value of Property, Plant, and Equipment (PPE) with a purchase price of Birr 394,580,276 is fully depreciated and has a residual value of Birr 17,484,954, yet these items remain in use.

14. Intangible assets

		Software
Cost		
Balance at 30 June 2023	ETB	94,522,849
Additions / transfers from CWIP		-
Balance at 30 June 2024*		**94,522,849**
Amortization and impairment		
Balance at 30 June 2023		**(93,288,336)**
Additions		(806,870)
Balance at 30 June 2024		**(94,095,206)**
Net carrying amount	**ETB**	**427,643**

		Software
Cost		
Balance at 30 June 2022	ETB	94,522,849
Additions / transfers from CWIP		-
Balance at 30 June 2023		**94,522,849**
Amortization and impairment		
Balance at 30 June 2022		**(91,959,743)**
Additions		(1,328,592)
Balance at 30 June 2023		**(93,288,336)**
Net carrying amount	**ETB**	**1,234,513**

Intangible assets relate to software that includes banking and other related software's. In the financial period ended 30 June 2024, NBE not acquired new software. There were no idle assets and changes relating to the useful life of intangible assets as at 30 June 2024 and 30 June 2023.

*Aggregate value of Intangible assets relate to software amounting Birr 90,488,498 are fully amortized were still in use.

15. Other assets

ETB	30 June 2024	30 June 2023
Advances to CBE for gold purchases	2,139,916,479	1,779,638,723
Sundry receivables from CBE [1]	12,274,225,019	14,061,842,855
Commemorative souvenirs in gold and silver	8,124,719	8,793,036
Loans to employees *(a)*	159,726,290	78,517,846
Staff advances *(b)*	4,890,072	2,176,239
Office and other consumables *(c)*	30,584,193	21,456,810
Uncleared effects	5,502,032	6,753,807
Sundry receivables [2]	3,659,000,240	2,942,640,940
Miscellaneous*	(17,131,667)	(17,263,880)
	18,264,837,377	**18,884,556,376**

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15. Other assets (continued)

*The balances under the miscellaneous account relate to CMD unadjusted notes in circulation and outstanding Claim on Commercial Banks.

[1]Refer to note 12(d) for details on this disclosure item.

[2] The balance under this disclosure item relates to advances paid to suppliers in connection with the Bank's various projects.

(a) Loans to employees

The Bank extends interest free loans, which are therefore at a lower rate compared to the prevailing market rates and bear annual interest of 17.6%, to its entire staff in accordance with the Bank's policy. The loans are repayable within five years and are secured by a guarantor. The bank does not perform a fair valuation of these loans since the tenure/duration of these loans is short-term in nature and the credit exposure to the bank is minimal.

The Bank performs an impairment test on a continuous basis and provides an allowance for impairment losses at the reporting date.

Loans to employees for the two periods were as follows:

	30 June 2024	30 June 2023
Gross Loans to employees	160,298,913	79,331,202
Cumulative impairment losses	(572,624)	(813,356)
Net Loans to employees	**159,726,289**	**78,517,846**

Movement of impairment losses for staff loan accounts	30 June 2024	30 June 2023
Balance as at 1 July	813,356	696,401
Charged to profit or loss	(240,732)	116,955
Balance as at 30 June	**572,624**	**813,356**

(b) Staff advances

The following table shows the staff advances breakdown:

	30 June 2024	30 June 2023
Gross staff advances	8,362,197	2,988,383
Cumulative Impairment losses	(3,472,125)	(812,144)
Net staff advances	**4,890,072**	**2,176,239**

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15. Other assets (continued)

(b) Staff advances (continued)

Movement of impairment losses for staff advances	**30 June 2024**	**30 June 2023**
Balance as at 1 July	(812,144)	(744,516)
Charged to profit or loss	(2,659,981)	(67,628)
Balance as at 30 June	**(3,472,125)**	**(812,144)**

(c) Office and other consumables

The breakdown of office and other consumables items is as shown below:

Office and other consumables	**30 June 2024**	**30 June 2023**
Gross carrying amount	30,584,193	21,364,742
Office and other consumables – adjustments	-	92,068
Net carrying amount	**30,584,193**	**21,456,810**

The Bank's office and other consumables comprise of spare parts, stationary items, uniforms, stocks of facilities for office equipment, buildings, sorting and shredding machine, cleaning and sanitary materials, fuel and lubricant, tyres and inner tubes. These office and other consumables are not meant for resale and are therefore measured at cost.

16. Right of use assets

The Bank leases some buildings within Ethiopia. Information about leases for which the Bank is a lessee is presented below:

Right-of-use assets:

	30 June 2024	**30 June 2023**
Cost		
Balance at the beginning of the year	4,065,741	2,759,827
Additions	-	1,305,914
Remeasurement adjustment	4,062,894	-
Balance as at 30 June	**8,128,635**	**4,065,741**
Depreciation		
Balance as at 1 July	(1,318,390)	(919,944)
Charge for the year	(1,175,635)	(398,446)
Balance at 30 June	(2,494,025)	(1,318,390)
Net carrying value	**5,634,610**	**2,747,351**

16. Right of use assets (continued)

Lease liabilities:

	30 June 2024	30 June 2023
Balance at beginning of the year	3,090,450	2,116,398
Additions	-	1,305,914
Interest expense	376,937	140,956
Payments made during the year	(1,333,277)	(472,818)
Remeasurement adjustment	3,759,782	-
Net carrying value	**5,893,892**	**3,090,450**

Maturity analysis:

	30 June 2024	30 June 2023
Less than 1 year	1,183,985	799,112
1 – 2 years	720,000	771,005
3 – 5 years	2,160,000	741,060
More than 5 years	3,652,221	1,543,937
Total	**7,716,206**	**3,855,114**

-NBE calculated lease related assets and liabilities per its accounting policy disclosed on Note 3(e). As a lender of last resort, the Bank is not subject to conventional borrowing patterns of a commercial bank. In the event that the Bank had to borrow funds equivalent to the value of the right of use asset, the Bank would be financed by the Government through issuance of a bond. The Bank used an incremental borrowing rate that is equivalent to the Grand Renaissance bond issued by the government. The Grand Renaissance bond was issued at a rate of 6%. The Bank adopted this rate as its incremental borrowing rate for purposes of computing its lease liabilities. The Bank had no short-term lease commitments in period ended 30 June 2024 therefore no lease expense was recognized in statement of profit or loss and other comprehensive income.

-During the year, the Bank remeasured certain lease liabilities due to change in contractual lease payments. The remeasurement resulted in an increase in lease liabilities and a corresponding adjustment to the right-of-use assets.

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17. Deposits due to local financial institutions, government, and government institutions

Deposits due to financial institutions and the Government were as follows:

Domestic currency deposits	**30 June 2024**	**30 June 2023**
Deposits from banks[1]	216,109,019,397	224,233,889,027
Deposits from insurance companies[2]	17,726,182	4,409,903
Government and governmental agencies[3]	42,867,358,352	42,277,388,265
	258,994,103,931	**266,515,687,195**
Foreign currency deposits		
Government and governmental agencies	93,255,434,532	93,414,504,170
Foreign Currency Reserve Accounts-Local Banks	59,295,234	-
	93,314,729,766	**93,414,504,170**
Deposits from banks and government	**352,308,833,697**	**359,930,191,365**

[1]Banks maintain deposit accounts with the NBE to facilitate monetary policy operations and ensure regulatory compliance. Reserve accounts are maintained to meet statutory reserve requirements and support the implementation of monetary policy, particularly through the management of reserve money targets aimed at controlling inflation. All commercial banks are required to maintain a reserve balance equivalent to 5% of their net deposit liabilities at all times, and a monthly average reserve balance of 7% of their net deposit liabilities. Payment and settlement accounts are used to process daily transactions, including clearing and settlement of funds transfers, and support the smooth functioning of the payment system. Issue accounts are used by the bank to manage currency issuance and withdrawals, tracking the flow of notes and coins between the central bank and commercial banks. These deposit accounts are typically non-interest-bearing and maintained to ensure operational efficiency, financial stability, and adherence to monetary policy frameworks.

[2]All insurance companies are required to deposit 5% of their annual net earned premium with NBE. The amounts of deposits with NBE are adjusted on an annual basis depending on the growth in an insurance company's net earned premium. These deposits do not earn any interest and neither does NBE reinvest this money.

[3]The Government and Government agencies deposit money with NBE. These deposits are denominated in both domestic and foreign currencies with domestic deposits earning interest at the rate of 2% pa. The obligation arising from NBE holding these deposits is measured at cost i.e. the actual value of the deposit. The finance cost is recognized as an expense in the statement of profit or loss over the period NBE holds the deposit. The interest payments to Ministry of Finance (MOF) are done monthly.

A deposit from banks is made up of the following:

	30 June 2024	**30 June 2023**
Payment and Settlement accounts	49,064,294,096	78,903,764,410
Reserve accounts	148,187,989,652	128,631,413,807
Issue accounts	18,856,735,649	16,698,710,810
	216,109,019,397	**224,233,889,027**

18. Balance with /due to International Monetary Fund (IMF)

	30 June 2024 ETB	30 June 2023 ETB
(a) Assets:		
Holdings of Special drawing rights (SDR)	175,145,512	105,122,579
Accr. Int. Receivable - Special Drawing Rights	1,336,566	765,818
Remuneration Fee – IMF	388,021	355,158
	176,870,099	**106,243,555**
IMF Quota Subscription	22,557,124,177	21,941,217,675
	22,733,994,276	**22,047,461,230**

(b) Liabilities:	**30 June 2024**	**30 June 2023**
Local currency liability	**ETB**	**ETB**
IMF No1 Account	26,116,679,870	25,403,582,185
IMF No2 Account	5,503,785	5,353,529
Securities Account-Promissory Notes Payable	13,435,920,372	24,513,315,025
	39,558,104,027	**49,922,250,739**
Foreign Currency Liabilities to IMF		
ECF-Loan Disbursement-IMF	10,066,994,288	9,798,364,524
Allocation of special drawing rights (SDR)-Principal	31,347,340,068	30,510,861,143
Accrued charges on SDR allocation	212,779,905	194,721,233
Account Payable -GRA changes IMF	153,057,183	230,815,939
	41,780,171,444	**40,734,762,839**
	81,338,275,471	**90,657,013,578**

The movements in IMF quota subscription during the year:

	30 June 2024	30 June 2023
Beginning balance	21,941,217,675	29,921,124,958
Current Fair Value adjustment	615,906,502	1,164,021,619
Reclassification adjustment*	-	(9,143,928,902)
Total	**22,557,124,177**	**21,941,217,675**

*The downward adjustment to the IMF quota Subscription for the comparative period is due to misclassification of the IMF currency holding valuation adjustment for proportion of loan received by government of Ethiopia/MoF to CVA account.

NBE holds funds it has received from international financial institutions as either loans or direct bank deposits that it is obliged to repay back as per the membership agreements. The obligation is measured at amortized cost.

Holdings of Special drawing rights (SDR) which is deposit denominated in SDR is used to effect payments against IMF obligations such as loan repayments and charges. The SDR currency is derived from a basket of 5 currencies (USD, EURO, GBP, JPY and Yuan).

18. Balance with /due to International Monetary Fund (IMF)(continued)

Ethiopia has been a member of the International Monetary Fund (IMF) since 1945. The Bank acts as the fiscal agent that conducts the financial transaction with the IMF and designated as the depository for IMF's currency holdings. The Ethiopia's quota in IMF stood at SDR 300.7 million (2023; SDR 300.7 million), which represents 4,459 votes' equivalent to 0.09% of voting rights. The quota is determined upon admission to the IMF and is increased periodically under general quotas reviews. The Ethiopia's quota in IMF is its membership subscription which is granted mainly by the issue of promissory notes in favor of the IMF and partly by foreign currency payments by the Government of Ethiopia. Being in line with strategic investment criteria, Ethiopia's quota in the IMF was designated as measured at FVOCI. The variation of the quota recorded during the reporting period represents the revaluation of the value of the quota in SDR at the exchange rate of Ethiopian Birr as determined by IMF at 30 April, 2024.

IMF currency holdings are held in the form of either promissory notes which are payable on demand and non-interest bearing & non-negotiable or in the No. 1 and No. 2 Accounts, which are deposit accounts of the IMF with the Bank. Its valuation is done on a quarterly basis with IMF requirements for these specific Accounts. The amounts included in the Local currency liability also include the loans received by the Bank from the IMF. The loans are denominated in Special Drawing Rights (SDR), while measured in the equivalent of Ethiopian Birr at the end of the reporting period.

Borrowings from and repayments to the IMF are denominated in Special Drawing Rights (SDRs).

As of 30 June 2024, the Bank's outstanding balance of loans due to IMF is as follows:

- EFF commitments - SDR 82.69 million (30, June 2023 - SDR 90.21 million)
- ECF commitment-SDR 133.6 million (30, June 2023 - SDR 133.6 million)
- SDR allocations - SDR 416.1 million (30, June 2023 - SDR 416.1 million)

The Extended Fund Facility (EFF) represents the loans granted to the IMF members to finance the balance of payments deficit. IMF granted a loan under the EFF amounting to SDR 90.21 million on December 18, 2019, for a 10-year term, including a 4.5-year grace period. The interest rate on this loan is floating, determined on weekly basis and includes a margin set by the IMF.

The Extended Credit Facility (ECF, previously PRGF) represents the loans granted to the countries that meet the eligibility criteria approved by the IMF under concessional financing to support economic growth and poverty reduction. The IMF granted loan under ECF facility amounting to SDR 133.6 million on December 16, 2019 for a 10-year term and with a 5.5-year grace period. Based on the decision of the IMF Executive Board, the ECF loan bears no interest.

The Rapid Financing Instrument (RFI) represents the loans granted to the countries that meet the eligibility criteria approved by the IMF for Direct budget financing. The IMF granted RFI loans to Ethiopia amounting to SDR 300.7million on April 30, 2020 for a 5-year term and with a 3.25-year grace period. The interest rate on this loan is market-determined Special Drawing Rights (SDR) interest rate-which has a minimum floor of 5 basis points and a margin (currently 100 basis points), together known as the basic rate of charge as set by the IMF.

18. Balance with /due to International Monetary Fund (IMF) (continued)

To present Ethiopia's complete financial position to the IMF, the table below outlines the amounts of financing funds received by Ethiopia from the IMF:

Loans and other financing from the IMF	**Balance as 30 June 2023**	**Reimbursements**	**Receipts**	**Balance as 30 June 2024**
	SDR' in millions	**SDR' in millions**	**SDR' in millions**	**SDR' in millions**
National Bank of Ethiopia	90.21	7.52	-	82.69
Ministry of Finance	-	-	-	-
EFF	**90.2**	**7.52**	**-**	**82.69**
National Bank of Ethiopia	133.64	-	-	133.6
Ministry of Finance	-	-	-	-
ECF	**133.6**	**-**	**-**	**133.6**
National Bank of Ethiopia	-	-	-	-
Ministry of Finance	300.7	150.35	-	150.35
RFI	**300.7**	**150.35**	**-**	**150.35**
National Bank of Ethiopia	416.1	-	-	416.1
Ministry of Finance	-	-	-	-
SDR allocations	**416.1**			**416.1**

SDR allocations represent the general reserve allocations in SDR made by the IMF in August 2009 and the special allocations distributed by the IMF in September 2009 under Amendment IV to the IMF Statute.

At the same time, on 2 August 2021, the Board of Governors of the IMF approved a resolution on a new procedure for allocating special drawing rights to member countries, in proportion to the size of Ethiopia's share in the IMF held at the date of the decision. On 23 August 2021, SDR 288.2 million were allocated and transferred to Government of Ethiopia, the allocation rate being about 95.84% of the size of the Quota.

19. Due to International Financial institutions

Deposits due to international financial institutions were as follows:

	30 June 2024	**30 June 2023**
International Bank for Reconstruction and Development (IBRD)	34,977,247	7,057,660
International Development Association	705,369	2,640,301
Multilateral Investment Guarantee Agency	156,782	156,781
	35,839,398	**9,854,742**

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20. Due to other institutions

	30 June 2024	30 June 2023
Deposits from foreign institutions		
Foreign currency deposits due to International institutions	257,699,053	250,510,001
Time deposits due to Saudi Arabia[1]	58,787,223,651	55,146,907,191
Time deposit due to Abu Dhabi[2]	173,801,420,366	54,871,872,275
	232,846,343,070	**110,269,289,467**

[1]Saudi Arabia deposited a time deposit worth USD 1billion with NBE in November 2015 for a period of 6 years at an interest rate of 3%. NBE received an additional time deposit of USD 500 Million in period ended 30 June 2019 after repaid same amount from November 2017 - November 2019 as per the repayment contract. The two parties agreed to a new repayment plan. NBE did not offer any collateral for the time deposit.

[2]NBE received a time deposit of amount USD 1 billion from Abu Dhabi Fund in period ended 30 June 2019 at a fixed interest rate of 3% per annum payable semi- annually. Additionally, in October 2023, the Bank received a new time deposit of USD 2 billion from Abu Dhabi Fund for a term of one year, bearing a fixed interest rate of 4% per annum, payable semi-annually.

21. Currency in circulation

	30 June 2024	30 June 2023
Notes	257,467,545,704	254,510,097,077
Coins	1,368,299,053	1,345,533,103
	258,835,844,757	**255,855,630,180**

-NBE issues notes and coins on behalf of the government to the country to run the economy; monitor the inflation rates and maintain economic stability. These are non-interest-bearing liabilities and are due on demand.

22. Provisions

	Bonuses	Legal	Total
Balances at 30 June 2022	**34,056,318**	**2,005,587**	**36,061,905**
Increases (decrease) recorded in profit or loss	38,196,259	1,217,859	39,414,118
Paid during the year	(34,056,318)	-	(34,056,318)
Balances at 30 June 2023	**38,196,259**	**3,223,446**	**41,419,704**
Increases (decrease) recorded in profit or loss	42,036,804	(794,413)	41,242,391
Provisions used during the year	(38,196,259)	-	(38,196,259)
Balances at 30 June 2024	**42,036,804**	**2,429,033**	**44,465,837**

22. Provisions (continued)

Bonus represent short-term benefits arising from past services provided by employees and are expected to be paid within the next 12 months. Legal provisions represent various claims that are pending outcome at the courts which the Bank's legal team has determined that Bank is more than probable to lose. The Bank has created a provision for this amount to ensure the Bank is covered when the legal claims are decided against the Bank. During the financial year ended 30 June 2024, the Bank was engaged with a determined exposure related to legal matters amounted to Birr 57,516. Furthermore, a previously recognized provision of Birr 851,929 related to an ongoing legal case was reversed during the year, as the case was resolved in favor of the Bank. The reversal of this provision has been duly recorded in the statement of profit or loss for the year.

23. Government grants

(a) Land grant

NBE was awarded five (5) parcels of land by the Federal government on which the Bank constructed buildings for its own use. Below are the details of the land awarded by Federal government:

Location	Sub-city	Landholding certificate issue date	Size (metres squared)	Lease term
Addis Ababa	Akaki Kaliti	28 February 2000	165,067	Refer to comment below[2]
Addis Ababa	Lideta	17 July 2011	7,669	
Addis Ababa	Lideta	12 January 1999	5,862	
Addis Ababa	Lideta[1]	01 July 1978	-	
Addis Ababa	Kirkos	04 December 2018	4,869	

[1] The bank awaits a revised land holding certificate which will determine the correct sizes of the parcel of land

[2] At the time of award of these parcels of land, there were no lease terms defined as they were indicated as old possessions in the certificate of ownership. Further the bank has not been making any lease payments on these properties

The Bank was awarded additional six (6) parcels of land by the regional governments and chartered cities which were awarded free of charge. The Bank settled displacement cost and annual government land use rates related to the land awarded. The land was donated to NBE in order to enhance the Banks' ability to provide central banking services to institutions in various regions and cities. The right to use additional land in Kombolcha (Amhara region) commenced on 9 February 2016 and is still in progress. There are no unfulfilled conditions or contingencies attached to this government grants.

23. Government grants (continued)

(a) Land grant (continued)

Below are the details of land awarded by the regional governments:

Regional government	Location	Landholding certificate issue date	Size (metres squared)	Lease term
Diredawa	Dire dawa	06 July 2017	12,000	99 years
Amhara	Bahir Dar City	20 October 2015	12,000	70 years
SNNP	Hawasa	05 August 2016	10,855	99 years
SNNP	Wolata Sodo[1]	29 October 2015	12,000	Refer to comment [1] below
Tigray	Mekele[1]	20 October 2015	8,807	
Amhara	Kombolcha[2]	09 February 2016	12,000	Refer to comment [2] below

[1] No lease term defined for these two (2) parcels of land. The certificate of ownership for these two parcels of land indicates these as old possessions.

[2] The bank has received a temporary documentation for this parcel of land and currently awaits the official land holding certificate that should define the lease term.

The bank received all six (6) parcels of land free of any lease payments from the regional governments and is not expected to make any lease payments even on the parcels of land with a defined lease term.

The Bank has incurred the following costs in fulfilling the land grant conditions and contingencies.

Regional government	Location	Displacement costs ETB
Diredawa	Dire dawa	2,822,639
SNNP	Wolata Sodo	8,059,041
SNNP	Hawasa	195,498
Amhara	Kombolcha	2,094,363

The above displacement costs have been recorded under capital work in progress (CWIP). The costs will be capitalized under buildings when the construction is finalized for the same.

(b) Monetary donation

Monetary grants refer to donations received in the form of money. The Bank received a monetary donation for the purchase of twenty laptops from Rural Financial Intermediation Programme III (RUFIP) on 02 Oct 2023.

The laptops were purchased for use by the Microfinance Supervision Directorate to enhance efficiency in provision of services to Microfinance institutions. The Bank adopted government grant accounting for asset-based grants and recognizes the laptops at cost under property and equipment. The laptops have been classified under property and equipment.

23. Government grants (continued)

(c) Non-monetary donation

Non-monetary grants refer to donations received in kind. The Bank did not receive any non-monetary donations during the financial year ended 30 June 2024.

There are no unfulfilled conditions or contingencies attached to these donations.

(d) Deferred revenue

Cost	ETB	**30 June 2024**	**30 June 2023**
Balance as at 1 July		16,061,708	16,061,708
Additions		2,782,6099	-
Balance at 30 June		**18,844,317**	**16,061,708**
Amortization	ETB		
Balance as at 1 July		(7,182,862)	(4,022,669)
Additions		(3,268,622)	(3,160,193)
Balance at 30 June		**(10,451,484)**	**(7,182,862)**
Net balance		**8,392,833**	**8,878,846**

24. Due to the Ministry of Finance

	30 June 2024	**30 June 2023**
Balance as at 1 July	11,120,875,954	5,374,906,270
Less: Dividends paid during the year	-	(1,500,000,000)
Less: Transfer to General Reserve[1]	(11,120,875,954)	-
	-	**3,874,906,270**
Add: 80% of Operating surplus for the year	-	7,245,969,684
Balance as at 30 June	**-**	**11,120,875,954**

[1]In line with the Board's decision, the Bank transferred the accumulated dividend payable to the Ministry of Finance to the General Reserve, with the objective of strengthening the Bank's capital position. The Bank is owned by the Government through the Ministry of Finance. It is expected to remit 80% profits earned during the year as dividends to the Ministry subject to having fulfilled the required threshold for its General reserves (Note 27).

25. Employee benefits

(a) Movements in the present value of defined benefit obligations (DBO)

	30 June 2024	30 June 2023
Defined Benefit Obligations (DBO) at beginning of the year	**394,772,324**	**196,314,924**
Current service costs	24,035,328	15,160,982
Interest cost	58,974,514	26,777,356
Past service cost	-	-
Remeasurements generated during the period	(1,067,714)	22,749,470
Payments/Settlements in the year	(17,702,588)	(38,648,427)
Included in profit or loss during the period	**64,239,540**	**26,039,380**
Actuarial losses/ (gains) recognized in other comprehensive income	(50,478,770)	172,418,020
Defined Benefit Obligations (DBO at the end of the year	**408,533,094**	**394,772,324**

This defined benefit plan exposes the Bank to actuarial risks, such as longevity risk, currency risk, interest risk and market risk.

(b) Actuarial losses/ (gains) recognized in other comprehensive income

	30 June 2024	30 June 2023
Cumulative amount at 1 July	(119,382,448)	53,035,572
Recognized during the year	50,478,770	(172,418,020)
Actuarial losses/(gains)	**(68,903,678)**	**(119,382,448)**

(c) Actuarial assumptions

The principal actuarial assumptions at the reporting date are detailed below:

	30 June 2024	30 June 2023
Discount rate	14.75%	14.82%
Salary increase rate	15.75%	15.70%
Long term inflation rate	-	12.80%
Long term medical inflation rate	12.75%	13.75%
Funeral Benefit Escalation rate	10.75%	-

The assumed discount rates are derived from rates available on government bonds for which the timing and amounts of payments match the timing and the amounts of our projected post-employment benefits pay-outs.

25. Employee benefits (continued)

(c) Actuarial assumptions (continued)

Reasonably possible changes at the reporting date, in any of the actuarial assumptions and assuming that all the other variables remain constant, would have affected the defined benefit obligations as of 30 June 2024 by the amounts shown below:

Sensitivity analysis:

	30 June 2024		30 June 2023	
	Increase	**Decrease**	**Increase**	**Decrease**
Discount rate (0.50% movement)	67,221,001	(57,827,925)	(193,661,436.61)	(190,906,207.87)
Salary increase rate (1.00% movement)	39,972,814	(33,618,546)	11,016,193,.97	(9,393,369,.24)

The above sensitivity analysis has been determined based on reasonably possible changes on the actuarial assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

26. Other liabilities

Other liabilities as of the reporting dates are as follows:

	30 June 2024	30 June 2023
Accounts payable	274,012,840	810,962,366
Sundry creditors	93,539,547	144,109,334
Reconciling items*	23,000,000,000	-
	23,367,552,387	**955,071,700**

*The balance under Reconciling items as of June 30, 2024, related to pending settlements for fund transfers to banks on behalf of various government agencies. These amounts were subsequently cleared after the reporting date.

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27. Capital and other reserves

(a) Capital

Capital is defined in the NBE proclamation No. 591/2008 and has been set at ETB 500 million (**2022:** ETB 500 M) as per parliamentary mandate. Any changes in the Capital are determined through review of economic policy issues and the need to manage macro-economic policy issues and maintain market stability.

Capital is meant to act as a risk management tool and covers the Bank against any risk and also prevents insolvency. The Bank is wholly owned by the Government of the Federal Democratic Republic of Ethiopia.

(b) General reserve

The General Reserve is a statutory reserve and is defined in the NBE proclamation No. 591/2008. The Balance of this reserve is dependent on the Capital amount. The proclamation defines that 20% (twenty percent) of the net profit shall be paid each financial year into the General reserve fund until the fund equals the paid-up capital of the National Bank. The remaining 80% (eighty percent) shall be credited to the account of the Ministry of Finance (MOF).

Where the General reserve fund equals the paid-up capital of the Bank, the total amount of the net profit shall be credited each financial year to the account of the Ministry of Finance (MOF). Net losses of the National Bank shall be debited to the General reserve fund. If at any time, as a result of net losses sustained by the Bank, the General reserve fund is less than the paid-up capital, the fund is replenished as per proclamation guidance until it equals the paid-up capital.

The General Reserve has been below the current Capital account balance of ETB 500 Million. Therefore, further transfers to this reserve are required. The Board of directors have decided to transfer the accumulated dividend payable to the Ministry of Finance to the General Reserve, with the objective of strengthening the Bank's capital position.

(c) International reserve valuation

This reserve was set up to absorb foreign currency gains and losses during translation. The NBE proclamation and parliamentary directives have not set any limits or thresholds for this reserve.

The balance of this reserve account is not available for distribution since it relates to unrealized effects from foreign currency translations. In accordance with the newly enacted NBE Proclamation No. 1359/2025, Article 8.4(a), the Bank will resume the transfer of such unrealized gains or losses to this reserve starting from 2024/25 Financial year.

(d) Retained earnings

This reserve acts as a temporary reserve. The proclamation states that 20% of annual profits be transferred to the General reserve till it match the Capital. After this limit has been reached, all profits earned during the year are transferred to the Ministry of Finance (MOF) as dividends.

27. Capital and other reserves (continued)

(e) Fair value reserve

This reserve comprises the cumulative net change in the fair value changes of investment securities and IMF quota. All unrealized gains and losses are recognized in other comprehensive income and credited to the fair value reserve until the investment is derecognized or impaired. This reserve is not available for distribution.

(f) Defined benefit reserve

This reserve represents the net effect of actuarial gains and losses recognized in other comprehensive income. These gains and losses arise from adjustments in the assumptions used for the actuarial valuation of the defined benefit obligations and is not recycled to profit or loss in future periods. This reserve is not available for distribution.

(g) Other reserve

This reserve arises from the IFRS transition adjustments. This reserve is not available for distribution.

28. Financial risk review

The Bank is involved in policy-oriented activities including targeted inflationary monetary policy using monetary controlling instruments. With this regard, the Bank's risk management framework differs from the risk management frameworks for commercial banks because of the difference in their perspective objectives and the nature of assets and liabilities. The Bank's overall risk management program focuses on the Bank's role of maintaining price and exchange rate stability and supporting sustainable economic growth.

The Bank is exposed to a wide array of risks such as foreign currency liquidity, credit, foreign exchange rate, interest rate and gold price movement risks. Financial risk management requires identifying sources of risks, measuring of risks, and designing and implementing appropriate risk management tools, techniques and structure.

The Financial risks have been measured using foreign exchange liquidity gap, interest sensitive asset-liability gap, single foreign currency asset-liability open positions, and credit risk exposure measurement techniques. The major sources of Bank's financial risks are mismatches of assets and liabilities, counter party failure to repay the balances, changes in foreign exchange and interest rate as well as movement in gold prices.

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28. Financial risk review (continued)

The responsibility for risk management is decentralized and is carried out by the different directorates with the Board of Directors providing oversight role. A Risk management team is responsible for advising the management on the monitoring and management of all risks that the Bank faces. The Internal Audit and Risk Management Directorate (IAMRD) is responsible for the development and regular update of the Risk Management Framework. The Directorate regularly reviews and monitors the implementation and effectiveness of the risk management process, including the development of an appropriate risk management culture across the Bank.

The main financial risks to which the Bank is exposed include:

a.) Financial risks include:
   i. Credit risk
   ii. Market risks including: Interest rate risk; Gold commodity price risk and Foreign exchange risk

b.) Liquidity risk

c.) Non-financial risks include:
- Operational risk
- Human resource risk
- Reputational risk
- Cyber security risk assessment

i.) Credit risk

Credit risk is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligation to the Bank. Credit risk could result from complete or partial failure of the counterparties to fulfill their contractual financial obligations with the Bank in accordance with agreed terms or from change in credit quality.

Credit risk exposures arise from investment securities, balances due from banking institutions, funds held with IMF, loans, and advances as well as other assets. The Bank has no significant concentrations of credit risk **except** for the securities relating to Government of Ethiopia.

Management of credit risk is through a choice of depository banks. The Bank's choice of depository banks is confined to top international banks that meet the set eligibility criteria of financial soundness on long-term credit rating (A), short-term credit rating (F1), composite rating and capital adequacy.

The amount that best represents the Bank's maximum exposure to credit risk is per the statement of financial position.

The Bank assesses the credit quality of these assets. None of the balances have had their terms renegotiated as a result of non-performance. Management monitors the credit exposure of staff on a continuous basis, taking into account their financial position, past experience and other factors.

28. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost, FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments the amounts in the table represent the amounts committed.

	30 June 2024 Staging			
Financial assets	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balances due from foreign entities – commercial banks	32,061,462,892	-	-	32,061,462,892
Balances due from foreign entities – Central banks	47,483,737,622	-	-	47,483,737,622
Cash - foreign currencies	712,631,306	-	-	712,631,306
Funds held with IMF	176,870,099	-	-	176,870,099
Loans to government banks	134,953,595,130	-	-	134,953,595,130
Loans to private commercial banks	13,210,129,048	-	-	13,210,129,048
Other assets – Staff loans	160,112,213	-	186,701	160,298,913
Other assets – Staff advances	4,853,910	77,803	3,460,238	8,391,951
Due from Government of Ethiopia	687,897,177,830	-	-	687,897,177,830
Total gross exposure	**916,660,570,050**	**77,803**	**3,646,938**	**916,664,294,791**
Loss allowance	(5,462,410,942)	(188)	(3,646,938)	(5,466,058,068)
Carrying amount	**911,198,159,108**	**77,615**	**-**	**911,198,236,723**

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28. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

Credit quality analysis

	30 June 2023 Staging			
Financial assets	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balances due from foreign entities – commercial banks	26,551,779,926	-	-	26,551,779,926
Balances due from foreign entities – Central banks	27,228,439,137	-	-	27,228,439,137
Cash - foreign currencies	654,953,910	-	-	654,953,910
Funds held with IMF	106,243,555	-	-	106,243,555
Loans to government banks	138,669,694,348	-	-	138,669,694,348
Loans to private commercial banks	15,055,046,984	-	-	15,055,046,984
Other assets – Staff loans	78,876,575	-	454,627	79,331,202
Other assets – Staff advances	2,100,417	121,750	802,038	3,024,205
Due from Government of Ethiopia	586,975,969,831	-	-	586,975,969,831
Total gross exposure	**795,323,104,683**	**121,750**	**1,256,664**	**795,324,483,097**
Loss allowance	(4,773,785,703)	(554)	(1,256,664)	(4,775,042,921)
Carrying amount	**790,549,318,980**	**121,196**	**-**	**790,549,440,176**

Impairment of loans is recognized - on an individual or collective basis - in three stages under IFRS 9. Stage 1 refers to default events that are possible within the next 12 months from loan origination. Stage 2 refers to significant increase in credit risk since initial recognition. Stage 3 refers to an increase in a loan's credit risk to the point where it is considered credit impaired. Further explanations on the approaches to staging are included in Note 3 (b).

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28. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

Expected Credit Loss allowance movement

The following table explains the changes in the loss allowance between the previous period and the current reporting period due to change in credit risk factors

	Stage 1	Stage 2	Stage 3	
	12 month ECL	Life time ECL	Life time ECL	Total
a. Loss allowance`- Balances with Foreign banks	ETB	ETB	ETB	ETB
Loss allowance as at 01 July 2023	**5,326,722**	-	-	**5,326,722**
Movement with impact in the statement of profit or loss				-
New financial asset originated or purchased	657,011			657,011
Financial asset that have been derecognised/settled	(235,914)			(235,914)
Change in risk parameters (LGD/PD)	116,607			116,607
Transfer between stages	-			-
Total net P&L charge during the year	**537,705**	-	-	**537,705**
Loss allowance as at 30 June 2024	**5,864,427**	-	-	**5,864,427**

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28. Financial risk review (continued)

a.) Financial risks (continued)

i. Credit risk (continued)

Expected Credit Loss allowance movement (continued)

b. Loss allowance`-Loans and advances	**Stage 1 12 month ECL ETB**	**Stage 2 Life time ECL ETB**	**Stage 3 Life time ECL ETB**	**Total ETB**
Loss allowance as at 01 July 2023	**4,768,458,981**	**554**	**1,256,664**	**4,769,716,199**
Movement with impact in the statement of profit or loss				-
New financial asset originated or purchased	745,388,501		6,380	745,394,881
Financial asset that have been derecognised/settled	(100,809,302)	(105)	(643)	(100,810,050)
Change in risk parameters (LGD/PD)	43,508,335	(261)	2,384,538	45,892,612
Transfer between stages	-	-	-	
Total net P&L charge during the year	**688,087,534**	**(366)**	**2,390,274**	**690,477,442**
Loss allowance as at 30 June 2024	**5,456,546,515**	**188**	**3,646,938**	**5,460,193,641**
c. Total Loss allowance as at 30 June 2024 (a+b)	**5,462,410,942**	**188**	**3,646,938**	**5,466,058,068**

28. Financial risk review (continued)

a.) Financial risks (continued)

i. Credit risk (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to the relevant financial assets is as follows:

	Stage 1 12 month ECL ETB	Stage 2 Life time ECL ETB	Stage 3 Life time ECL ETB	Total ETB
a. Gross carrying amount - balance with foreign Commercial banks				
Gross carrying amount as at 01 July 2023	**26,551,779,926**	-	-	**26,551,779,926**
Movement with impact in the Statement of Financial Position Changes in the gross carrying amount				
New financial asset originated or purchased	8,596,405,225	-	-	8,596,405,225
Financial asset that have been derecognised/settled	(3,086,722,259)	-	-	(3,086,722,259)
Change in risk parameters	-	-		-
Transfer between stages	-	-	-	-
Gross carrying amount as at 30 June 2024	**32,061,462,892**	**-**	**-**	**32,061,462,892**

28. Financial risk review (continued)

a.) Financial risks (continued)

i. Credit risk (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to the relevant financial assets is as follows:

b. Gross carrying amount - balance with Central banks (including fund held with IMF)	**Stage 1 12 month ECL ETB**	**Stage 2 Life time ECL ETB**	**Stage 3 Life time ECL ETB**	**Total ETB**
Gross carrying amount as at 01 July 2023	**27,334,682,693**	-	-	**27,334,682,693**
Movement with impact in the Statement of Financial Position Changes in the gross carrying amount				
New financial asset originated or purchased	24,395,055,518	-	-	24,395,055,518
Financial asset that have been derecognised/settled	(4,069,130,490)	-	-	(4,069,130,490)
Change in risk parameters	-			-
Transfer between stages	-	-	-	-
Gross carrying amount as at 30 June 2024	**47,660,607,721**	-	-	**47,660,607,721**

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28. Financial risk review (continued)

a.) Financial risks (continued)

i. Credit risk (continued

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to the relevant financial assets is as follows:

c. Gross carrying amount - Loans and advances	**Stage 1 12 month ECL ETB**	**Stage 2 Life time ECL ETB**	**Stage 3 Life time ECL ETB**	**Total ETB**
Gross carrying amount as at 01 July 2023	**740,781,688,155**	**121,750**	**1,256,664**	**740,783,066,569**
Movement with impact in the Statement of Financial Position Changes in the gross carrying amount				
New financial asset originated or purchased	118,412,913,052	-	2,658,200	118,415,571,252
Financial asset that have been derecognised/settled	(22,968,733,073)	(43,947)	(267,926)	(22,969,044,946)
Change in risk parameters	-	-	-	-
Transfer between stages	-	-	-	-
Gross carrying amount as at 30 June 2024	**836,225,868,134**	**77,803**	**3,646,938**	**836,229,592,875**
d. Total Gross carrying amount as at 30 June 2024	**915,947,938,747**	**77,803**	**3,646,938**	**915,951,663,489**

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28. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

Credit Risk Exposure

Credit Risk Exposure by Credit Rating

The table below shows the credit ratings by rating agencies for the different counterparties that the Bank engages with and denotes the credit quality of financial assets traded with these entities.

No	List of Correspondent Banks – Current Accounts Balances	Type of Institution	Credit Ratings as of 30 June 2024		
			Fitch	S&P	Moody's
1	Federal Reserve Bank	Central Bank	AAA	AA+	Aaa
2	BIS Basel	Central Bank	AAA	AAA	Aaa
3	Bank of England	Central Bank	AA-	AA	Aa3
4	Deutsche Bundesbank	Central Bank	A-	A-	A1
5	Banca D'Italia	Central Bank	BBB	BBB	Baa2
6	Banque Nati De Belgique	Central Bank	AA-	AA-	A2
7	Commerzbank	Commercial Bank	BBB	A-	A1+ve
8	Citibank New York	Commercial Bank	AA-	A+	Aa3
9	Bank of Tokyo	Commercial Bank	A-	A	A1
10	JP Morgan Chase Bank	Commercial Bank	AA-	A+	Aa3
11	National Westminster	Commercial Bank	A	BBB+	A3
12	Standard Chartered Bank, London	Commercial Bank	A+	A+	A1
13	Nordea Bank	Commercial Bank	AA-	AA-	A2
14	Central Bank of The United Arab Emirates	Central Bank	AA-	AA	A2
15	Eastern and Southern Africa Trade and Development Bank	Commercial Bank	BB+	BB+	Baa3
16	Afreximbank	Commercial Bank	BBB	BB+	Baa1

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28. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

Credit Risk Exposure

Credit Risk Exposure by Credit Rating

Total assets of the Bank exposed to credit risk as of 30 June 2024 with its comparative figures are presented in the table below according to the classification of assets (classification according to external credit rating is done based on credit ratings published by Standard and Poor's).

Description	30-Jun-24		30-Jun-23	
	ETB	Share (%)	ETB	Share (%)
Central Banks				
AAA To A-	47,483,737,572.77	5.18	27,224,003,403	3.43
BBB+ To BBB	49.29		4,435,735	-
Foreign Commercial Banks				
AAA To A-	12,637,481,390	1.38	8,823,692,532	1.11
BBB+ To BB+	19,423,981,501.93	2.12	17,728,087,394	2.23
Due from Government of Ethiopia				
NR*	687,897,177,830	75.10	586,975,969,831	73.86
Loans to Government Banks	134,953,595,130	14.73	138,669,694,348	17.45
NR*				
Loans to Private Commercial Banks				
NR*	13,210,129,051	1.44	15,055,046,984	1.89
Fund held with IMF				
NR*	176,870,099	0.02	106,243,555	0.01
Other Asset				
NR*	168,690,864	0.02	82,355,407	0.01
	915,951,663,489	**100**	**794,669,529,188**	**100**

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28. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

Concentrations of credit risk

The Bank monitors concentrations of credit risk by geographic location and by counterparty type. An analysis of concentrations of credit risk is shown below.

Concentration by geographical location is based on the country of domicile of the issuer of the security. Concentration by counterparty type is based on the nature of the institution such as foreign governments, central banks and supranational institutions.

An analysis of the bank's financial assets by geographical concentration as at 30 June 2024 is as follow:

Description	Ethiopia	USA	UK	Germany	Other European Countries	Africa	Other Countries	Total
	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
Assets								
Balances due from foreign entities - commercial banks	-	5,565,563,665	819,760,852	1,197,048,169	5,761,537,986	18,633,410,850	84,141,371	32,061,462,892
Balances due from foreign entities - Central banks	-	41,515,090,875	5,801,461,037	46,391,538	87,990,357	-	32,803,815	47,483,737,622
Funds held with IMF	-	176,870,099	-		-	-	-	176,870,099
Loans to government banks	134,953,595,130	-	-		-	-	-	134,953,595,130
Loans to private commercial banks	13,210,129,051	-	-		-	-	-	13,210,129,051
Other assets	168,690,864	-	-		-	-	-	168,690,864
Due from Government of Ethiopia	687,897,177,830	-	-	-	-	-	-	687,897,177,830
Total Financial assets at 30 June 2024	**836,229,592,875**	**47,257,524,639**	**6,621,221,889**	**1,243,439,707**	**5,849,528,342**	**18,633,410,850**	**116,945,187**	**915,951,663,489**

28. Financial risk review (continued)
a.) Financial risks (continued)
i.) Credit risk (continued)

Concentrations of credit risk

An analysis of the bank's financial assets by geographical concentration as at 30 June 2023 is as follow:

Description	Ethiopia	USA	UK	Germany	Other European Countries	Africa	Other Countries	Total
	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
Assets								
Balances due from foreign entities - commercial banks	-	7,494,361,982	1,298,513,208	741,918,432	205,861	16,986,167,817	30,612,625	26,551,779,926
Balances due from foreign entities - Central banks	-	25,710,199,424	1,390,715,892	4,435,687	79,441,764		43,646,371	27,228,439,137
Funds held with IMF		106,243,555						106,243,555
Loans to government banks	138,669,694,348							138,669,694,348
Loans to private commercial banks	15,054,294,232							15,055,046,984
Other Assets	82,355,407							82,355,407
Due from Government of Ethiopia	586,975,969,831							586,975,969,831
Total Financial assets at 30 June 2023	**740,782,313,818**	**33,310,804,962**	**2,689,229,100**	**746,354,119**	**79,647,625**	**16,986,167,817**	**74,258,996**	**794,669,529,188**

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28. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

a.) Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information. The Bank assesses significant increase in credit risk at portfolio level, of which the definition varies based on the asset type and contractual obligation of the counterparty.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently.

When contractual terms of a loan have been modified, evidence that the criteria for recognizing lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

– The criteria are capable of identifying significant increases in credit risk before an exposure is In default;

– The average time between the identification of a significant increase in credit risk and default appears reasonable;

– there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

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28. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

a.) Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (Continued)

Definition of default

The Bank considers a financial asset to be in default when:

– The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held);
– A counterparty goes into delinquency, liquidation or forbearance;
– For short – term loans, the borrower is in arrears beyond the contractual maturity date; or
– it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:
– Qualitative: e.g. breaches of covenant and liquidation;
– Quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank due to credit distress; and
– based on data sourced internally and obtained from external sources.
Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of exposures has increased significantly since its initial recognition and the measurement of ECL. Internal information considered in forward-looking ECL includes macro-economic data and forecasts by NBE's Economic Modeling and Statistical Analysis Directorate. This is in addition to default rate based on historical transactional data for local currency that the Bank has identified and documented as key drivers of credit risk and credit losses for each portfolio of financial instruments using an analysis of historical data.

To determine the ECL, the Bank formulates three economic scenarios: a base case which is the median scenario and two other scenarios, one upside and one downside scenario. The base case scenario is provides a measure of the predictive power of the model and is based on the macroeconomic model's information value output. The upside and downside scenarios are based on a combination of a percentage error factor as well as simulated optimistic and pessimistic macroeconomic projections based on a measure of historical macroeconomic volatilities. The Bank also applies qualitative management adjustments to the three scenarios to obtain a weighted input based on economic outlook.

28. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

a.) Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (Continued)

Incorporation of forward-looking information (Continued)

The Bank has analyzed the volatility arising from the economic impact of the global challenges, geopolitical & domestic Political instability and applied additional scenario analysis as well as stress tests to the macroeconomic overlay model. This includes application of stress tests on the downside scenario macroeconomic projections as well as qualitative adjustments to the base, upside and downside scenario weights. The Bank is continuously monitoring the economic impact of global challenges on its credit risk profile as well as the Forward - looking Expected credit loss estimates and will update its IFRS 9 Forward looking estimates as and when significant changes in the overall macroeconomic environment are experienced.

The key drivers for credit risk for each of the Bank's economic sectors are summarized below:

Financial year ended	**Macro-Economic Factors**					
	GDP	**Fiscal/Balance of payment**	**Exchange rate**	**Money supply**	**Debt**	**Inflation**
30 June 2024	- EXPENDITURE: Imports of goods and services, ETBbn	-FISCAL: Current Expenditures, ETBbn			-Government domestic debt, ETBbn	-Consumer price index, 2010 = 100, ave
30 June 2023	- EXPENDITURE: Imports of goods and services, ETBbn	-			-Government domestic debt, ETBbn	-Consumer price index, 2010 = 100, ave

The macroeconomic data used as at 30 June 2024 included the following key indicators for Ethiopia for the year 2024 to 2025:

Macro-Economic Factor	**30 June 2024**	**30 June 2025**
GDP EXPENDITURE: Imports of goods and services, ETBbn	1,382.1	1,674.4
-FISCAL: Current Expenditures, ETBbn	652.6	802.1
INFLATION: Consumer price index, 2010 = 100, ave	427.2	540.8
DEBT: Government domestic debt, ETBbn	2,120.1	2,754.6

Predicted relationships between the key macroeconomic indicators and historical transactional data of 12 – month default rates have been developed based on analyzing annual historical data over the past 13 years.

The following are probability weightings applied in the forward - looking scenario analysis as at June 2024

	Upside	**Median (Central)**	**Downside**
30 June 2024	10%	70%	20%

28. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

a.) Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (Continued)

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing facility whose terms have been modified may be derecognized and the renegotiated loan recognized as a new facility at fair value in accordance with the accounting policy set out in Note 3 (a (IV)).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:
– The rationale for modification; with
– The Bank's assessment of available and supportable information with regards to the counterparty's credit risk profile prior to and after modification.

When modification results in derecognition, a new facility is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).
The Bank may renegotiate loans to banks in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.
The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of covenants.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.
Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 3 (a (viii)). A Counterparty needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

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28. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

a.) Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (Continued)

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:
– Probability of default (PD);
– Loss given default (LGD); and
– Exposure at default (EAD).

Probability of Default ("PD") –is an estimate of the likelihood of default over a given time horizon. Credit risk grades/ratings are a primary input into the determination of the term structure of PD for exposures. The Bank employs statistical models to analyze the data collected and assess performance and default of its credit risk exposures analyzed by counterparty as well as by credit risk grading/ratings.

The methodology for determining PDs for domestic private commercial banks has been assumed as a minimum PD floor as domestic banks are not rated by credit rating agencies and exposure to local banks were very short term and fully collateralized by government securities.

For the assets denominated in foreign currency, the Bank uses 12-month PDs for sovereign and non-sovereign issuances, estimated based on the probability of default estimation of Standard and Poor's (S&P) 12-month transition matrices which indicate a possibility of bankruptcy over 12 months for issuers per each respective rating category.

For exposures to the Ethiopian Government and Government–owned Banks in domestic currency, the estimated PD considers the historical default rate of transactional data and detailed assessments of the ability of the Government to fulfill its contractual cash flow obligations which considers also the macroeconomic indicators over the assessment period.

LGD is the magnitude of the likely loss if there is a default. The Bank primarily estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD is measured at segment level. For segments with no previous default experience, the Bank applies a minimum LGD approach, benchmarking against the Basel internal ratings-based measurement approach.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default.

28. Financial risk review (continued)

a.) Financial risks (continued)

i.) Credit risk (continued)

a.) Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (Continued)

Measurement of ECL (continued)

The Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that primarily include risk assessment of the Bank's counterparties.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data.

The portfolios for which internal and external benchmark information represents a significant input into measurement of ECL are as follows:

Segment	Exposure ETB	PD	LGD
Government	687,897,177,830	Historical default rate of transactional data's	Basel
Government banks	134,953,595,130	Historical default rate of transactional data's	Basel
Foreign deposits	79,545,200,514	S&P default studies	Basel
Local commercial banks	13,210,129,051	Basel	Basel

No	List of Active Depository Banks	Type of Institution	Credit Ratings as of 30 June 2024		
			Fitch	S&P	Moody's
1	Commercial Bank of Ethiopia	Commercial Bank	NR	NR	NR

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28. Financial risk review (continued)

a.) Financial risks (continued)

ii.) Market risk

'Market risk' is the risk that changes in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads – will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimizing the return on risk.

Market risks arise from open positions in interest rate, currency and equity prices, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

Equity price risk

Equity price risk refers to the potential loss in fair value resulting from adverse changes in the fair value of stocks that the Bank has invested in. Equity price risk is subject to regular monitoring but is not currently significant in relation to the Bank's overall results and financial position.

Interest rate risk

Interest rate risk is the exposure of the Bank's financial assets and liabilities to adverse movements in interest rates. If unexpected changes arise in interest rates, there is a possibility of loss due to sensitivity of the Bank's assets and liabilities to rate variability.

The main source of the Bank's interest rate risk is re-pricing risk. Bank's interest-bearing assets and liabilities may be re-priced at different times and rates. The Bank's foreign currency reserve may be exposed to foreign currency interest rate risk when the adjustment of the rates earned and paid on different instruments are re-priced. When interest rates change, these differences can change the cash flows and spread between foreign assets and foreign liabilities of similar maturities or re-pricing frequencies.

The Bank measures its interest rate exposure using a maturity/re-pricing schedule that distributes interest-sensitive assets and liabilities into "time-bands" according to their maturity or time remaining to their next re-pricing. The size of the gap for a given time band (assets less liabilities that re-price or mature within that time band) gives an indication of the Bank's re-pricing risk exposure.

The Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for interest rate fluctuations. The Foreign Exchange Monitoring and Reserve Management (FEMRMD) Directorate is the monitoring body for compliance within these limits. These day-to-day activities include monitoring changes in the Bank's interest rate exposures, which include the impact of the Bank's outstanding or forecast debt obligations.

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28. Financial risk review (continued)

a.) Financial risks (continued)

ii.) Market risk (continued)

Interest rate risk (continued)

The following is a summary of the Bank's interest rate risk gap position on financial instruments. The interest rate re-pricing gap table analyses the full-term structure of interest rate mismatches within the Bank's balance sheet based on either (i) the next re-pricing date or the maturity date if floating rate or (ii) the maturity date if fixed rate.

30 June 2024	**1 – 3 months ETB**	**3 – 12 months ETB**	**1 - 5 years ETB**	**Over 5 years ETB**	**Non-interest-bearing ETB**	**Total ETB**
Financial assets						
Due from Government of Ethiopia	-	2,041,971,372	246,985,253,467	430,670,642,265	3,638,562,667	683,336,429,771
Loans to government banks	-	3,258,187,170	10,305,259,672	120,495,407,960		134,058,854,802
Loans to private commercial banks	-	13,209,468,542				13,209,468,542
Due from foreign institutions - commercial Banks	13,427,316,852	18,628,281,614	-	-	-	32,055,598,466
Due from foreign institutions - central Banks	44,553,278,153	2,930,459,469	-	-	-	47,483,737,622
Funds held with IMF	-	-	176,870,099	-		176,870,099
Other assets – Uncleared effects	-				6,753,807	6,753,807
Other assets - Loans to employees	-	159,726,289				159,726,289
Other assets - Staff advances	-	4,919,826				4,919,826
Total financial assets	**57,980,595,005**	**40,233,014,282**	**257,467,383,238**	**551,166,050,225**	**3,645,316,474**	**910,492,359,224**
Financial liabilities						
Deposits from banks & government	-	42,867,358,352	-	-	309,441,475,345	352,308,833,697
Due to International Monetary Fund (IMF)	-	81,338,275,471				81,338,275,471
Funds due to international financial institutions	-	35,839,398			-	35,839,398
Due to other institutions	-	2,393,543,070	190,123,560,000	40,329,240,000	-	232,846,343,070
Total financial liabilities	-	**126,635,016,291**	**190,123,560,000**	**40,329,240,000**	**309,441,475,345**	**666,529,291,636**
Interest rate risk sensitivity gap	-	**(28,421,407,004)**	**67,343,823,238**	**510,836,810,225**	**(305,796,158,871)**	**243,963,067,588**

28. Financial risk review (continued)

a.) Financial risks (continued)

ii.) Market risk (continued)

Interest rate risk (continued)

30 June 2023	1 – 3 months ETB	3 – 12 months ETB	1 - 5 years ETB	Over 5 years ETB	Non-interest-bearing ETB	Total ETB
Financial assets						
Due from Government of Ethiopia	-	1,713,943,156	145,499,189,949	431,528,215,960	4,378,313,269	583,119,662,333
Loans to government banks	-	6,974,286,388	10,288,969,550	120,495,407,960		137,758,663,898
Loans to private commercial banks	-	15,054,294,232				15,054,294,232
Due from foreign institutions - commercial Banks	9,565,168,730	16,981,284,474		-		26,546,453,204
Due from foreign institutions - central Banks	24,441,436,227	2,787,002,910		-		27,228,439,137
Funds held with IMF	-	-	106,243,555	-		106,243,555
Other assets – Uncleared effects	-				6,753,807	6,753,807
Other assets - Loans to employees	-	78,517,846				78,517,846
Other assets - Staff advances	-	2,212,061				2,212,061
Total financial assets	**34,006,604,957**	**43,591,541,067**	**155,894,403,054**	**552,023,623,920**	**4,385,067,076**	**789,901,240,073**
Financial liabilities						
Deposits from banks and government	-	42,277,388,265	-	-	317,652,803,100	359,930,191,365
Due to International Monetary Fund (IMF)		90,657,013,578				90,657,013,578
Funds due to international financial institutions	-	9,854,742			-	9,854,742
Due to other institutions	-	534,689,467	62,411,553,750	47,323,046,250	-	110,269,289,467
Total financial liabilities	**-**	**133,478,946,052**	**62,411,553,750**	**47,323,046,250**	**317,652,803,100**	**560,866,349,152**
Interest rate risk sensitivity gap	**34,006,604,957**	**(89,887,404,985**	**93,482,849,304**	**504,700,577,670**	**(313,267,736,024)**	**229,034,890,922**

28. Financial risk review (continued)

a.) Financial risks (continued)

ii.) Market risk (continued)

Interest rate risk sensitivity analysis

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The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase or decrease as a result of such changes which may cause either an increase or decrease in profit or loss. The impact on financial assets and liabilities of an increase or decrease in interest rates by 0.5 percent would be as follows:

30 June 2024	**Effect on Profit/Loss**		**Effect on Equity**	
Financial Instruments	**0.5% increase**	**0.5% decrease**	**0.5% increase**	**0.5% decrease**
Financial assets				
Loans to employees	844,474	(844,474)	844,474	(844,474)
Due from Government of Ethiopia	3,385,812,082	(3,385,812,082)	3,385,812,082	(3,385,812,082)
Loans to government institutions	674,767,976	(674,767,976)	674,767,976	(674,767,976)
Due from foreign institutions - central Banks	238,303,039	(238,303,038)	238,303,039	(238,303,038)
Loans to private commercial banks	66,050,645	(66,050,645)	66,050,645	(66,050,645)
Due from foreign institutions - commercial Banks	160,307,314	(160,307,314)	160,307,314	(160,307,314)
Total assets (ETB)	**4,526,085,530**	**(4,526,085,530)**	**4,526,085,530**	**(4,526,085,530)**
Financial liabilities				
Due to local financial institutions, Government and governmental agencies	(214,336,792)	214,336,792	(214,336,792)	214,336,792
Due to other institutions	(1,164,231,715)	1,164,231,715	(1,164,231,715)	1,164,231,715
Total liabilities (ETB)	**(1,378,568,507)**	**1,378,568,507**	**(1,378,568,507)**	**1,378,568,507**
Net interest (increase)/ decrease	**3,147,517,023**	**(3,147,517,023)**	**3,147,517,023**	**(3,147,517,023)**
Impact on profits	**3,147,517,023**	**(3,147,517,023)**	**3,147,517,023**	**(3,147,517,023)**

28. Financial risk review (continued)

a.) Financial risks (continued)

ii.) Market risk (continued)

Interest rate risk sensitivity analysis (continued)

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30 June 2023	Effect on Profit/Loss		Effect on Equity	
Financial Instruments	**0.5% increase**	**0.5% decrease**	**0.5% increase**	**0.5% decrease**
Financial assets				
Loans to employees	411,777	(411,777)	411,777	(411,777)
Due from Government of Ethiopia	2,828,527,441	(2,828,527,441)	2,828,527,441	(2,828,527,441)
Loans to government institutions	693,348,472	(693,348,472)	693,348,472	(693,348,472)
Due from foreign institutions - central Banks	136,673,413	(136,673,413)	136,673,413	(136,673,413)
Loans to private commercial banks	75,275,235	(75,275,235)	75,275,235	(75,275,235)
Due from foreign institutions - commercial Banks	132,758,900	(132,758,900)	132,758,900	(132,758,900)
Total assets (ETB)	**3,866,995,238**	**(3,866,995,238)**	**3,866,995,238**	**(3,866,995,238)**
Financial liabilities				
Due to local financial institutions, Government and governmental agencies	(211,386,941)	211,386,941	(211,386,941)	211,386,941
Due to other institutions	(551,346,447)	551,346,447	(551,346,447)	551,346,447
Total liabilities (ETB)	**(762,733,388)**	**762,733,388**	**(762,733,388)**	**762,733,388**
Net interest (increase)/ decrease	**3,104,261,850**	**(3,104,261,850)**	**3,104,261,850**	**(3,104,261,850)**
Impact on profits	**3,104,261,850**	**(3,104,261,850)**	**3,104,261,850**	**(3,104,261,850)**

28. Financial risk review (continued)

a.) Financial risks (continued)

ii.) Market risk (continued)

Foreign Exchange rate risk

Foreign exchange rate fluctuation risk is the risk of adverse movements in exchange rates that will result in a decrease in value of foreign exchange assets or an increase in the value of foreign currency liabilities. Foreign exchange fluctuations expose the Bank to changes in the amounts of foreign assets and liabilities held by the Bank. The Bank measures its foreign exchange risk using a single foreign currency open position based on balance sheet amounts in spot markets. It is a risk of volatility due to a mismatch and adverse exchange rate movements during a period in which it has an open balance sheet position in an individual foreign currency.

The mid-exchange rate of major currencies against the Ethiopian Birr at each year end was as follows;

Currency	30 June 2024	30 June 2023
US dollar (USD)	57.61	54.87
Great Britain Pound (GBP)	72.83	69.46
EURO	61.62	60.00
Special drawing rights (SDR)	75.33	73.32
Ounce of Gold (XAU)	133,560.49	104,828
Norwegian Krone (NOK)	5.40	5.10
Japanese Yen (JPY)	0.36	0.38

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28. Financial risk review (continued)

a.) Financial risks (continued)
ii.) Market risk (continued)
Foreign Exchange risk (continued)

The table below summarizes the Bank's exposure to foreign currency exchange rate risk as at 30 June 2024. Included in the table are the Bank's financial instruments categorized by currency:

	USD	GBP	EUR	SDR	XAU	NOK	JYP	Others	Total
	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
At 30 June 2024									
Assets									
Due from foreign institutions - commercial Banks	30,597,096,594	819,760,852	550,701,366	-	1,068	217,986	84,141,371	9,543,655	32,061,462,892
Due from foreign institutions - central Banks	47,436,592,381		46,391,587	-	-	-	-	753,654	47,483,737,622
Funds held with IMF	-	-	-	176,870,099	-	-	-	-	176,870,099
Cash on hand -Foreign currencies	458,923,764	59,737,459	57,028,875	-	-	10,268,550	-	126,672,658	712,631,306
Total financial assets	**78,492,612,739**	**879,498,311**	**654,121,828**	**176,870,099**	**1,068**	**10,486,536**	**84,141,371**	**136,969,967**	**80,434,701,919**
Liabilities									
Deposits from banks and government	(88,534,785,393)	(11,669,531)	(4,747,616,201)	-	-	(18,919,866)	-	56,740	(93,313,047,731)
Due to International Monetary Fund (IMF)	-	-	-	(41,780,171,445)	-	-	-	-	(41,780,171,445)
Due to other institutions	(232,588,644,018)	-	(246,490,667)	-	-	-	-	(11,208,385)	(232,846,343,070)
Total financial liabilities	**(321,123,429,411)**	**(11,669,531)**	**(4,994,106,868)**	**(41,780,171,445)**	-	**(18,919,866)**	-	**(11,265,126)**	**(367,939,562,247)**
Net position	**(242,630,816,672)**	**867,828,780**	**(4,339,985,040)**	**(41,603,301,346)**	**1,068**	**(8,433,330)**	**84,141,371**	**125,704,841**	**(287,510,724,754)**

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28. Financial risk review (continued)

a.) Financial risks (continued)

ii.) Market risk (continued)

Foreign Exchange risk (continued)

	USD	GBP	EUR	SDR	XAU	NOK	JYP	Others	Total
	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
At 30 June 2023									
Assets									
Due from foreign institutions - commercial Banks	25,115,221,031	1,298,513,208	107,228,346	-	839	205,861	30,612,625	(1,938)	26,551,779,972
Due from foreign institutions - central Banks	25,825,466,753	1,390,715,892	4,435,735	-	-	-	-	7,820,757	27,228,439,137
Funds held with IMF	-	-	-	106,243,555	-	-	-	-	106,243,555
Cash on hand -Foreign currencies	582,684,856	15,769,404	33,684,972	-	-	2,551,950	-	20,262,728	654,953,910
Total financial assets	**51,523,372,640**	**2,704,998,504**	**145,349,053**	**106,243,555**	**839**	**2,757,811**	**30,612,625**	**28,081,547**	**54,541,416,574**
Liabilities									
Deposits from banks and government	(87,210,292,692)	(7,335,300)	(6,185,482,169)	-	-	(11,175,877)	-	(198,132)	(93,414,504,170)
Due to International Monetary Fund (IMF)	-	-	-	(40,734,762,839)	-	-	-	-	(40,734,762,839)
Due to other institutions	(110,018,779,466)	-	(240,032,494)	-	-	-	-	(10,477,507)	(110,269,289,467)
Total financial liabilities	**(197,229,072,158)**	**(7,355,300)**	**(6,425,514,663)**	**(40,734,762,839)**	**-**	**(11,175,877)**	**-**	**(10,675,639)**	**(244,418,556,476)**
Net position	**(145,705,699,518)**	**2,697,643,204**	**(6,280,165,610)**	**(40,628,519,284)**	**839**	**(8,418,066)**	**30,612,625**	**17,405,908**	**(189,877,139,902)**

28. Financial risk review (continued)

a.) Financial risks (continued)

ii.) Market risk (continued)

The table below shows the result of a sensitivity analysis demonstrating the effect of the ETB weakening/strengthening by 10% against all the major currencies with all other variables held constant on the profit or loss and equity. A negative amount in the table reflects a potential net reduction in profit or loss and equity while a positive amount reflects a net potential increase. An equivalent decrease in each of the currencies below against the ETB would have resulted in an equivalent but opposite impact:

Financial Instruments	**Effect on Profit/Loss**		**Effect on Equity**	
30 June 2024	**10% increase (Weakening)**	**10% decrease (Strengthening)**	**10% increase (Weakening)**	**10% decrease (Strengthening)**
Financial assets	8,030,336,775	(8,030,336,776)	8,030,336,775	(8,030,336,776)
Financial liabilities	(13,546,914,435)	13,546,914,435	(13,546,914,435)	13,546,914,435
Net Impact (ETB)	**(5,516,577,660)**	**5,516,577,659**	**(5,516,577,660)**	**5,516,577,659**

Financial Instruments	**Effect on Profit/Loss**		**Effect on Equity**	
30 June 2023	**10% increase (Weakening)**	**10% decrease (Strengthening)**	**10% increase (Weakening)**	**10% decrease (Strengthening)**
Financial assets	5,454,141,652	(5,454,141,652)	5,454,141,652	(5,454,141,652)
Financial liabilities	(24,441,855,648)	24,441,855,648	(24,441,855,648)	24,441,855,648
Net Impact (ETB)	**(18,987,713,996)**	**18,987,713,996**	**(18,987,713,996)**	**18,987,713,996**

Gold commodity price risk

Gold commodity price risk is the risk that gold commodity prices will change adversely. It refers to uncertainties of future market values and size of the future income, caused by fluctuations in the prices of gold commodities. The Bank as part of its operations is responsible for purchase and sale of gold commodities. Gold by nature is subject to price fluctuation risk. The average gold per ounce for the last 1 year and the effect of a 10% change in the same on profit/loss and equity are shown below:

Period	**Average price of gold/Ounce**	**Effect on Profit/Loss**		**Effect on Equity**	
	ETB	**10% increase**	**10% decrease**	**10% increase**	**10% decrease**
30 June 2024	133,560.49	13,356	(13,356)	13,356	(13,356)
30 June 2023	104,307.32	10,431	(10,431)	10,431	(10,431)

28. Financial risk review (continued)

b.) Liquidity risk

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset in a timely manner at reasonable prices. Some liabilities in the Bank's books have no fixed maturity including Currency in circulation and Domestic currency deposits from banks, insurance companies and Government and governmental agencies.

Liquidity risk represents the potential loss to the Bank if it is unable to settle its financial obligations as they fall due and is represented through a maturity mismatch assessment between foreign exchange assets and liabilities.

This risk emanates from the nature of banking business, from the macro factors that are exogenous to the Bank, as well as from financing and operational policies that are internal to the Bank.

In Ethiopian Birr, there is no liquidity risk as the Bank is able to create Birr liquidity through its market operations.

For foreign currency, in addition to holding appropriate cash balances, the Bank manages liquidity through holding a portfolio of liquid foreign exchange reserves.

The Foreign Exchange Monitoring and Reserve Management Directorate (FEMRMD) monitors and reviews information on the Bank's liquidity developments and reports risk exposures and funding needs to the Executive Management on a regular basis. The FEMRMD mitigates its foreign currency liquidity risk by conducting detailed analysis of the maturities of foreign currency asset-liability gap size. The Bank sets limits, where appropriate, on liquidity metrics and employs monitoring and controlling of liquidity risk exposures for each maturity ladder.

The table below analyses the Bank's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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28. Financial risk review (continued)

b.) Liquidity risk (continued)

At 30 June 2024	Up to 12 months	1 - 5 years	Over 5 years	Total
Assets				
Due from Government of Ethiopia	2,041,971,372	250,623,816,134	430,670,642,265	683,336,429,772
Loans to government Banks	3,258,187,170	10,305,259,672	120,495,407,960	134,058,854,802
Loans to private commercial Banks	13,209,468,542	-	-	13,209,468,542
Due from foreign institutions - commercial Banks	32,055,598,466			32,055,598,466
Due from foreign institutions - central Banks	47,483,737,622			47,483,737,622
Funds held with IMF	-	176,870,099		176,870,099
Other assets - Loans to employees	159,726,289			159,726,289
Other assets - Staff advances	4,919,826			4,919,826
Total financial assets	**98,213,609,287**	**261,105,945,905**	**551,166,050,225**	**910,485,605,417**
Liabilities				
Deposits from local financial institutions, government and government institutions	(352,308,833,697)			(352,308,833,697)
Due to International Monetary Fund (IMF)	(81,338,275,471)			(81,338,275,471)
Funds due to international financial institutions	(35,839,398)			(35,839,398)
Due to other institutions	(2,393,543,070)	(190,123,560,000)	(40,329,240,000)	(232,846,343,070)
Due to the Ministry of Finance	-			-
Other liabilities	(23,367,552,387)			(23,367,552,387)
Total financial liabilities	**(459,444,044,023)**	**(190,123,560,000)**	**(40,329,240,000)**	**(689,896,844,023)**
Net maturity difference	**(361,230,434,736)**	**70,982,385,905**	**510,836,810,225**	**220,588,761,394**

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28. Financial risk review (continued)

b.) Liquidity risk (continued)

At 30 June 2023	Up to 12 months	1 - 5 years	Over 5 years	Total
Assets				
Due from Government of Ethiopia	1,713,943,156	149,877,503,218	431,528,215,960	583,119,662,333
Loans to government Banks	6,974,286,388	10,288,969,550	120,495,407,960	137,758,663,898
Loans to private commercial Banks	15,054,294,232	-	-	15,054,294,232
Due from foreign institutions - commercial Banks	26,546,453,204			26,546,453,204
Due from foreign institutions - central Banks	27,228,439,137			27,228,439,137
Funds held with IMF	-	106,243,555		106,243,555
Other assets - Loans to employees	78,517,846			78,517,864
Other assets - Staff advances	2,212,061			2,212,061
Total financial assets	**77,598,146,023**	**160,272,716,323**	**552,023,623,920**	**789,894,486,266**
Liabilities				
Deposits from local financial institutions, government and government institutions	(359,930,191,365)			(359,930,191,365)
Due to International Monetary Fund (IMF)	(90,657,013,578)			(90,657,013,578)
Funds due to international financial institutions	(9,854,742)			(9,854,742)
Due to other institutions	(534,689,467)	(62,411,553,750)	(47,323,046,250)	(110,269,289,467)
Due to the Ministry of Finance	(11,120,875,954)			(11,120,875,954)
Other liabilities	(955,071,700)			(955,071,700)
Total financial liabilities	**(463,207,696,806)**	**(62,411,553,750)**	**(47,323,046,250)**	**(572,942,296,806)**
Net maturity difference	**(385,609,550,783)**	**97,861,162,573**	**504,700,577,670**	**216,952,189,460**

28. Financial risk review (continued)

c.) Non-financial risks

i.) Strategic risk

Strategic risk might arise from the deviation of monetary policy target, which may adversely affect the economy and the effectiveness of financial institutions in following set policies and directives, its monetary policy operations and supervisory activities and governance of financial institutions that determine stability of the financial sector.

The Bank manages its strategic risk by undertaking effective monetary policy which include; monitoring the country's exchange rate policy, conducting periodic economic studies, forecasting the balance of payments, money supply, prices and other relevant statistical indicators of the Ethiopian economy. These measures are useful in the analysis, formulation and determination of its monetary, saving and exchange policies.

Further, the Bank undertakes prudential onsite and offsite inspection and monitoring of the financial sector on a continuous basis that is aimed at ensuring the soundness of the country's financial system.

ii.) Operational risk

Operational risk is the financial and non-financial risk to the Bank that could result in financial loss, reputational damage or inability to achieve business objectives. This could arise from human errors, failure of internal processes, people and systems or from external events. Operational risks to the Bank includes: legal, security, business disruption, project management, human resource, IT systems and general business practices and fraud risks.

The Bank has made continuous efforts to minimize losses from operational risks by establishing effective internal control systems which prevent or detect all errors and situations which might cause losses through failure of people or processes. The work units of the Bank perform their activities based on their respective policies and procedures and take their own roles and responsibilities to manage operational risks emanating from their activities on their day to day business operations.

iii.) Cyber security risk

The Bank is exposed to cyber security risk. This is the inherent risk arising from technologies, processes and practices designed to protect the Bank's information assets, that is, computers, networks, programs and data from unauthorized access.

28. Financial risk review (continued)

c.) Non-financial risks (continued)

iii.) Cyber security risk (continued)

The Bank performs an assessment of this risk at two different levels of management to identify the potential risk and manage proactively to ensure the Bank's information security is safeguarded. At strategic management level, creating security policies dealing with people issues and evaluating threats and risks. Tactical management level deals with how the security systems are developed and implemented to meet policy requirements.

iv.) Reputational risk

This is the risk associated with the real or perceived loss of credibility and effectiveness as a result of negative publicity arising from a failure to comply with applicable laws or in managing risks, lack of fulfillment of roles and objectives or other external events.

It can be viewed as secondary since the reputational damage is usually caused by a loss or failure in the following areas: strategic; finance or operational risk.

The Bank has the responsibility to stabilize the value of money, the soundness and efficiency of the financial system and the issue of currency (Bank notes and coins). All of these matters have direct impact on all citizens; therefore, how the Bank communicates to the public is of critical importance to maintaining its credibility and in the successful fulfillment of its responsibilities.

In managing reputational risk, the Bank communicates to the public by crafting a consistent message regarding its role and policies and ensures that this message is effectively communicated to the public.

v.) Custodial risk on statutory deposits

The Bank is a custodian of government bonds and securities that are pledged by insurance companies as statutory deposits pursuant to the provisions of insurance business proclamation No. 746/2012. The Bank has a responsibility to keep the bond certificates safe to avoid any financial losses. As at 30 June 2024, the Bank held in its custody government bonds and securities worth ETB 1,839,671,050. These securities are recorded as off-balance sheet items.

To mitigate the risk, the Bank records and keeps all copies of statutory deposits certificates in its custody in secure vaults.

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29. Fair value of financial instrument

a. Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

— *Level 1:* Inputs that are quoted market prices (unadjusted) inactive markets for identical instruments.

— *Level 2:* Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices inactive markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

— *Level 3:* Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The fair value of a liability reflects the effect of non-performance risk.

The following sets out the Bank's basis of establishing fair values of financial instruments:

Investment securities with observable market prices including equity securities are fair valued using that information. Investment securities that do not have observable market data are fair valued using discounted cash flow method or quoted market prices for securities with similar yield characteristics.

Loans and advances to government, government institutions and staff are net of allowance for impairment. The estimated fair value of the loans represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value hence their fair values approximate their carrying amounts.

Estimated fair value of fixed interest-bearing deposits and bonds without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with similar maturities and interest rates, hence their fair value approximates their carrying amounts.

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29. Fair value of financial instruments (continued)

b. Accounting classifications

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for cash and cash equivalents, receivables and payables, whose carrying amounts are a reasonable approximation of fair value, or for lease liabilities. The tables below include both instruments measured at fair value and those that are not.

30 June 2024	Carrying amounts				Fair value			
	Amortised cost	FV – OCI	FVTPL	Total carrying amounts	Level 1	Level 2	Level 3	Total
	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
Financial Instruments measured at fair value								
Financial assets								
Equity Investment and IMF quota	-	23,687,211,629	-	**23,687,211,629**	-	23,687,211,629	-	**23,687,211,629**
Financial Instruments not measured at fair value								
Financial Assets:								
Due from Government of Ethiopia	683,336,429,771	-	-	683,336,429,771	-	-	683,336,429,771	683,336,429,771
Loans to government banks	134,058,854,802	-	-	134,058,854,802	-	-	134,058,854,802	134,058,854,802
Loans to private commercial banks	13,209,468,542	-	-	13,209,468,542	-	-	13,209,468,542	13,209,468,542
Due from foreign institutions - commercial banks	32,055,598,466	-	-	32,055,598,466	-	-	32,055,598,466	32,055,598,466
Due from foreign institutions - central Banks	47,483,737,622	-	-	47,483,737,622	-	-	47,483,737,622	47,483,737,622
Funds held with IMF	176,870,099	-	-	176,870,099	-	-	176,870,099	176,870,099
Other assets - Loans to employees	159,726,289	-	-	159,726,289	-	-	159,726,289	159,726,289
Other assets - Staff advances	4,919,826	-	-	4,919,826	-	-	4,919,826	4,919,826
Total financial assets	**910,485,605,417**	**23,687,211,629**	-	**934,172,817,046**	-	**23,687,211,629**	**934,172,817,046**	**934,172,817,046**
Liabilities:								
Deposits from local financial institutions, government and government entities	352,308,833,697	-	-	352,308,833,697	-	-	352,308,833,697	352,308,833,697
Due to International Monetary Fund (IMF)	81,338,275,471			81,338,275,471			81,338,275,471	81,338,275,471
Funds due to international financial institutions	35,839,398	-	-	35,839,398	-	-	35,839,398	35,839,398
Due to other institutions	232,846,343,070	-	-	232,846,343,070	-	-	232,846,343,070	232,846,343,070
Due to the Ministry of Finance	-	-	-	-	-	-	-	-
Total financial liabilities	**666,529,291,636**	-	-	**666,529,291,636**	-	-	**666,529,291,636**	**666,529,291,636**

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29. Fair value of financial instruments (continued)

b. Accounting classifications (continued)

30 June 2023	Carrying amounts				Fair value			
	Amortised cost	FV – OCI	FVTPL	Total carrying amounts	Level 1	Level 2	Level 3	Total
	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
Financial Instruments measured at fair value								
Financial assets								
Equity Investment and IMF quota	-	22,855,004,721	-	**22,855,004,721**	-	22,855,004,721	-	**22,855,004,721**
Financial Instruments not measured at fair value								
Financial Assets:								
Due from Government of Ethiopia	583,119,662,333	-	-	583,119,662,333	-	-	583,119,662,333	583,119,662,333
Loans to government banks	137,758,663,898	-	-	137,758,663,898	-	-	137,758,663,898	137,758,663,898
Loans to private commercial banks	15,054,294,232	-	-	15,054,294,232	-	-	15,054,294,232	15,054,294,232
Due from foreign institutions - commercial banks	26,546,453,204	-	-	26,546,453,204	-	-	26,546,453,204	26,546,453,204
Due from foreign institutions - central Banks	27,228,439,137	-	-	27,228,439,137	-	-	27,228,439,137	27,228,439,137
Funds held with IMF	106,243,555	-	-	106,243,555	-	-	106,243,555	106,243,555
Other assets - Loans to employees	78,517,846	-	-	78,517,846	-	-	78,517,846	78,517,846
Other assets - Staff advances	2,212,061	-	-	2,212,061	-	-	2,212,061	2,212,061
Total financial assets	**789,894,486,266**	**22,855,004,721**	-	**812,749,490,987**	-	**22,855,004,721**	**789,894,486,266**	**812,749,490,987**
Liabilities								
Deposits from local financial institutions, government and government entities	359,930,191,365	-	-	359,930,191,365	-	-	359,930,191,365	359,930,191,365
Due to International Monetary Fund (IMF)	90,657,013,578			90,657,013,578			90,657,013,578	90,657,013,578
Funds due to international financial institutions	9,854,742	-	-	9,854,742	-	-	9,854,742	9,854,742
Due to other institutions	110,269,289,467	-	-	110,269,289,467	-	-	110,269,289,467	110,269,289,467
Due to the Ministry of Finance	11,120,875,954	-	-	11,120,875,954	-	-	11,120,875,954	11,120,875,954
Total financial liabilities	**571,987,225,106**	-	-	**571,987,225,106**	-	-	**571,987,225,106**	**571,987,225,106**

29. Fair value of financial instruments (continued)

c. Level 3 reconciliation

The following table shows reconciliation from the beginning balance to the ending balance for fair value measurements in level 3 of the fair value hierarchy

30 June 2024	Due from Government of Ethiopia	Loans to government banks	Loans to private commercial banks	Due from foreign institutions - commercial banks	Due from foreign institutions - central Banks	Funds held with IMF	Other assets - Loans to employees	Other assets - Staff advances	Total financial assets
	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
Financial Assets									
Balance as 1 July 2023	**583,119,662,333**	**137,758,663,898**	**15,054,294,232**	**26,546,453,204**	**27,228,439,137**	**106,243,555**	**78,517,846**	**2,212,061**	**789,894,486,266**
Total gains and losses	-	-	-	-	-	-	-	-	-
in P&L	11,511,674,310	9,108,556,842	2,756,291,538	1,938,790,657	1,980,700,993	12,810,070	240,732	(2,659,981)	**27,306,405,161**
in OCI									
Amounts loaned out	-	-	4,566,644,767	6,907,391,770	19,886,844,581	58,171,632	80,967,711	5,367,746	**31,505,388,207**
Amounts repaid in advance									
Settlements	(871,100,000)	(6,326,088,858)	(9,167,761,995)	(3,337,037,165)	(1,612,247,089)	(355,158)			**(21,314,590,265)**
Conversions	89,576,193,128	(6,482,277,080)							**83,093,916,048**
Transfer into level 3	-	-		-	-	-	-	-	
Balance as at 30th June 2024	**683,336,429,771**	**134,058,854,802**	**13,209,468,542**	**32,055,598,466**	**47,483,737,622**	**176,870,099**	**159,726,289**	**4,919,826**	**910,485,605,417**

30 June 2024	Deposits from local financial institutions, government and government entities	Due to International Monetary Fund (IMF)	Funds due to international financial institutions	Due to other institutions	Due to the Ministry of Finance	Total financial liabilities
	ETB	ETB	ETB	ETB	ETB	ETB
Financial Liabilities						
Balance as 1 July 2023	**359,930,191,365**	**90,657,013,578**	**9,854,742**	**110,269,289,467**	**11,120,875,954**	**571,987,225,106**
Total gains and losses	-		-	-	-	-
in P&L	974,918,084	1,630,337,782	-	6,667,709,384	-	**9,272,965,250**
in OCI						
Amounts loaned out	13,316,279	-	27,919,587	115,909,344,219	-	**115,950,580,085**
Amounts repaid in advance						
Settlements	(8,609,592,031)	(10,949,075,889)	(1,934,931)	-	-	**(19,560,602,851)**
Conversions						
Transfer into level 3	-		-	-	(11,120,875,954)	**(11,120,875,954)**
Balance as at 30th June 2024	**352,308,833,697**	**81,338,275,471**	**35,839,398**	**232,846,343,070**	-	**666,529,291,636**

29. Fair value of financial instruments (continued)

c. Level 3 reconciliation (continued)

30 June 2023	Due from Government of Ethiopia	Loans to government banks	Loans to private commercial banks	Due from foreign institutions - commercial banks	Due from foreign institutions - central Banks	Funds held with IMF	Other assets - Loans to employees	Other assets - Staff advances	Total financial assets
	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
Financial Assets									
Balance as 1 July 2022	370,965,586,883	158,362,399,494	1,368,705,247	34,377,378,326	41,188,035,227	322,687,964	66,142,517	815,410	606,651,751,068
Total gains and losses	-	-	-	-	-	-	-	-	-
in P&L	8,289,607,301	8,879,228,766	1,472,271,494	1,351,193,699	1,050,811,448	6,130,748	(116,955)	(67,628)	21,049,058,873
in OCI									
Amounts loaned out	-	-	12,644,956,047	223,814,100	7,711,002,170	-	12,492,284	1,464,280	20,593,728,881
Amounts repaid in advance									
Settlements	(435,550,000)	(27,590,399,684)	431,638,556)	(9,405,932,921)	(22,721,409,708)	(222,575,157)			(60,807,506,026)
Conversions	204,300,018,149	(1,892,564,678)							202,407,453,471
Transfer into level 3	-	-		-	-	-	-	-	
Balance as at 30th June 2023	583,119,662,333	137,758,663,898	15,054,294,232	26,546,453,204	27,228,439,137	106,243,555	78,517,846	2,212,061	789,894,486,266

30 June 2023	Deposits from local financial institutions, government and government entities	Due to International Monetary Fund (IMF)	Funds due to international financial institutions	Due to other institutions	Due to the Ministry of Finance	Total financial liabilities
	ETB	ETB	ETB	ETB	ETB	ETB
Financial Liabilities						
Balance as 1 July 2022	252,869,157,723	85,770,695,862	2,819,354	105,008,898,212	5,374,906,270	449,026,477,421
Total gains and losses	-		-	-	-	-
in P&L	970,345,491	1,080,205,602	-	3,292,282,140	-	5,342,833,233
in OCI						
Amounts loaned out	106,105,722,625	3,806,112,114	7,035,388	1,968,109,115	-	111,886,979,242
Amounts repaid in advance						
Settlements	(15,034,474)			-	(1,500,000,000)	(1,515,034,474)
Conversions						
Transfer into level 3	-		-	-	7,245,969,684	7,245,969,684
Balance as at 30th June 2023	359,930,191,365	90,657,013,578	9,854,742	110,269,289,467	11,120,875,954	571,987,225,106

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29. Fair value of financial instruments (continued)

c. Level 3 reconciliation (continued)

Total gains or losses for the year in the above table are presented in the statement of profit or loss and the OCI as follows:

30 June 2024	Due from Government of Ethiopia	Loans to government banks	Loans to private commercial banks	Due from foreign institutions - commercial banks	Due from foreign institutions - central Banks	Funds held with IMF	Other assets - Loans to employees	Other assets - Staff advances	Total financial assets
	ETB		ETB	ETB	ETB	ETB	ETB	ETB	ETB
Financial Assets									
Total gains and losses recognised in the P&L	11,511,674,310	9,108,556,842	2,756,291,538	1,938,790,657	1,980,700,993	12,810,070	240,732	(2,659,981)	**27,306,405,161**
Net trading income	-	-	-	-	-	-	-	-	-
Net trading income from other financial instruments carried at fair value	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-	-
Total gains and losses recognised in the OCI	-	-	-	-	-	-	-	-	-
Fair Value reserve (debt instruments) - net change in fair value	-	-	-	-	-	-	-	-	-
Fair Value reserve (equity instruments) - net change in fair value	-	-	-	-	-	-	-	-	-
Profit or loss - attributable to the change in unrealised gains and losses relating to assets and liabilities held at the end of the year:	-	-	-	-	-	-	-	-	-
Net trading income	12,084,765,473	9,092,266,720	2,756,199,292	1,939,328,361	1,980,700,993	12,810,070	-	-	**27,866,070,909**

29. Fair value of financial instruments (continued)

c. Level 3 reconciliation (continued)

30 June 2024	Deposits from local financial institutions, government and government entities	Due to International Monetary Fund (IMF)	Funds due to international financial institutions	Due to other institutions	Due to the Ministry of Finance	Total financial liabilities
	ETB	ETB	ETB	ETB	ETB	ETB
Financial Liabilities						
Total gains and losses recognised in the P&L	974,918,084	1,630,337,782	-	6,667,709,384	-	**9,272,965,249**
Net trading income	-		-	-	-	-
Net trading income from other financial instruments carried at fair value	-		-	-	-	-
Other revenue	-		-	-	-	-
Total gains and losses recognised in the OCI	-		-	-	-	-
Fair Value reserve (debt instruments) - net change in fair value	-		-	-	-	-
Fair Value reserve (equity instruments) - net change in fair value	-		-	-	-	-
Profit or loss - attributable to the change in unrealised gains and losses relating to assets and liabilities held at the end of the year:	-		-	-	-	-
Net trading income	974,918,084	1,630,337,782	-	6,667,709,384	-	**9,272,965,249**

29. Fair value of financial instruments (continued)

c. Level 3 reconciliation (continued)

30 June 2023	Due from Government of Ethiopia	Loans to government banks	Loans to private commercial banks	Due from foreign institutions - commercial banks	Due from foreign institutions - central Banks	Funds held with IMF	Other assets - Loans to employees	Other assets - Staff advances	Total financial assets
	ETB		ETB	ETB	ETB	ETB	ETB	ETB	ETB
Financial Assets									
Total gains and losses recognised in the P&L	8,289,607,301	8,879,228,766	1,472,271,494	1,351,193,699	1,050,811,448	6,130,748	(116,955)	(67,628)	**21,049,058,873**
Net trading income	-	-	-	-	-	-	-	-	-
Net trading income from other financial instruments carried at fair value	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-	-
Total gains and losses recognised in the OCI	-	-	-	-	-	-	-	-	-
Fair Value reserve (debt instruments) - net change in fair value	-	-	-	-	-	-	-	-	-
Fair Value reserve (equity instruments) - net change in fair value	-	-	-	-	-	-	-	-	-
Profit or loss - attributable to the change in unrealised gains and losses relating to assets and liabilities held at the end of the year:	-	-	-	-	-	-	-	-	-
Net trading income	9,830,257,804	8,861,577,203	1,472,955,807	1,350,587,653	1,050,811,448	6,130,748	-	-	**22,572,320,663**

29. Fair value of financial instruments (continued)

c. Level 3 reconciliation (continued)

30 June 2023	Deposits from local financial institutions, government and government entities	Due to International Monetary Fund (IMF)	Funds due to international financial institutions	Due to other institutions	Due to the Ministry of Finance	Total financial liabilities
	ETB	ETB	ETB	ETB	ETB	ETB
Financial Liabilities						
Total gains and losses recognised in the P&L	970,345,491	1,080,205,602	-	3,292,282,140	-	**5,342,833,233**
Net trading income	-		-	-	-	-
Net trading income from other financial instruments carried at fair value	-		-	-	-	-
Other revenue	-		-	-	-	-
Total gains and losses recognised in the OCI	-		-	-	-	-
Fair Value reserve (debt instruments) - net change in fair value	-		-	-	-	-
Fair Value reserve (equity instruments) - net change in fair value	-		-	-	-	-
Profit or loss - attributable to the change in unrealised gains and losses relating to assets and liabilities held at the end of the year:	-		-	-	-	-
Net trading income	970,345,491	1,080,205,602	-	3,292,282,140	-	**5,342,833,233**

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30. Commitments

A commitment is an enforceable, legally binding agreement to make a payment in the future for the purchase of goods or services. These amounts are not recorded in the statement of financial position since the Bank has not yet received the goods or services from the suppliers. The amounts below are what the Bank has committed to pay as at 30 June 2024 based on current expected contract prices.

Commitments	**30 June 2024**	**30 June 2023**
Office and other equipment	23,413,338	-
Office and other consumables	-	644,346
Work in progress*	15,889,290,109	540,350,189
Professional consultancy services	266,899,543	16,181,592
Motor Vehicles	-	13,837,600
Total capital commitments	**16,179,602,990**	**571,013,727**

*The Work in progress comprises mostly the expected payment in contract price for the issue holding branches construction of building for currency distribution ongoing in different regional states.

These capital commitments will be funded from internal resources.

31. Events after the reporting period

1. The bank announces the launch of a new monetary policy framework on 09 July 2024 to implement a directive cited as: Open Market Operations and Standing Facilities Directive No. MFAD/OMO&SFs/001/2021 which was issued on 2 August 2021 for this purposes. Under the new policy framework, NBE will use its policy interest rate to be known as the National Bank Rate or NBR(15%) as the primary means of signalling its policy stance and influencing broader monetary and credit conditions. The NBR will be raised or lowered depending on prevailing inflationary and monetary conditions. Establishing open market operations and standing facilities as instruments with an aim to effectively manage liquidity in the financial system for purposes of conducting monetary policy. The directive is applicable to financial transactions between the National Bank and Banks operating in Ethiopia that maintains reserve requirements with National Bank for the purpose of open market operations and standing facilities. It seeks to absorb or inject liquidity from and into the financial system and states that all transactions conducted using these Open Market Operations and Standing Facilities shall be in Ethiopian Birr. The directive allows the National Bank to conduct any of the following open market operations: main or standard operations, fine-tuning or non-standard operations; or structural operations. The National Bank may further use any of the following instruments for its open-market operations: repo or reserve repo transactions, granting collateralized loans, outright transactions, issuing NBE certificates or conducting deposit-taking operations. The new monetary policy framework aims to ensure the NBE through its powers and duties can regulate and determine the supply and availability of money and credit as well as the applicable interest rates for the purpose of maintaining price and financial stability that is conducive to the balanced growth of the Ethiopian economy.

31. Events after the reporting period (continued)

2. The Bank set forth a reform of the foreign exchange regime on 29 July 2024 following Ethiopia's economic reform program. The reform introduces a competitive, market-based determination of the exchange rate and addresses a long-standing distortion within the Ethiopian economy. The implementation of the reform will be guided by a new Foreign Exchange Directive (FXD/01/2024) issued on 29 July 2024.

All foreign exchange directives and circulars hitherto issued by the National Bank are hereby repealed and replaced by this Directive.

The foreign exchange reforms being announced involve significant new policy changes in the following areas:

a) A shift to a market-based exchange regime, whereby banks are henceforth allowed to buy and sell foreign currencies from/to their clients and among themselves at freely negotiated rates, and with the NBE making only limited interventions to support the market in its early days and if justified by disorderly market conditions.

b) The end of surrender requirements to the NBE, allowing foreign exchange to be retained by exporters and commercial banks and thus substantially boosting FX supplies to the private sector.

c) The removal of import restrictions that previously prohibited 38 product categories and the broader liberalization of the foreign exchange market for the imports of goods and services, while capital account outflows remain restricted as before.

d) The improvement of retention rules allowing exporters to retain 50% of their foreign exchange proceeds against 40% previously.

e) The complete removal of rules governing banks' allocation of foreign exchange that was based on a waiting list system for different categories of imports.

f) The introduction of non-bank foreign exchange bureaus that are henceforth free to engage in the buying and selling of foreign currency cash notes at market rates.

g) The removal of restrictions on franco valuta imports, to be implemented shortly through an upcoming regulation.

h) The simplification of rules governing foreign currency accounts, especially those currently held by foreign institutions, FDI companies, and the Diaspora.

i) The allowance for residents to open foreign currency accounts, based on remittance inflows, transfers from abroad, FX-based salary or rental income, and for other specified cases, as well as the ability to use such foreign currency accounts for foreign service payments.

j) The removal of interest rate ceilings that previously applied to private sector companies or banks when borrowing from abroad.

k) The opening of Ethiopia's securities market to foreign investors, with the terms and conditions to be specified further in the near future.

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31. Events after the reporting period(continued)

l) The granting of special foreign exchange privileges to companies within Special Economic Zones, including the ability to retain 100% of their foreign exchange earnings.

m) The relaxation of various rules on the amount of foreign currency cash notes travellers may carry when travelling into or out of Ethiopia.

A new reform of the foreign exchange regime is a more open and competitive foreign exchange market which can attract substantial foreign exchange inflows, ensure efficient resource allocation, and foster greater transparency in foreign exchange transaction activity. The reforms are consistent with longstanding Government intentions outlined in key policy documents, which recognized that Ethiopia should eventually move towards a market-based foreign exchange system as its economy grows in complexity and evolves over time.

3. The bank has also issued the following Proclamations and directives after the reporting period. A reliable estimate of their financial effect cannot be made as at the issuance of these financial statements.

(3.1) Subsequent to the reporting date of 30 June 2024, the Government enacted Proclamation No. 1359/2025 on 04 February 2025, replacing the prior National Bank of Ethiopia Proclamation No. 591/2008. The new law introduces revised governance and financial framework for the Bank, including a new profit distribution mechanism and capital structure. Key impacts include:

- Internal audit: Internal audit now reports functionally to the Board via an Audit Committee and administratively to the Governor.
- Capital Structure: Authorized capital has been increased to Birr 20 billion, and a minimum paid-up capital requirement of Birr 10 billion has been introduced.
- Profit Distribution Framework: The proclamation establishes a revised profit distribution mechanism, designed to ensure fiscal discipline and financial sustainability. Key provisions include:
    - **Unrealized gains or losses** (such as from foreign currency revaluation) shall be transferred to a **Revaluation Reserve** and are **not distributable**.
    - Net profits, excluding unrealized gains, shall be transferred to the General Reserve Fund until the fund reaches a level equal to 5% of the Bank's monetary liabilities. No profit distributions to the Ministry of Finance may occur until this threshold is fully met.
    - Distributable profits shall be determined **only after fully covering operational expenses** and meeting minimum capital and reserve thresholds.

These legislative developments are expected to influence the Bank's future governance, capital planning, and financial result distribution. However, as they were enacted after the reporting date, they are disclosed as non-adjusting events under IAS 10 and have no impact on the financial results for the year ended 30 June 2024.

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31. Events after the reporting period(continued)

(3.2) The Banking Business Proclamation No. 1360/2025, issued on 12 March 2025, aims to modernize and strengthen the legal and regulatory framework governing banking institutions in Ethiopia. Its objectives include enhancing the stability and soundness of the financial sector, promoting financial inclusion, ensuring effective supervision and resolution of banks, and enabling the entry of qualified foreign banks through subsidiaries, branches, or share acquisitions. This new legislation replaces Banking Proclamation No. 592/2008 and its amendment (No. 1159/2019).

(3.3) A directive cited as: Interbank Money Market as amended No. MFAD/IBM/03/2024 was issued on 24 July 2024 with an aim to deepen interbank money market to enhance the intermediation process in the market through which commercial banks manage their funding and liquidity by borrowing and lending from and to each other and also supplement efficiency of price based monetary policy framework for the purpose of maintaining price and financial stability that is conducive to the balanced growth of the Ethiopian economy. The directive allows the National Bank to regulate Interbank Money market operations, fine for non-standard operations. This directive serves to ensure the NBE through its powers and duties can regulate and determine the supply and availability of money and credit as well as supervise payment, clearing and settlement system. The directive is applicable to all commercial banks operating in Ethiopia. A Directive No. IBM/02/98 is hereby repealed and replaced by this directive.

(3.4) A directive cited as: Emergency Liquidity Assistance Directive No NBE/ELA/001/2024 was issued on 15 October 2024 to provide temporary liquidity to solvent banks facing liquidity strains in a strict manner of solvency, collateralization, and supervisory oversight to ensure transparency and accountability. The directive enables National Bank of Ethiopia to mitigate the risk of temporary illiquidity in one or more banks that could otherwise lead to broader banking business instability. The directive is applicable to all commercial banks operating in Ethiopia.

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