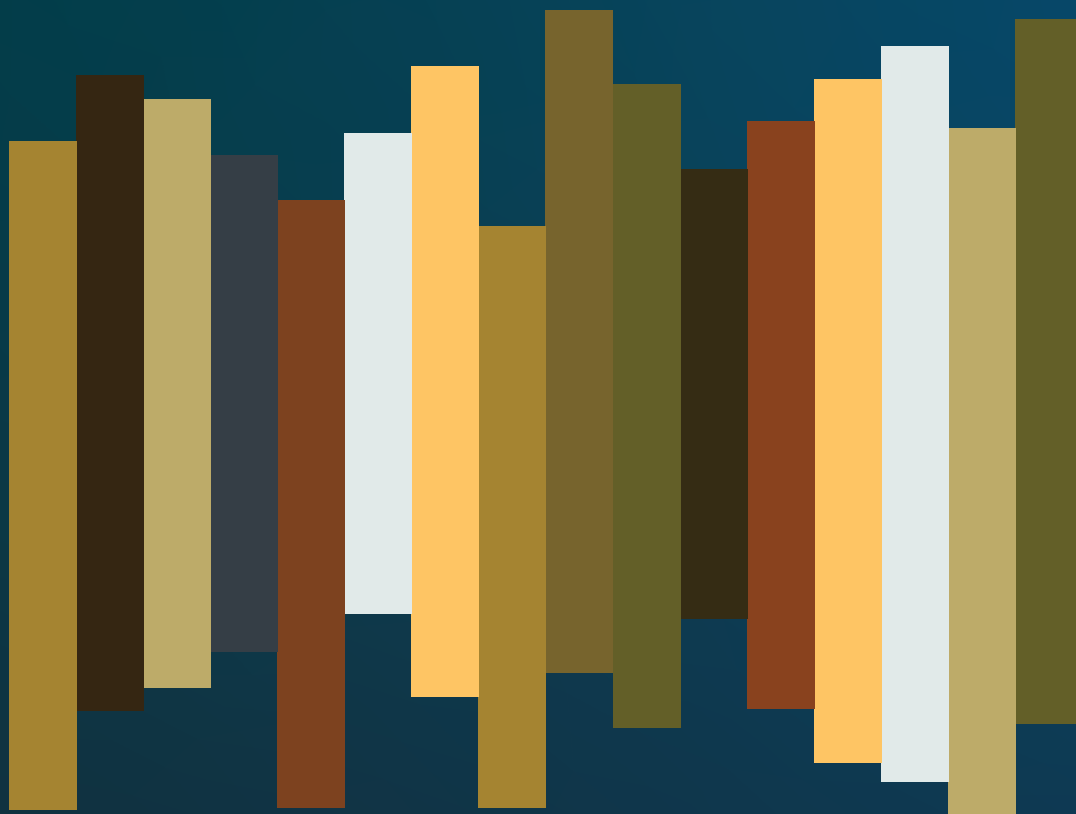




FINANCIAL STABILITY REPORT

MARCH 2026

nbe.gov.et



የኢትዮጵያ
ብሔራዊ ባንክ
NATIONAL BANK
OF ETHIOPIA



Financial Stability Report

March, 2026

© 2026 National Bank of Ethiopia
Sudan Street, Addis Ababa, Ethiopia

nbe.gov.et

CONTENTS

LISTS OF BOXES, TABLES AND FIGURES	III
ABBREVIATIONS	V
FOREWORD	VII
EXECUTIVE SUMMARY	1
1 INTRODUCTION	4
2 ECONOMIC AND FINANCIAL CONDITIONS	6
2.1 Global Economic Conditions	6
2.1.1 Economic Growth	6
2.1.2 Inflation Development	6
2.1.3 Interest Rate Development	7
2.1.4 External Sector Developments	8
2.1.5 Conclusion: Effects for Financial System Stability in Ethiopia	8
2.2 Domestic Economic Conditions	9
2.2.1 Economic Growth	9
2.2.2 Inflation, Interest Rate and Yields	9
2.2.3 Current Account Balance and Exchange Rate	10
2.2.4 Fiscal Operations Developments and Debt	12
2.2.5 Conclusion: Effects for Financial System Stability in Ethiopia	12
3 FINANCIAL SECTOR STABILITY AND RISK	14
3.1 Overview of the Financial Sector	14
3.2 Banking Sector	14
3.2.1 Commercial Banking Industry	15
3.2.2 Development Finance Institution	21
3.2.3 Regulatory Enhancement in the Banking Sector	22
3.2.4 Summary of Risks for Financial System Stability	23
3.3 Microfinance and Capital Goods Finance Business Sectors	25
3.3.1 Microfinance Sector	25
3.3.2 Capital Goods Finance Business Sector	28
3.3.3 Summary of Microfinance and Leasing Sector Risks	29
3.4 Insurance Sector	30
3.4.1 Performance of the Sector	30
3.4.2 Major Risks for Insurance Sector	32
3.5 Other Financial Institutions Risks	33

3.5.1	Capital Market Developments	33
3.5.2	Social Security Sector	34
4	FINANCIAL SYSTEM INFRASTRUCTURE DEVELOPMENT	36
4.1	National Payment Systems Development	36
4.1.1	Payment Systems Performance	36
4.1.2	Interoperability	38
4.1.3	Major Payment System Risk	38
4.2	Credit Market Infrastructure and Financial Inclusion	39
4.2.1	Credit Market Structure	39
4.2.2	Financial Inclusion Landscape	40
4.2.3	Financial Consumer Protection	40
5	SHORT-TERM RISKS TO FINANCIAL SYSTEM	43
	ANNEXES	46
A.	Selected Financial Data for Commercial Banks	46
B.	Selected Financial Data for Development Bank of Ethiopia	48
C.	Selected Financial Data for Microfinance Sector	49
D.	Selected Financial Data for Capital Goods Finance Sector	50
E.	Selected Financial Data for Insurance Sector	51

LISTS OF BOXES, TABLES AND FIGURES

LISTS OF BOXES

Box 1: Ethiopia's Reform of the Monetary Policy and Foreign Exchange Regime	10
Box 2: Payment System Regulatory Framework and Developments	35

LISTS OF TABLES

Table 1: Policy Interest Rates of Selected Countries (Percent)	7
Table 2: Performance of Selected Countries' Currencies	8
Table 3: Total Assets of the Financial System and GDP (In Billions of Birr and Percent)	14
Table 4: Banking Sector Major Balance Sheet and Income Statement Items	15
Table 5: Commercial Banking Industry Market Shares (Percent)	16
Table 6: Commercial Banking Industry Result of Credit Risk Stress Test	20
Table 7: Commercial Banking Industry Result of Liquidity Risk Stress Test	21
Table 8: Commercial Banking Industry Result of Foreign Exchange Stress Test	21
Table 9: Development Bank Major Balance Sheet and Income Statement Items	22
Table 10: Major Balance Sheet Items of MFI Sector	25
Table 11: Major Balance Sheet Items of the Leasing Sector	28
Table 12: Financial Performance of the Insurance Sector	31
Table 13: EATS Performance (Number and Value of Transactions)	36
Table 14: DFS Access Points (Channels and Instruments): In Number	37
Table 15: DFS Transactions (Number in Millions and Value in Billions of Birr)	37
Table 16: Interoperability Performance through ATM, POS and P2P	38
Table 17: Credit Information Sharing Data, Number	39
Table 18: Commercial Banks Balance Sheet, Income Statement Items, and Soundness Indicators Ratios	46
Table 19: Commercial Banks Loans and Advance by Sector	47
Table 20: Development Bank Balance Sheet, Income Statement Items, and Soundness Indicators Ratios	48
Table 21: Microfinance Sector Balance Sheet, Income Statement Items, and Soundness Indicators Ratios	49
Table 22: Microfinance Loans and Advance by Sector	50
Table 23: Leasing Balance Sheet, Income Statement Items, and Soundness Indicators Ratios	50
Table 24: Sector Distribution of Leasing Sector Finance	51
Table 25: Major Balance Sheet and Income Statement Items, and Soundness Indicator Ratios	51

LISTS OF FIGURES

Figure 1: Annual GDP, World and Selected Economies (Percent)	6
Figure 2: Annual Inflation Rate in East Africa Countries (Percent)	7
Figure 3: Ethiopia's GDP by Sector and Economic Growth (Percent)	9
Figure 4: Inflation, Interest Rates and Yields (Percent)	10
Figure 5: Current Account and Exchange Rate (Percent of GDP, ETB/USD)	11
Figure 6: Public Debt and Budget Balance (Percent, Percent of GDP)	12
Figure 7: Commercial Banking Industry Distribution of Banks Loans and Advances by Sector (Percent)	17
Figure 8: Commercial Banking Industry NPLs and Provision Coverage Ratios (Percent)	18
Figure 9: Commercial Banking Industry Capital Adequacy Indicators (Percent)	18
Figure 10: Commercial Banking Industry Liquidity Indicators (Percent)	19
Figure 11: Commercial Banking Industry Profitability Indicators (Amount in Birr, Ratio in Percent)	19
Figure 12: DBE Profitability and Soundness Indicators (Percent)	22
Figure 13: Capital Adequacy and Debt Equity Ratios of Microfinance Sector (Percent)	26
Figure 14: Asset Quality Ratios of the Microfinance Sector (Percent)	26
Figure 15: Distribution of Microfinance Loans by Sector	26
Figure 16: Major Earning Ratios of the Microfinance Sector (Percent)	27
Figure 17: Microfinance Sector Liquidity Ratio Indicators (Percent)	27
Figure 18: Distribution Leasing Finance by Sector (Percent)	28
Figure 19: Major Profitability Indicators of the Leasing Sector (Percent)	29
Figure 20: Capital Goods Companies by Soundness Indicators Ratio (Percent)	29
Figure 21: Gross Written Premium by Line of Business (Billions of Birr)	31
Figure 22: General Insurance Business Operational Performance (Percent)	32
Figure 23: Key Soundness Indicators in the General Business (Percent)	32
Figure 24: Total Assets of Social Sector (In Billions of Birr)	34
Figure 25: Transaction Accounts (In Millions of Birr)	40
Figure 26: Number and Density of Credit Account	40
Figure 27: Financial Consumer Complaints	41
Figure 28: Most Cited Potential Risks over the Next 1- 2 Years	44

ABBREVIATIONS

ACH	Automated Clearing House
ATM	Automated Teller Machine
CAR	Capital Adequacy Ratio
CBE	Commercial Bank of Ethiopia
CEOs	Chief Executive Officers
CGF	Capital Goods Finance
CRS	Credit Reporting System
DBE	Development Bank of Ethiopia
DER	Debt Equity Ratio
DFS	Digital Financial Services
EATS	Ethiopian Automated Transfer System
EPSSA	Ethiopian Public Servants' Social Security Administration
ETB	Ethiopian Birr
ESS	Ethiopian Statistical Service
ESX	Ethiopian Securities Exchange
GDP	Gross Domestic Product
HGER 2.0	Second Home Grown Economic Reform
IFAD	International Fund for Agricultural Development
ILF	Intraday Liquidity Facility
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
MFI	Micro-Finance Institution
NBE	National Bank of Ethiopia
NPLs	Non-Performing Loans
P2P	Person-to-Person
PAR	Portfolio at Risk
POESSA	Private Organization Employees Social Security Agency
PoS	Point of Sale
PSPs	Payment Service Providers
RoA	Return on Assets
RoE	Return on Equity
RUFIP	Rural Financial Intermediation Program
RTGS	Real Time Gross Settlement System
USD	United States Dollar

NATIONAL BANK OF ETHIOPIA



የኢትዮጵያ ብሔራዊ ባንክ

FOREWORD



H.E. Dr. Eyob Tekalign
Governor, National Bank of Ethiopia

It is with great pleasure that I present the National Bank of Ethiopia's third Financial Stability Report, covering the fiscal year ending June 30th, 2025. This report comes at a pivotal moment in our country's economic transformation. Over the past year, the Ethiopian financial system has demonstrated resilience in the face of global uncertainties and domestic structural adjustments, while also benefiting from important macroeconomic policy reforms.

Ethiopia's economy continued its strong growth trajectory during the review period. It is expected to record more than 7 percent real GDP growth in 2025 with inflation declining meaningfully to 13.9 percent by June of this year, reflecting improvements in agricultural output, better fiscal discipline, and the implementation

of a new monetary policy framework. The shift to an interest rate-based monetary policy and the adoption of a market-based exchange rate regime in July 2024 have significantly strengthened policy credibility, narrowed external imbalances, and improved foreign currency flows. Indeed, the foreign exchange reform's early results, which include a sharp improvement in export earnings, stronger reserve positions, and a drastic narrowing of the current account deficit, have reaffirmed the transformative impact of these measures while also showing how they tangibly support the performance of the financial system.

Over the 12 months under review, the banking sector remained stable, profitable, and well-capitalized, posting its strongest performance in years. Key soundness indicators for the sector, such as capital adequacy, non-performing loans, liquidity, and profitability, have improved across the industry. Stress tests conducted on credit, liquidity, and foreign exchange exposures confirm that the sector is resilient, with the country's most systemically important bank successfully meeting all major stress thresholds in 2025. Nonetheless, increasing market concentration and widening performance gaps across institutions highlight the continued need for efficiency enhancements, innovation, and in some cases, consolidation.

Other areas of the financial system, including microfinance institutions, capital goods finance companies, and the insurance sector, also showed stability, with notable improvements in their profitability, capital adequacy, and liquidity. Furthermore, the growing role of the social security sector, which holds nearly 10 percent of the financial system's total assets, and invests heavily in government securities, underscores the importance of monitoring inter-sectoral linkages to safeguard systemic stability.

Ethiopia's national payments ecosystem continued its rapid modernization, with the value of digital payments again nearly doubling compared to the previous year. While this presents immense opportunities for efficiency and financial inclusion, it also brings emerging cyber and operational risks that require continued investment in talent, technology, and regulatory oversight to mitigate.

As we look ahead, Ethiopia's major ongoing national projects in the areas of energy, industry, agriculture, and infrastructure, combined with an improving macroeconomic outlook, provide a strong foundation for further strengthening the resilience of the country's financial system. However, this requires sustained commitment to prudent regulation, risk-based supervision, and coordinated macroeconomic management.

The National Bank of Ethiopia remains fully committed to ensuring the safety, soundness, and stability of the nation's financial system. I extend my appreciation to all financial institutions and stakeholders who contributed to this report and continue to work tirelessly to support Ethiopia's financial and economic transformation.

EXECUTIVE SUMMARY

This is the National Bank of Ethiopia's (NBE's) third Financial Stability Report, covering the fiscal year to June 30th, 2025. The report assesses the resilience of Ethiopia's financial system and its capacity to withstand internal and external shocks while continuing to support economic growth. Financial stability is essential for effective financial intermediation, sound risk management, and reliable payment systems, all of which underpin confidence in the economy and sustainable development. Regular monitoring of financial risks is therefore critical to preventing weaknesses in governance, risk management, and institutional performance.

During the review period, Ethiopia's financial system operated in a challenging global environment marked by a moderate slowdown in economic growth, persistent geopolitical tensions, and external shocks. These factors contributed to inflationary pressures and affected Ethiopia's external position through higher import costs and subdued global demand. Despite these challenges, the domestic financial system remained resilient, supported by improving macroeconomic conditions and policy reforms.

Macroeconomic indicators showed clear improvement over the fiscal year. Economic growth strengthened while inflation declined significantly, creating a more stable operating environment for financial institutions. The transition to a positive real interest rate marked an important turning point, helping to improve savings incentives, attract capital inflows, and enhance the effectiveness of monetary policy. At the same time, improvements in fiscal performance, reflected in lower budget deficits and more sustainable public and domestic debt dynamics, reduced macroeconomic vulnerabilities and reinforced financial stability.

Recent and ongoing structural reforms further support macroeconomic and financial system stability. Large-scale national projects, including energy, manufacturing, and infrastructure initiatives, are expected to bolster medium-term growth and strengthen the financial system through increased investment and productivity. In addition, the move to a market-based exchange rate regime in July 2024 led to a depreciation of the Birr that has improved export competitiveness, eased foreign exchange shortages, and contributed to a marked improvement in the external balance.

During the review period, the banking sector remained stable, resilient, and low risk. Key indicators — capital adequacy, asset quality, liquidity, and profitability — all improved compared to the previous year. Stress tests covering credit, liquidity, and foreign exchange risks confirm that the sector is well positioned to absorb plausible shocks. The outlook for the 2025/26 fiscal year is positive, supported by expectations of continued economic growth, moderating inflation, expanding credit, and rising foreign exchange earnings.

Ethiopia's sole systemically important bank successfully passed all major stress tests conducted at the end of June 2025, indicating that systemic risk emanating from this institution remains low. However, the bank's strong performance has heightened concentration risks and raised competitiveness concerns for smaller banks. This underscores the potential need for consolidation within the banking sector. The development finance institution remained stable overall, with steady balance sheet performance and profitability broadly in line with the previous year, despite limited growth.

The microfinance sector posed low risk to financial system stability, reflecting its small share of total financial assets and strong performance during the review period. Capital adequacy, asset quality, liquidity, and non-performing loans all improved and remained well within regulatory thresholds; profitability has also improved.

Similarly, capital goods finance companies exhibited sound financial conditions, with low credit risk and adequate capital and liquidity buffers, supporting the assessment that the sector is safe and stable.

The insurance sector recorded a sound performance over the 12 months to June 2025. Liquidity strengthened and profitability increased, supported by premium growth and improved underwriting results, despite some pressure on solvency and equity ratios. Overall, the sector remained stable and resilient.

Other pillars of the financial sector, particularly the capital market and the social security sector, play an increasingly important role in the financial system. Regarding the former, the launch of the Ethiopian Securities Exchange in January 2025 and the subsequent development of the Interbank Money Market have strengthened financial sector stability through improved liquidity management, reduced borrowing costs, and enhanced transparency in short-term funding markets. Social security institutions held nearly one-tenth of total financial system assets by June 2025, with most invested in government Treasury Bills. While this supports market liquidity, it also creates interlinkages that could transmit shocks across sectors, highlighting the need for close monitoring of systemic and liquidity spillover risks.

Digital financial services expanded rapidly during the review period, with transaction values nearly doubling to over ETB 18.5 trillion. While this growth supports financial inclusion and efficiency, it also increases exposure to operational, cyber, and fraud-related risks. Strengthening technological infrastructure, human capacity, and risk management frameworks is therefore becoming increasingly urgent.

Finally, a survey conducted for this report showed that financial sector stakeholders consider exchange rate movements and inflation as the most significant short-term risks. Respondents emphasized the importance of continued macroeconomic discipline, strong financial regulation and supervision, enhanced stress testing, and sustained efforts to build foreign exchange reserves. They also highlighted the need to invest in technology, manage emerging digital risks proactively, and promote domestic production and import substitution to support long-term financial stability.

1. INTRODUCTION



1. INTRODUCTION

The third Financial Stability Report, for the fiscal year to the end of June 2025, is published in line with National Bank of Ethiopia's mandate to uphold the stability of the country's financial system alongside safeguarding the safety and soundness of individual financial institutions in line with NBE's Proclamation No. 1359/2025 (Article 24).

The report looks into the last five-year trend focusing on major micro and macro stability measures undertaken to stabilize the financial system. Unlike NBE's previous two annual financial stability reports, a survey was conducted with the help of CEO's of some financial institution, professionals, academics and advisory firms to incorporate stakeholder concern to identifying the most cited risks.

The rest of the report has four main chapters:

- Following the introduction, **Chapter 2** deals with global and domestic economic conditions focusing on actual data for recent years especially on gross domestic product (GDP) growth, monetary developments, inflation, interest rates, and their systemic impact on the domestic financial system's stability.
- **Chapter 3** analyzes the financial sector's stability and the risks it faces, distinguishing the banking, microfinance, capital goods finance, and insurance sectors. For each sector, it evaluates vulnerabilities, systemic risks, and resilience using provisional data (rather than audited ones) for the fiscal year to June 30th, 2025.¹ It also looks at other financial institutions' systemic risks in the country.
- **Chapter 4** focuses on the financial system's infrastructure development and risks in areas: National Payments System, credit market infrastructure, financial inclusion, and consumer education and protection.
- **Chapter 5** discusses potential near-term risks based on the most frequent risks cited in the stakeholder risk resilience survey. These risks included the foreign currency exchange and inflation rates, which were at the center of various policy measures during the fiscal year under review.

¹ The Ethiopian fiscal year starts on July 8th and ends on July 7th, but the report is based on the June 30th ending.

A low-angle, upward-looking shot of a modern building's facade. The building features a mix of dark, reflective glass panels and lighter-colored, textured concrete or stone sections. The perspective creates strong diagonal lines that converge towards the top of the frame. The sky above is a deep blue-grey with scattered, soft white clouds. The overall mood is architectural and professional.

2. ECONOMIC AND FINANCIAL CONDITION

2. ECONOMIC AND FINANCIAL CONDITIONS

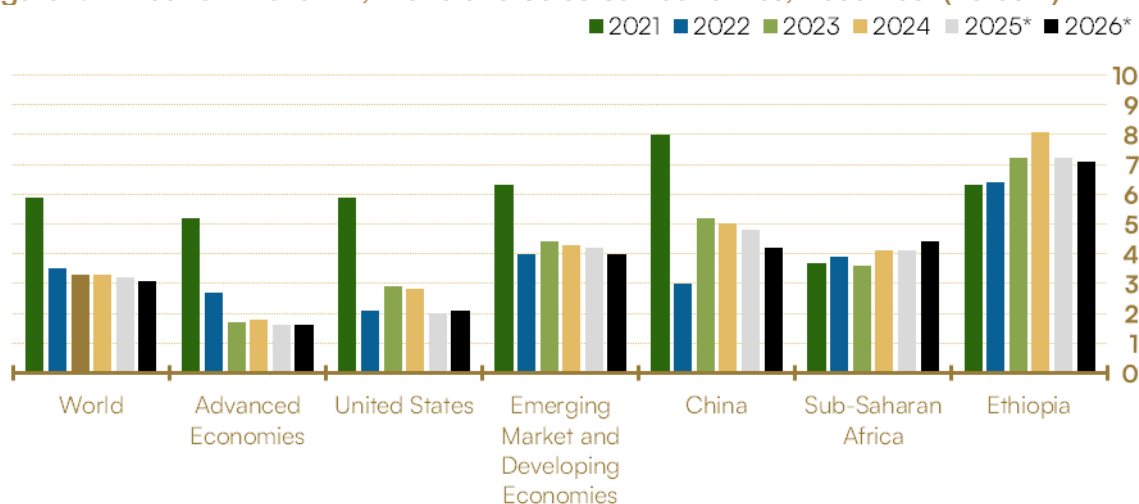
2.1. Global Economic Conditions

2.1.1. Economic Growth

The International Monetary Fund's (IMF's) most recent projections, released in October 2025, suggest that global economic growth is showing signs of a moderate slowdown from 3.3 percent in 2024 to 3.2 percent in 2025 and 3.1 percent in 2026. The slowdown reflects headwinds from uncertainty and protectionism, even though the tariff shock the world has expected is smaller than originally feared. For advanced economies, growth is projected to be 1.6 percent in 2025 and 2026, both 0.2 percentage points lower than that recorded in 2024, on account of greater policy uncertainty and higher trade barriers. For emerging markets and developing economies, growth is projected to see a moderate decline from 4.3 percent in 2024 to 4.2 percent in 2025 and 4.0 percent in 2026.

In Sub-Saharan Africa, economic growth is expected to remain subdued. Unchanged in 2025 from 4.1 percent drop in 2024, in 2026 growth is projected to pick up a little to 4.4 percent. According to IMF projections, Ethiopia's growth of 7.2² percent in 2025 is lower than 9.2 percent achieved, but it still positions the country among the 20 fastest-growing economies in the world (Figure 1).

Figure 1: Annual GDP Growth, World and Selected Economies, December (Percent)



Source: IMF World Economic Outlook Database: October 2025 Edition; *Projections

2.1.2. Inflation Developments

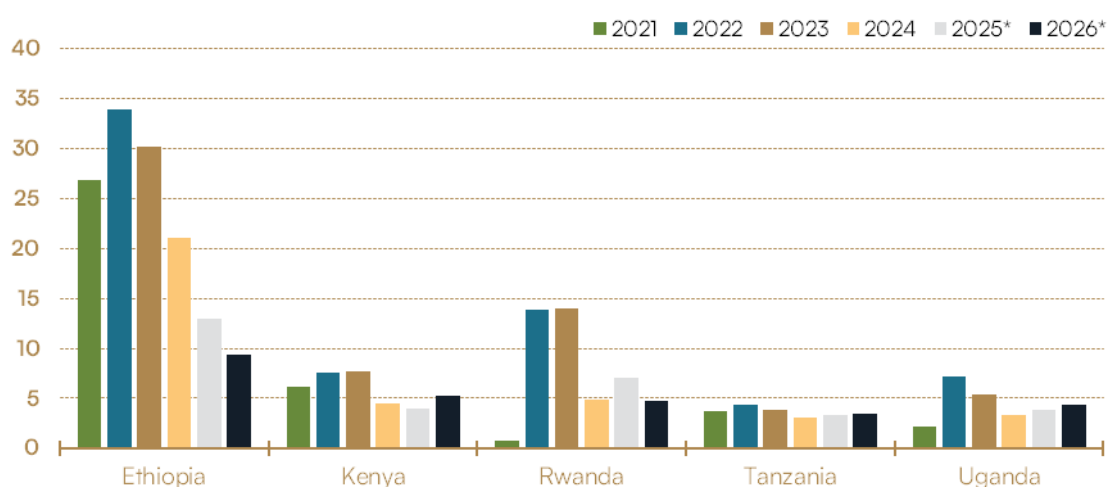
According to the IMF, headline inflation is expected to decline globally from 5.8 percent in 2024 to 4.2 percent in 2025 and to 3.7 percent in 2026. With the battle against inflation almost won, the expectation is that headline inflation will move closer to central bank targets in many countries. Headline inflation in emerging markets and developing economies is also projected to decline from 7.9 percent in December 2024 to 5.3 percent in December 2025, and then to fall further to 4.7 percent in December 2026. Inflation in Sub-Saharan Africa is projected to substantially reduce

² In 2025, the economy recorded an actual growth rate of 9.2 percent, see Section 2.2.1 below.

from 20.3 percent in December 2024 to 13.1 percent in December 2025 and 10.9 percent in December 2026. Though still in double-digit territory, inflation continues to drop in Sub-Saharan Africa as the macro-economic imbalance improves. This helps to anchor inflation expectations.

According to the IMF, inflation is forecasted to stay in single-digit territory in East African countries in 2026. For instance, Ethiopia's inflation is projected to significantly decline from 21.0 percent in December 2024 to 13.0 percent in December 2025 and 9.4 percent in December 2026 (Figure 2).

Figure 2: Annual Inflation Rate in East African Countries, December (Percent)



Source: IMF World Economic Outlook Database: October 2025 Edition; *Projections

2.1.3 Interest Rate Developments

Interest rate developments globally in 2025 showed declining trends, reflecting reduced inflation and continued attempts to stimulate economic growth. The only country increasing policy interest rate is Brazil, which is doing so to bring inflation and expectations around the rates down to the target. In Ethiopia, NBE set its initial policy interest rate at 15 percent on July 9th, 2024, with the introduction of a new monetary policy framework on the same day, and the central bank has held the policy interest rate constant since then (Table 1).

Table 1: Policy Interest Rates of Selected Countries (Percent)

		JUN 2021	JUN 2022	JUN 2023	JUN 2024	SEP 2025
Developed economies	Euro area	0	2.5	4.5	3	2
	United States	0.125	4.375	5.375	4.375	4.125
BRICS	Brazil	9.25	13.75	11.75	12.25	15
	China	3.8	3.65	3.45	3.1	3
	India	4	6.25	6.5	6.5	5.5
	Russia	8.5	7.5	7.5	21	17
	South Africa	3.75	7	8.25	7.75	7
Other developing economies	Morocco	1.5	2.5	3	2.5	2.25
	Saudi Arabia	1	5	6	5	4.75
	Türkiye	14	9	42.5	47.5	40.5
	Ethiopia				15	15

Source: Bank for International Settlements (2025), for Ethiopia — NBE

2.1.4. External Sector Developments

Most currencies appreciated against the United States Dollar in 2025. The currencies of Canada and Japan showed appreciation against the dollar, as did the Euro which preformed even better against the world's reserve currency. Similarly, original BRICS members' currencies showed an appreciation against the Dollar with the exception of India's. On the contrary, except for Uganda's, East African currencies depreciated against the Dollar. Other developing economies, such as Egypt, Morocco and Saudi Arabia saw their currencies appreciating while Türkiye's currency showed depreciation. All of which can be explained by country-specific reasons. Following the liberalization of foreign exchange market, the Ethiopian Birr depreciated 151.4 percent in September 2025 compared to June 2024 position (Table 2).

Table 2: Performance of Selected Countries' Currencies Against the US Dollar

	Country	Currency	JUN 2021	JUN 2022	JUN 2023	JUN 2024	SEP 2025	(+Dep./- App.) (%): 2024 - 25
						A	B	C= (B-A)/A
Developed Economies	Euro Area	Euro	0.9	0.9	0.9	1.0	0.9	-10.0
	Canada	Dollar	1.3	1.4	1.3	1.4	1.4	0.0
	Japan	Yen	115.1	131.9	141.5	157.0	148.0	-5.7
Original BRICS	Brazil	Real	5.6	5.3	4.9	6.2	5.3	-14.5
	China	Yuan	6.4	6.9	7.1	7.3	7.1	-2.7
	India	Rupee	74.4	82.7	83.2	85.6	88.8	3.7
	Russia	Ruble	75.3	72.0	90.3	99.2	82.9	-16.4
	South Africa	Rand	15.9	17.0	18.4	18.9	17.3	-8.5
East Africa	Ethiopia	Birr	49.2	53.3	54.5	57.2	143.8	151.4
	Kenya	Shilling	113.1	123.4	156.5	129.3	129.2	-0.1
	Rwanda	Franc	1009.6	1070.7	1263.9	1383.0	1441.0	4.2
	Tanzania	Shilling	2,297.6	2,308.9	2,506.0	2,394.8	2,679.2	11.9
	Uganda	Shilling	3,544.4	3,715.7	3,782.2	3,681.1	3,550.4	-3.6
Other Developing Economies	Egypt	Pound	15.7	24.7	30.8	50.8	49.5	-2.6
	Morocco	Dirham	9.3	10.4	9.9	10.1	9.1	-9.9
	Saudi Arabia	Riyal	3.8	3.8	3.8	3.8	3.8	0.0
	Türkiye	Lira	13.5	18.7	29.6	35.4	41.6	17.5

Source: Bank for International Settlements

2.1.5. Conclusion: Global Effects for Financial System Stability in Ethiopia

Overall, Ethiopia's financial institutions face a variety of risks due to the moderate slowdown of global economic growth and multiple macroeconomic and geopolitical shocks experienced.

Looking ahead, developments in the various foreign exchange markets and policy interest rate continues to constitute risks that financial system faces in Ethiopia, although the risk level has been reduced because of the monetary and exchange rate reform undertaken in July 2024. However, on a positive side, global growth in general and Ethiopia's economy in particular have proven remarkably resilient. Furthermore, global and Ethiopia's headline inflation is showing a downward trend in the face of recurring shocks both at home and abroad.

2.2. Domestic Economic Conditions³

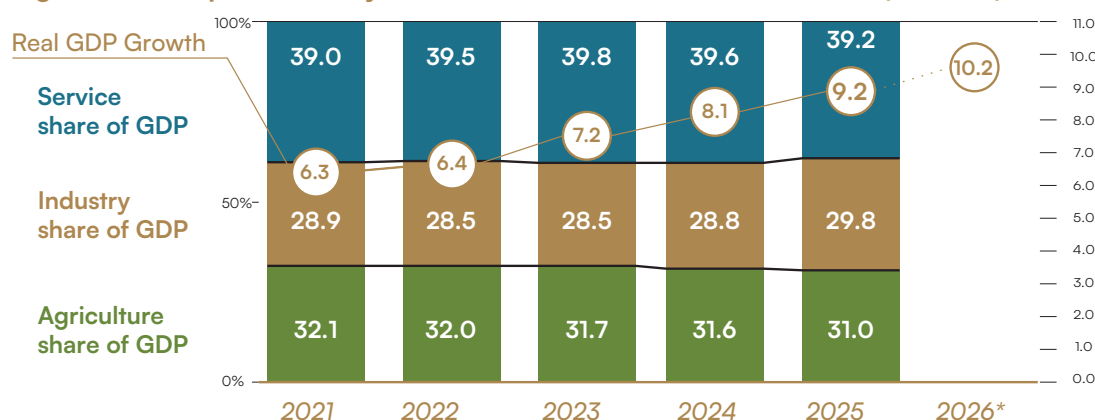
Domestic factors impact the health of the Ethiopian financial system much more directly and significantly than global conditions. According to NBE's analysis, certain factors raise risks while others support stability and resilience.

2.2.1. Economic Growth

Ethiopia's economy has registered high growth over the last five years, which is projected to continue in the coming years. Real GDP has grown above 7 percent each year beginning from 2023, much higher than the average growth for the Sub-Saharan Africa region (which is projected to grow at 4.1 percent in 2025 by IMF). Real GDP grew 9.2 percent in the year ended June 2025 and is anticipated to grow 10.2 percent in 2025/26, driven by growth in services, agriculture, and industry sectors from the supply side, and by personal spending and investment from the demand side.

The composition of Ethiopia's GDP shows a modest reallocation of economic activity away from services and agriculture towards industry. The industrial sector showed a notable increase of 1 percentage points and reached 29.8 percent in the year to June 2025. The increase in industry's share suggests that industrialization growth driven by construction, manufacturing, and other productive sectors. The continued decline in the share of agriculture is consistent with long-term trends seen in developing economies, where resources and labour gradually shift towards the more productive industrial and service sectors (Figure 3).

Figure 3: Ethiopia's GDP by Sector and Economic Growth, June (Percent)



Source: Ministry of Planning and Development and *Projection

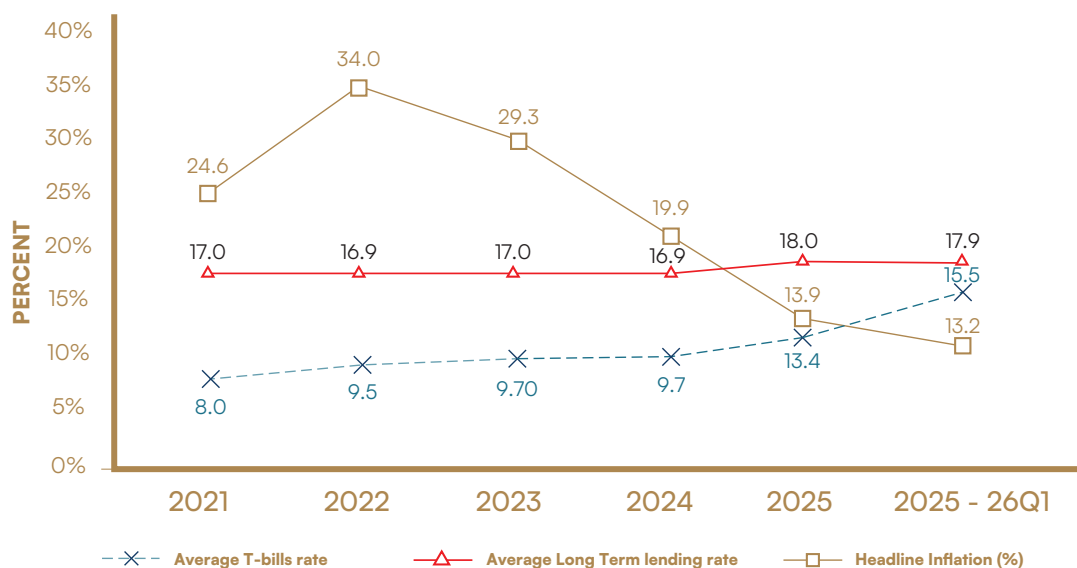
2.2.2. Inflation, Interest Rate, and Yields

Ethiopia has witnessed a downward trend in headline inflation since 2023. Headline inflation was 13.9 percent by the end of June 2025, which showed a decline of 6.0 percentage points compared to the same period last year. A sustained tightening of Ethiopia's monetary policy, improvements in agricultural production, and a gradual adjustment in administrative prices have significantly contributed to bringing it down headline inflation in a meaningful manner.

While the weighted average long-term lending interest rate has not shown major change, the yield on Treasury Bills has increased significantly. Commercial banks' weighted average long-term lending interest rate was 18 percent at the end of June 2025, and 17.9 percent by the end of September 2025. However, the yearly weighted average yield on government Treasury Bills went up from 9.7 percent in June 2024 to 13.4 percent in June 2025, and 15.5 percent in September 2025. For the first time in the last five years, the weighted average long-term lending rate and Treasury bills rate were above inflation, indicating banks real return on their loans has turned positive after accounting for inflation (Figure 4).

³ Data for domestic economic conditions are all based on Ethiopian fiscal year which ended June.

Figure 4: Inflation, Interest Rates and Yields, June (Percent)



Source: NBE Database

2.2.3. Current Account Balance and Exchange Rate

The current account balance showed significant improvement during the review period, with the deficit narrowing from 3.0 percent in June 2024 to 0.2 percent in June 2025, which suggests the economy's positive response to exchange rate movement. The implementation of a foreign currency exchange reform has improved export competitiveness, addressed severe foreign currency shortages, attracted foreign direct investment, and supplemented several other macroeconomic reform measures (Figure 5 and Box 1).

Box 1:

Ethiopia's 2024 Reform of the Monetary Policy and Foreign Exchange Regime

Starting from July 9th, 2024, NBE introduced a new monetary policy framework to strengthen its fight against inflation. This strategic shift, which follows credit growth measures implemented last year, is designed to provide more responsive control over monetary and credit developments in relation to evolving inflation and exchange rate trends. The main measures of this new policy framework are:

- Moving to an interest rate-based monetary policy regime.
- Setting initial policy interest rate at 15 percent.
- Start conducting monetary policy-related auctions every two weeks with a view either withdraw to from or supply liquidity to the banking system through (open market operations).
- Introduction of an 'overnight lending facility' and an 'overnight deposit facility' for banks to help them manage their liquidity positions over a one-day horizon.
- Introduction of an electronic platform for banks to lend to and borrow from each other, thereby facilitating an active and functional interbank money market.

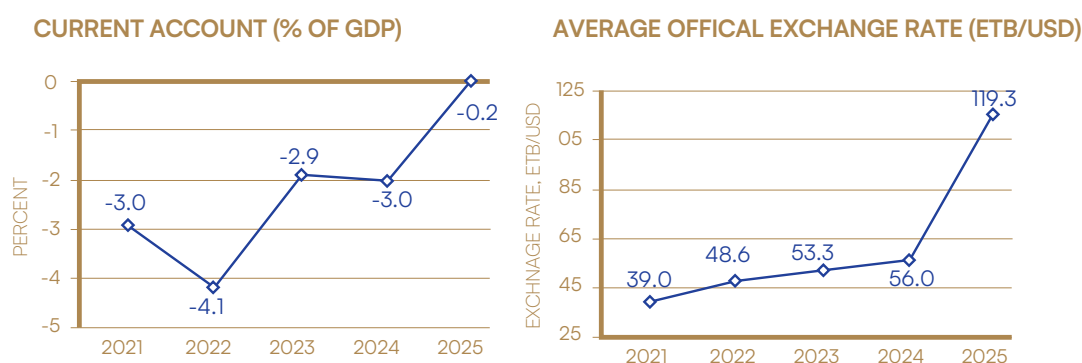
On July 29th, 2024, NBE issued Foreign Exchange Directive (FXD/01/2024) with immediate effect. Besides to a market-based determination of the exchange, this new directive included many other far-reaching measures such as:

- Removal of foreign exchange surrender requirement to NBE.
- Removal of more than 30 imports restrictions.
- Improved foreign exchange account retention rules for exporters.
- Opening the sector to independent foreign exchange bureaus.
- Allowing foreign exchange accounts for qualifying residents and the simplification of foreign exchange account rules.
- Allowing Ethiopian companies and banks easier access to foreign loans.
- Enabling foreign participation in the upcoming Ethiopian Securities Exchange.
- Granting special foreign exchange privileges to companies operating in special economic zones.

Hence, a comprehensive approach, that the Ethiopia has followed in its foreign exchange reform is helping addressing acute foreign exchange shortages, enhancing export competitiveness, attracting foreign direct investment, and enhance conditions for private sector-led economic growth.

Early results from the foreign exchange reform are positive. For instance, the official and parallel market rates have largely converged (within a 15 percent gap), shifting significant trading activity to the formal banking sector. Key outcomes for fiscal year 2024/25 include a 119.2 percent surge in exports and a 13 percent rise in private remittances inflows. Consequently, the NBE's foreign currency reserves surged over 209 percent year on year, and that of commercial banks' reached \$2.8 billion. This strengthened reserve position has allowed banks to reduce net foreign exchange obligations and to make increasingly greater allocations of foreign currency to business. Most significantly, the current account has shrunk dramatically from \$6.2 billion in June 2024 to just \$289.3 million in June 2025, indicating a systemic improvement in the balance of payments.

Figure 5: Current Account Balance and Exchange Rate, June (Percent of GDP, ETB/USD)

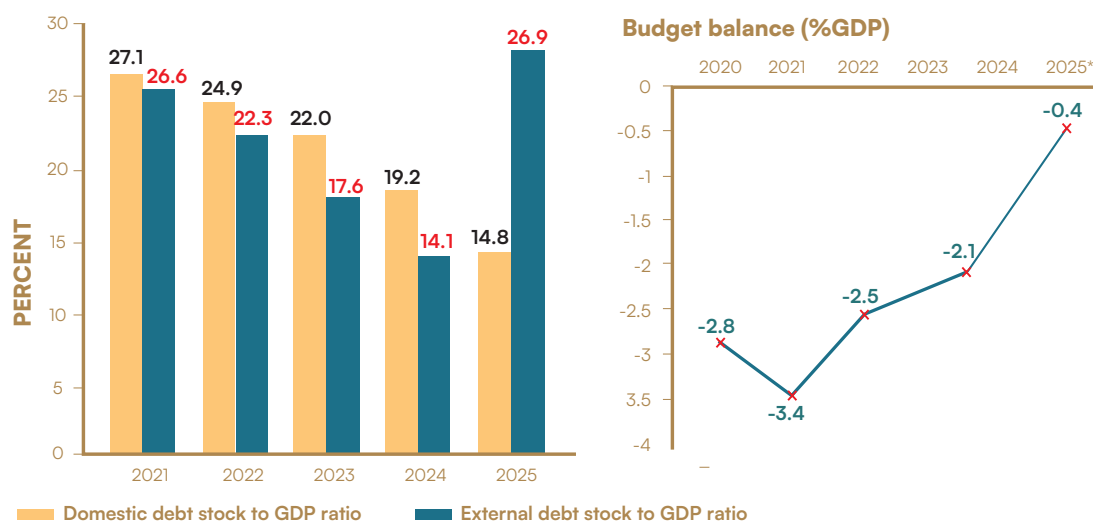


Source: NBE Database

2.2.4. Fiscal Operations and Public Debt

While domestic debt and the budget deficit have decreased, external debt reached 26.9 percent of GDP by the end of June 2025. In response to the depreciation of the Birr the highest over the previous year witnessing a higher external indebtedness risk. On the other hand, the ratio of domestic debt to GDP decreased from 19.2 percent in 2024 to 14.8 percent in 2025 reflecting lower domestic indebtedness risk. Likewise, the budget deficit narrowed from 2.1 percent of GDP in 2024 to 0.4 percent in June 2025, because of improvements in revenue growth and implementation of the fiscal consolidation strategy (Figure 6).

Figure 6: Public Debt and Budget Balance, June (Percent)

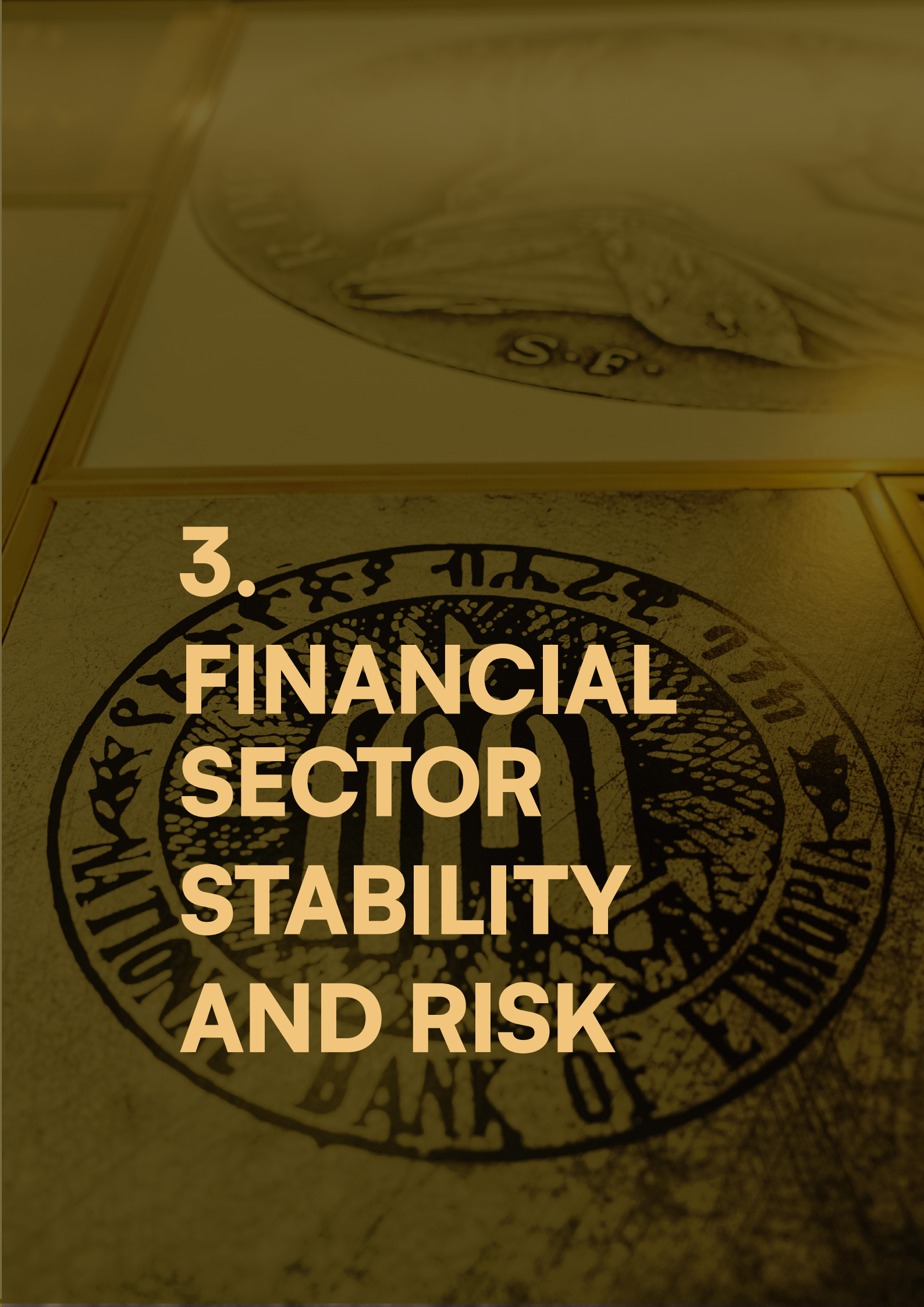


Source: Ministry of Finance & NBE

2.2.5. Conclusion: Effects for Financial System Stability in Ethiopia

To conclude, Ethiopia's improving macroeconomic indicators marked by rising growth and declining inflation signal a more stable and resilient financial environment. The reduction in inflation enhances purchasing power and predictability, which supports both consumer confidence and long-term investment planning. The shift toward a positive real interest rate is particularly significant, as it encourages returns, attracts capital inflows, and strengthens the effectiveness of monetary policy in maintaining price and financial stability.

The improvement in Ethiopia's current account balance is very important for financial stability as it strengthens the country's external position and reduces its vulnerability to economic shocks. Similarly, the budget balance enhances financial stability by reducing fiscal vulnerabilities, curbing inflation pressure, ensuring debt sustainability, and fostering a healthier banking and investment climate.



3. FINANCIAL SECTOR STABILITY AND RISK

3. FINANCIAL SECTOR STABILITY AND RISK

The financial system stability assessment aims to assess and point out key risks and vulnerabilities by deploying a macro financial analysis and an assessment of systemic risks, thereby ultimately aiming to sustain financial stability and development. This assessment includes an analysis of the stability and risks of financial institutions operating in Ethiopia, namely: banks, insurance companies, microfinance institutions and capital goods finance companies, and the social security sector.

3.1. Overview of the Financial Sector

Total assets of the financial sector, including the social security sector, reached ETB 5.6 trillion at the end of June 2025, rising 40 percent from ETB 4 trillion at the same time a year earlier. Total financial sector assets accounted for 37.2 percent of GDP at the end of June 2025 compared to 34.6 percent of GDP by June 2024, reflecting higher asset growth of financial sector.

During the fiscal year under review, the banking sector continued to account for the financial system's largest market share, with 87.5 percent, followed by the social security sector (9.4 percent). This indicates that social security sector, which invests 80 percent of its assets in Treasury Bills, plays a significant role in stabilizing the liquidity risk in the financial sector, and the economy at large (Table 3).

Table 3: Total Assets of the Financial System and GDP (In Billions of Birr and Percent)

No	Items	JUN 2024	Market Share (%)	JUN 2025	Market Share (%)	Growth (%): 2024 - 25
1	Banks	3,459.5	86.2	4,920.8	87.5	42.2
	Commercial Banks	3,277.3	81.7	4,737.0	84.2	44.5
	Development Bank	182.2	4.5	183.8	3.3	0.9
2	Microfinance Institutions	60.1	1.5	81.7	1.5	35.9
3	Capital Goods Companies	6.4	0.2	8.2	0.1	28.1
4	Insurance Companies	65.6	1.6	84.9	1.5	29.4
5	Social Security Sector	420.0	10.5	530.0	9.4	26.2
	Total financial system assets ⁴	4,011.6	100.0	5,625.6	100.0	40.2
	Nominal GDP	11,574.7		15,100		30.5
	Total assets to GDP (%)	34.6		37.2		2.6

Source: NBE Database

3.2. Banking Sector

At the end of June 2025, Ethiopia had 32 banks, of which 31 are commercial banks (with a total of 13,120 branches) and one is a development bank (with 104 branches). In total, 23 commercial banks provide interest-free banking, of which, four banks offer full-fledged interest-free banking, and 19 banks provide window-based interest-free banking services.

⁴ It excludes financial data from SACCOs, Payment System Operators and Issuers, and Independent Forex Bureaus because of data constraints.

3.2.1 Commercial Banking Industry

3.2.1.1. Commercial Banks' Role in the Economy

Commercial banks in Ethiopia play a crucial role in the economy by facilitating financial intermediation, promoting capital formation, providing credit, and supporting economic growth and stability. Accordingly, total banks loans and bonds reached ETB 3 trillion at the end of June 2025, rising 38.6 percent, from the ETB 2.2 trillion recorded the previous year. Similarly, total deposits surged 40.7 percent to ETB 3.5 trillion at the end of June 30, 2025, from ETB 2.5 trillion a year earlier. This reflects the existence of significant loan and deposit expansion, and growth in the banks' core business.

As of June 30th, 2025, the total assets of commercial banks accelerated to over ETB 4.7 trillion from ETB 3.3 trillion at the end of June 2024, exhibiting a 44.5 percent steady growth and demonstrating fast growth of the banking sector as a whole. Total loans accounted for 64.1 percent and deposits at 74.1 percent of the total banking sector assets at the end of the review period (Table 4 and Annex A).

Table 4: Commercial Banking Industry Major Balance Sheet and Income Statement Items

No	Major items	JUN 2021	JUN 2022	JUN 2023	JUN 2024	JUN 2025	Growth (%): 2024 - 25
1 Balance Sheet (Billions of Birr)							
A Asssets							
	Total liquid assets	278.5	469.5	524.6	559.6	1,068.1	90.9
	Investments	608.7	732.4	795.4	874.0	1,404.2	60.7
	Loans and Bonds/ Securities	1,336.5	1,570.4	1,953.2	2,194.0	3,040.6	38.6
	Total assets	1,843.2	2,374.1	2,845.9	3,277.3	4,737.0	44.5
B Liabilities and Capital							
	Total deposits	1,360.1	1,735.3	2,162.2	2,494.7	3,510.0	40.7
	O/w Demand	439.6	567.1	679.9	813.3	1,253.6	54.1
	O/w Saving	855.8	1,085.3	1,370.1	1,524.3	2,048.6	34.4
	O/w Time/fixed	64.7	83.0	112.2	157.1	207.8	32.3
	Total capital	121.9	168.9	212.4	258.6	422.4	63.3
2 Income Statement (Billions of Birr)							
A	Total income	168.9	247.0	297.5	361.4	646.3	78.8
B	Total expense	122.8	157.9	220.0	274.0	525.7	91.9
C	Net income after tax	30.3	47.4	48.9	57.9	93.4	61.3

Source: NBE Database

3.2.1.2. Industry Structure and Systemic Risk

Based on the total assets' size classification, of the 31 commercial banks, one was categorized as a large bank, five medium-sized banks, and 25 small-sized banks at the end of the review period.

Large Bank: The Commercial Bank of Ethiopia (CBE) remains the only bank in the large bank category in Ethiopia. In the year to June 30th, 2025, CBE's market share in major balance sheet indicators, rebounded and improved notably against the previous fiscal year. Accordingly, its market share in banking sector assets grew from 47.9 percent to 49.1. Similarly, its share in loans and bonds share went up from 45.2 percent to 51.7 percent, while its deposits market share increased from 47.1 percent to 48.1 percent, and capital market from 24.2 percent to 43.1 percent. These figures show the bank's growing market share and reconfirm its position as the only systemically important bank for Ethiopia's financial system, owing to comprehensive reform activities conducted on the bank. Conversely, this situation increases the concentration risk to financial system.

Medium-Sized Banks: The market shares for medium-sized banks shrank slightly in terms of loans and bonds, deposits, and capital compared with the previous fiscal year. However, in terms of total assets, the medium-sized banks' market share marginally went up from 28.9 percent in the previous fiscal year to 29.1 percent during the year under review.

Small Banks: Among other reasons, stiff competition forced small banks somewhat to shed their market shares in assets, loans, deposits, and capital compared to the previous fiscal year, triggering the banks to consider consolidation to withstand the creeping dominance of the large bank, as only the fittest institutions will survive.

Ethiopia's only systemically important bank, accounted for almost 50 percent of commercial banking industry assets during the reporting year (Table 5) and dominates the market. Considering the rebound of this bank compared to a year earlier, and conversely, the declining market share for medium- and small-sized banks in terms of major balance sheet items indicate the existence of stiff market competition.

Table 5: Commercial Banking Industry Market Shares (Percent)

No	Bank Category	Total Assets		Total Loans and Bonds		Total Deposits		Total Capital	
		JUN 2024	JUN 2025	JUN 2024	JUN 2025	JUN 2024	JUN 2025	JUN 2024	JUN 2025
1 By Size/Class									
	Large	47.9	49.1	45.2	51.7	47.1	48.1	24.2	43.1
	Medium	28.9	29.1	31.1	27.2	30.3	29.8	33.0	24.8
	Small	23.3	21.8	23.6	21.1	22.7	22.1	42.8	32.1
2 By Ownership									
	Public	47.9	49.1	45.2	51.7	47.1	48.1	24.2	43.1
	Private	52.1	50.9	54.8	48.3	52.9	51.9	75.8	56.9

Source: NBE Database

Assessment of the Systemically Important Bank

In the year under review, Ethiopia's systemically important bank, Commercial Bank of Ethiopia, increased its industry market share, reversing its declining trend over the last few years. The bank successfully passed all three stress tests that were conducted at the end of June 2025 covering credit risks, liquidity risk and foreign currency exchange risk. **Accordingly, despite concentrations, the risk to the banking sector emanating from this systemically important bank is now assessed as low.**

Moreover, the bank is undergoing intensive reforms regarding its policy of granting loans and advances to government enterprises, capacitating its workforce and strengthening institutional structures. Moreover, the bank is increasing its capital buffer through a commitment from the government and support from World Bank concessional financing. In doing so, the bank will continue to play a major role in sustainably supporting Ethiopia's economic development.

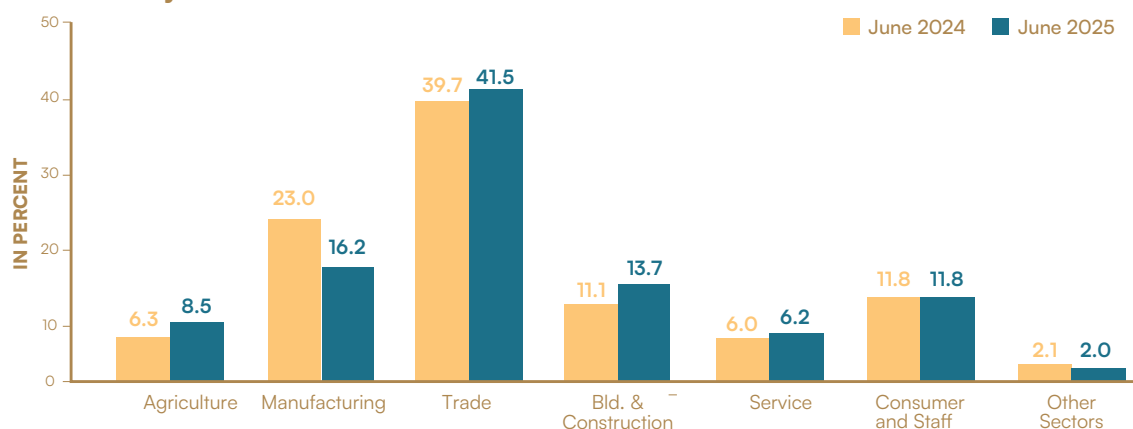
3.2.1.3. Concentration Risks

The concentration risk is increasing in the banking sector in terms of market share, top depositors, availability of liquidity, loans by sectors, and urban areas loans. Thus, these developments require policy measures to manage such increasing risk. Credit concentration risk is also increasing to trade sector, even though the share of top ten borrowers in total loans and advances marginally decreased during the review period.

A. By Economic Sector

The trade sector, both domestic and international, has continued to hold the largest share of aggregated bank loans, recording 41.5 percent of total outstanding loans at the end of June 2025 compared to 39.7 percent a year earlier. The next largest beneficiary of bank loans, namely, the manufacturing sector, saw its share in outstanding loans declined from 23 to 16.2 percent at the end of the fiscal year under review. This was partly due to balance sheet restructuring of the systemically important bank convert some portfolio of its manufacturing loans to bonds. The agriculture, and building and construction sectors slightly gained market share during the fiscal year compared with the same period last year (Figure 7).

Figure 7: Commercial Banking Industry Distribution of Banks Loans and Advances by Sector



Source: NBE Database

B. By Borrowers

The share of banking sector credits held by the top 10 borrowers, which are mainly state-owned enterprises and regional governments, decreased from 14.7 percent in the previous fiscal year to 12.4 percent at the end of June 2025. This indicates an improvement in the credit concentration risks, and a positive development for the sector.

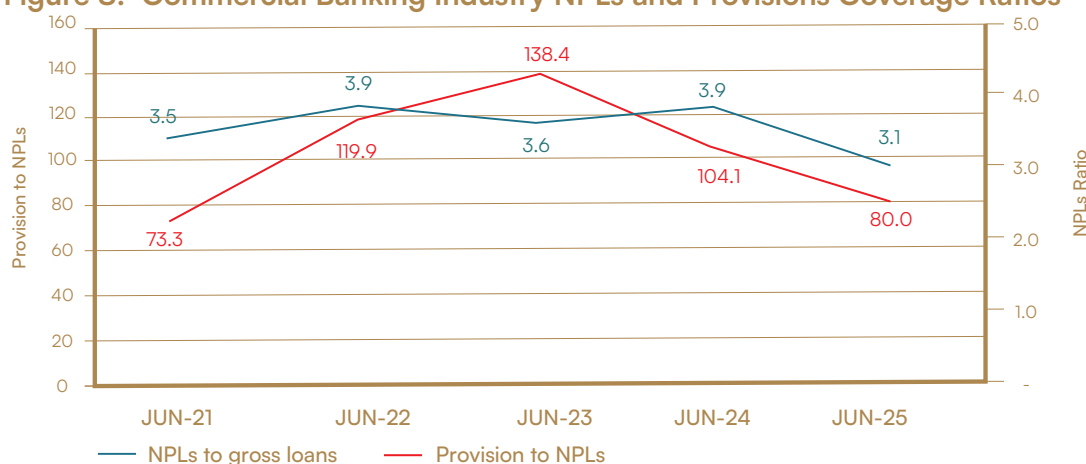
3.2.1.4. Soundness Indicators

Like in previous years, each soundness indicator — such as the capital adequacy ratio, NPLs ratio, liquidity position, and profitability ratios — signalled that the commercial banking industry is safe and on a solid footing and its performance has improved over the previous years.

A. Asset Quality Indicators

The NPL ratio of the commercial banking industry was at its best level in five years during the fiscal year under review, as it stood at 3.1 percent, well below the regulatory maximum ratio of 5 percent, and indicating further improvement in the industry's asset quality. Moreover, the provisions-to-NPLs ratio stood at 80 percent as compared with 104.1 percent a year earlier. This was partly because of improved economic conditions, strategic debt management and balance sheet restructuring by the systemically important bank. Consequently, such a low NPLs ratio contributes to the banking sector stability, increased credit availability, and broader economic growth (Figure 8).

Figure 8: Commercial Banking Industry NPLs and Provisions Coverage Ratios

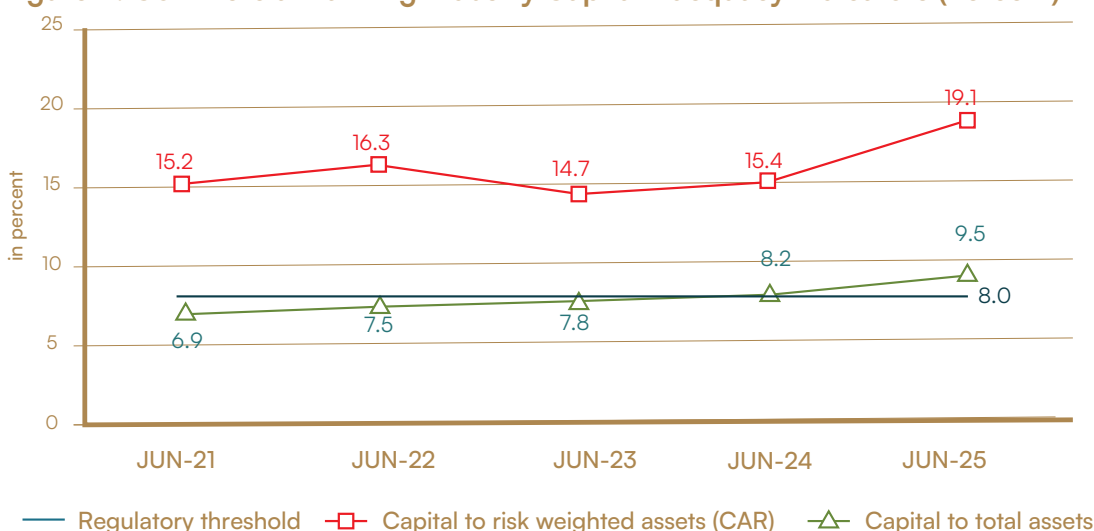


Source: NBE Database

B. Capital Adequacy Indicators

The aggregate capital adequacy ratio of the commercial banking industry further increased to 19.1 percent at the end of June 2025 from 15.4 percent a year earlier far in excess of the regulatory minimum of 8 percent. Similarly, the capital-to-total-asset ratio increased to 9.5 percent from 8.2 percent in the previous year depicting the increased strength of capital to absorb shocks for concerning assets and to meet obligations (Figure 9).

Figure 9: Commercial Banking Industry Capital Adequacy Indicators (Percent)

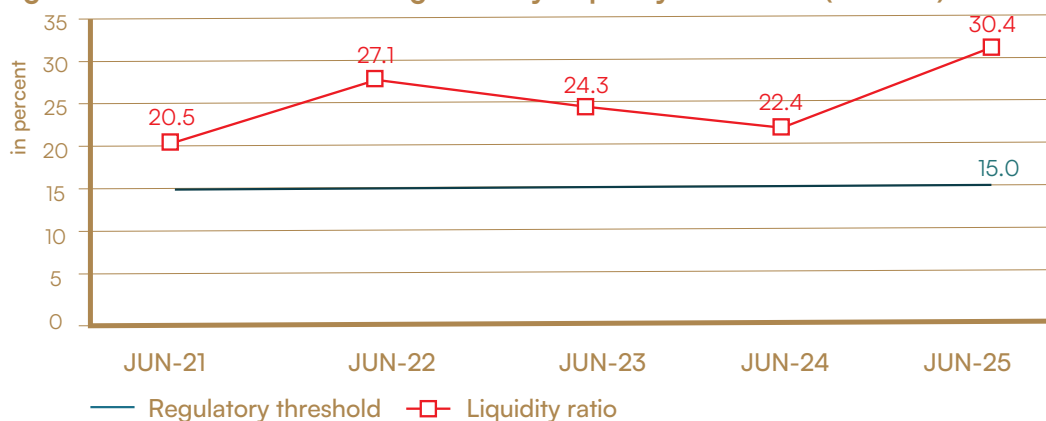


Source: NBE Database

C. Liquidity Indicators

The aggregated commercial banks' liquidity ratio during the review period stood at 30.4 percent, which was over twice the minimum required ratio by NBE, indicating the existence of sufficient liquid assets in the banking system to meet deposits withdrawals and other short-term obligations. That was the highest liquidity ratio posted over the last five fiscal years (Figure 10).

Figure 10: Commercial Banking Industry Liquidity Indicators (Percent)



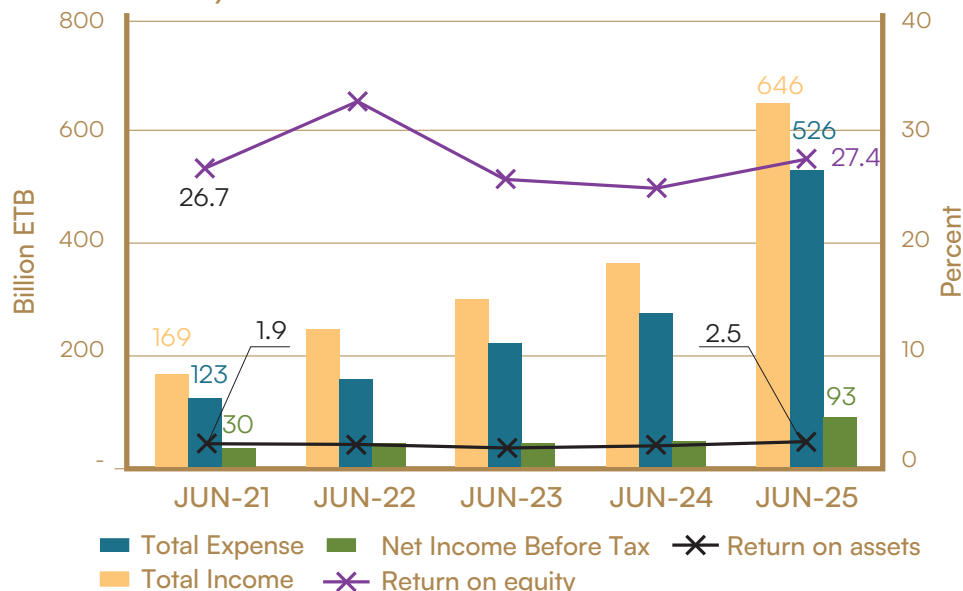
Source: NBE Database

D. Profitability Indicators

The profitability of Ethiopia's commercial banking industry has continued to grow remarkably over the past five years, with 2025 recording the biggest-ever profit in commercial banking's history. At the end of June 2025, total income of the banking industry stood at ETB 646 billion and total expenses ETB 526 billion, resulting in a net income of ETB 93 billion. This was nearly doubled the previous year's net income of ETB 58 billion.

Likewise, the return on assets (RoA) increased to 2.5 percent from 2 percent in preceding fiscal year. Similarly, the return on equity (RoE) went up to 27.4 percent from 24.6 percent a year earlier, again indicating the high profitability of the sector (Figure 11).

Figure 11: Commercial Banking Industry Profitability Indicators (Amount in Birr, Ratio in Percent)



Source: NBE Database

3.2.1.5. Risks Stress Tests

A. Credit Risk Stress Tests

Credit stress test was conducted for all banks to check adequacy of their capital reserves to absorb emerging losses. They were also undertaken to check banks' ability to continue their lending business under two scenarios, namely, the moderate scenario with a 10 percent assumed rise in NPLs, and the severe scenario where banks experience a 30 percent NPLs surge in NPLs. Such stress testing plays a key role in assessing banks' resilience, providing transparency, and promoting confidence.

The credit risk stress test shows that all commercial banks have a buffer of capital to continue regular operations without any additional capital needed under the moderate scenario. However, under the severe scenario four banks failed the test, and hence, they would require an aggregate additional capital of ETB 8.3 billion, or 1.5 percent of risk-weighted assets during the fiscal year. Compared to the previous fiscal year, the capital adequacy ratios were at a better position under the baseline, moderate and severe scenarios, and the number of banks that failed the credit stress test remained the same at four (Table 6).

Table 6: Commercial Banking Industry Result of Credit Risk Stress Test (Increase in NPLs Ratio)

No	Description	Baseline Scenario (Pre-shock)	Moderate Scenario: 10%	Severe Scenario: 30%
1	Assumed level of NPLs (%)	3.1%	10%	30%
2	Impact of NPLs shock on CAR	-	-0.2%	-2.9%
	Resulting regulatory CAR	19.1%	18.9%	16.2%
	Number of banks below minimum regulatory CAR	-	-	4

Source: NBE Database

B. Liquidity Risk Stress Test

A simple liquidity stress test considers the top 10 depositors' sudden withdrawal of their deposits for each bank at the same time, even though this is unlikely to happen.

The commercial banking industry showed liquidity improvements and the number of banks that failed the liquidity stress test at the end of the fiscal year, declined compared to a year earlier. Accordingly, the post-shock ratio of liquid assets to deposits improved from 9.3 percent to 17.3 percent — remaining above the 15% minimum regulatory ratio set by NBE. This indicates that the commercial banking industry as a whole passed the liquidity stress test and registered excess liquidity of ETB 68.5 billion during the fiscal year. When it comes to individual banks, 16 of them failed the liquidity sensitivity stress test versus 20 in the same period of the previous year (Table 7).

Table 7: Commercial Banking Industry Result of Liquidity Risk Stress Test

No	Description	JUN-24		JUN-25	
		Baseline (Pre-shock)	Top 10 Depositors withdrawal Scenario	Baseline (Pre-shock)	Top 10 Depositors withdrawal Scenario
1	Size of Shock (In billions of birr)	559.5	199.7	1,068.1	511.5
2	Impact shock on liquidity	-	-13.1%	-	-13.1%
	Resulting liquidity ratio	22.4%	9.3%	30.4%	17.3%
	Number of banks below minimum regulatory liquidity ratio	2	20	1	16

Source: NBE Database

C. Foreign Currency Exchange Stress Test

A simple foreign currency exchange stress test is conducted for all banks under three scenarios: the moderate scenario in which the exchange rate rises 10 percent, the severe scenario that sees a 20 percent increase, and the highly severe scenario with a 30 percent surge in the foreign currency exchange rate. Under the first two scenarios, all banks withstood the change in foreign currency exchange rate, and fulfilled the minimum regulatory capital adequacy ratio. Under the third scenario — the 30 percent increase, however, — one bank failed the test, requiring additional capital buffer (Table 8). Following the liberalisation of the foreign currency exchange rate regime, such a level of further depreciation is, however, very unlikely.

Table 8: Commercial Banking Industry Result of Foreign Exchange Stress Test

No	Description	Baseline (Pre-shock)	Moderate Scenario	Severe Scenario	Highly Severe Scenario
1	Size of shock (in percent)	-	10%	20%	30%
2	Impact of shock on the capital adequacy ratio	-	-1.0%	-2.1%	-3.1%
	Post shock regulatory CAR	19.1%	18.1%	17.0%	16.0%
	Number of banks below minimum regulatory CAR	-	-	-	1

Source: NBE Database

3.2.2. Development Finance Institution

At the end of June 2025, total loans and bonds of the bank reached ETB 153.6 billion, which was up 5.6 percent from ETB 145.5 billion recorded in the previous fiscal year. Similarly, total assets marginally increased 0.9 percent to a value of ETB 183.8 billion during the fiscal year. Total capital stood at ETB 33.7 billion, up 4.1 percent, from the ETB 32.4 billion a year ago. The bank major balance sheet items grew marginally compared to the fast growth rate of the commercial banking industry (Table 9 and Annex B).

Table 9: Development Bank Major Balance Sheet and Income Statement Items

No	Major items	JUN 21	JUN 22	JUN 23	JUN 24	JUN 25	Growth (%) 2024 - 25
1 Balance Sheet (Billions of Birr)							
A Assets							
	Total liquid assets	43.3	44.0	63.6	34.4	27.4	-20.2
	Loans and securities/bonds	69.6	81.3	95.4	145.5	153.6	5.6
	Total assets	122.8	126.7	157.8	182.2	183.8	0.9
B Liabilities and Capital							
	Total deposits	0.8	0.7	1.6	0.7	0.8	22.7
	Other liabilities/borrowing	90.3	91.2	117.2	142.1	141.0	-0.8
	Total capital	29.2	30.1	31.0	32.4	33.7	4.1
2 Income Statement (Billions of Birr)							
A	Total income	7.6	7.7	12.9	13.8	18.0	30.4
B	Total expense	4.6	5.2	7.3	10.2	12.0	17.4
C	Net income after tax	3.3	2.6	4.7	4.2	4.2	-0.4

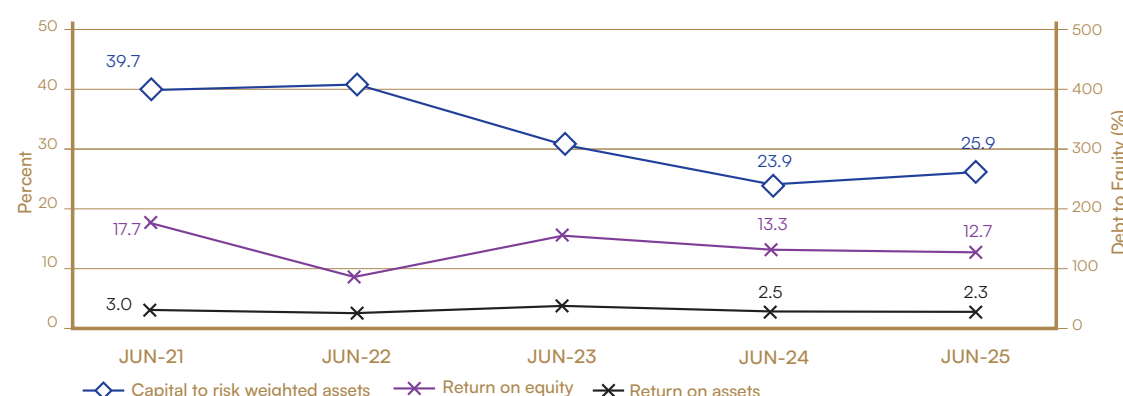
Source: NBE Database

Considering soundness indicators, the capital to risk weighted assets ratio of the bank marginally increased to 25.9 percent from 23.9 percent at the end of June 2024, above the 20 percent requirement for strong capital adequacy rating for development institution. This indicated that the bank is well capitalized to absorb financial distress.

Similarly, at the end of June 2025, net income of the bank remained the same as in the previous year, which was ETB 4.2 billion. Moreover, RoA stood at 2.3 percent slightly above 2 percent requirement for strong profitability rating for development institution.

To sum up, the Development Bank of Ethiopia is safe and sound based on major soundness indicators such as capital adequacy ratio, and profitability ratio during the review period (Figure 12).

Figure 12: Development Bank Profitability and Soundness Indicators (Percent)



Source: NBE Database

3.2.3. Regulatory Enhancement in the Banking Sector

NBE issued a proclamation and directives to strengthen the safety and soundness of the banking sector, reflecting both the sector's and economic growth at large during the fiscal year ending in June 2025.

3.2.3.1. Proclamation

Banking Business Proclamation No. 1360/2025 was promulgated on March 12th, 2025. This proclamation provides a comprehensive legal framework for the licensing and supervision of the banking sector by aligning its current and future emerging developments. It mainly includes provisions to maintain the financial system and its economic stability; opening the banking sector to foreign investments; a resolution regime to manage the systemic risk from banks that are seemingly non-viable or no longer viable; and a crisis management regime operated using official administration, liquidations, and mergers and acquisitions, to protect the general public's interest and sustainable economic development. This proclamation strengthens the supervision and regulation of the financial system, and therefore further promotes the financial system's safety and stability.

3.2.3.2. Directives

Consistent with the new proclamation, three directives were issued for further implementation during the fiscal year under. These directives were the following:

- A. Limitation on Investment of Banks Directive.** This directive was issued primarily, but is not limited to, for maintaining sound and prudent investment practices, diversifying business activities to manage risks, and enhancing investment in capital markets to stimulate the economy. As a risk mitigation tool, the Directive primarily ensures that bank investment in a single insurance company must not exceed 5 percent of subscribed capital and 10 percent in another single non-banking business; it also limits aggregate investment in non-banking businesses to a maximum of 15 percent of a bank's capital. Thus, the directive sets a regulatory threshold to mitigate financial system risk to maintain stability.
- A. Recovery Plan Directive.** It aims to ensure that a bank is always prepared for crisis management; that it can take corrective measures in advance; and that a bank must prepare credible recovery plan options to address severe financial and operational situations. The new directive clearly indicates a core recovery plan of triggers and indicators; scenario analysis; operational, communications and disclosure plans; and implementation strategies. Finally, the directive ensures the bank's recovery plan must be reviewed by NBE to enhance financial system oversight and governance.
- B. Licensing and Renewal of Banking Business and Representative Office Directive.** Establishing clear, objective, and transparent requirements for licensing and the supervision of a banking business and the representative offices of foreign banks is vital to ensure appropriate and effective coordination between the host and home supervisors. All detail requirements are set for implementation by domestic and foreign representative offices subject to their review and approval by NBE. The directive sets benchmarks that foreign banks entering Ethiopia's financial market must fulfil to operate.

3.2.4. Summary of Risks for Financial System Stability

During the review period, the banking sector remained stable and resilient, even better than the previous year, based on the stress tests conducted under different scenarios for credit, liquidity, and foreign exchange risks. Moreover, individual banks were found to have been safe and sound. The outlook for the 2025/2026 fiscal year is also positive with the exception that better financial institutions performance continues in the same manner with the backdrop of anticipation of strong economic growth, declining inflation, credit expansion, and increasing foreign exchange earnings.

A. Credit Risks

Commercial banking industry credit risk has been low during the review period and it is expected to improve further in the coming fiscal year, given additional

fiscal and monetary policy measures. One of the major indicators of asset quality, NPLs ratio, was at its best position versus the preceding years, and it will continue to fall in line with favourable economic conditions and measures. The NPLs ratio, one of the major indicators of was at its best position compared to the preceding years. The NPLs ratio was 3.1 percent by the end of June 2025, which was much better than the 5 percent maximum set by NBE. The provisions coverage ratio of 80 percent also reflects a better credit risk mitigation status. Yet, there are a few banks with NPL ratios of more than 5 percent that need close monitoring and follow-up by NBE using supervisory and regulatory tools. Regular credit stress testing is also required to manage credit risk effectively, and to design recovery plans in a timely manner.

B. Liquidity Risks

The liquidity risk for commercial banking industry was low during the fiscal year.

The liquidity of Commercial banks at 30.4 percent was at its best position compared to preceding years, recording twice the minimum regulatory threshold. The number of banks that failed a liquidity stress test using the top 10 depositor withdrawal scenario, was reduced to 16 compared to 20 banks in previous fiscal year. Accordingly, some policy measures have been taken by NBE, during liquidity stress, to enhance the sector's liquidity included setting the policy interest rate, fostering interbank lending, creation of a standing liquidity facility (deposits and lending), and establishing an emergency liquidity assistance facility.

Those Banks' which failed the liquidity stress test, need to develop recovery action plan to maintain their liquidity position under such scenario. In addition, banks need to minimize gaps between assets and liabilities and strengthen other internal liquidity management tools and contingency planning.

C. Foreign Exchange Rate Risk

NBE has undertaken various reforms to increase foreign currency earnings and narrow the premium between the parallel and official foreign currency exchange market. Accordingly, these reform measures have led to moderate foreign currency exchange rate risk for the banking system. As highlighted in Box 1 above, these reforms include the introduction of a market-based exchange rate, the removal of foreign currency surrender requirements for banks, an increase in the share and period to hold foreign currency for exporters, and the licensing of independent foreign currency exchange bureaus. All these measures have contributed to boost foreign currency earnings for financial institutions, traders, and the economy at general.

As a result, the aggregated banks' capital adequacy ratio remains above the regulatory requirement of 8 percent under all three stress test scenarios, and only one bank would fail to maintain the minimum capital adequacy ratio in the highly severe scenario. All in all, the foreign currency exchange rate risk remains moderate.

D. Operational Risk

Operational risk remained moderate but is increasing considering financial frauds and crimes, cyber security threats, technology disruption, and loose regulatory compliance, as observed during the fiscal year under review. Banking sector digital fraud, embezzlement, forgeries, cyber risk, fake cash notes and cheques, stolen ATM cards, and other third-party risks were increasing. On the other hand, the banking sector is intensively moving to technology-based and digital financial services for efficiency purposes. Given the dangers, it is important to invest in technology, enhance employee capacity, uphold the integrity of bank staff, design and implement a risk management framework, strengthen cyber security and introduce AI based online tracking systems like Sup Tech and Reg Tech to mitigate and balance downside risks.

3.3. Microfinance and Capital Goods Finance Business Sectors

Microfinance and capital goods finance companies' play a significant role in the country's economic growth and development but a more limited role for financial system stability. All microfinance institutions combined accounted for 1.5 percent of the financial sector's total assets while the share of capital goods finance companies in total financial sector assets constituted 0.1 percent over the same time frame.

At the end of June 2025, there were 59 microfinance institutions with a total of 1,238 branches operating compared to 56 and 1,138 during last year, respectively. Similarly, five capital goods finance companies with a total of 58 branches were operating in Ethiopia during the fiscal year compared to five companies and 56 branches a year earlier.

3.3.1. Microfinance Sector

As indicated earlier, microfinance institutions (MFIs) have a big social impact in the country, as is evidenced by the number of clients they served. They had 752,387 loan clients and 7,109,133 savers at the end of June 2025. During the same period, their total assets surged to ETB 81.7 billion from ETB 60.1 billion a year earlier showing a 35.9 percent annual increase, reflecting the fast growth of the sector. Similarly, gross loans which accounted for 60 percent of total assets and stood at ETB 39.7 billion at the end of June 2024, went up 23.3 percent to ETB 48.9 billion year-on-year.

On the other side of balance sheet, deposits increased 33.1 percent from ETB 31.4 billion on June 30th, 2024, to ETB 41.8 billion a year later. Capital also increased 39.9 percent from ETB 11.4 billion to ETB 15.9 billion during the same period (See Table 10 and Annex C).

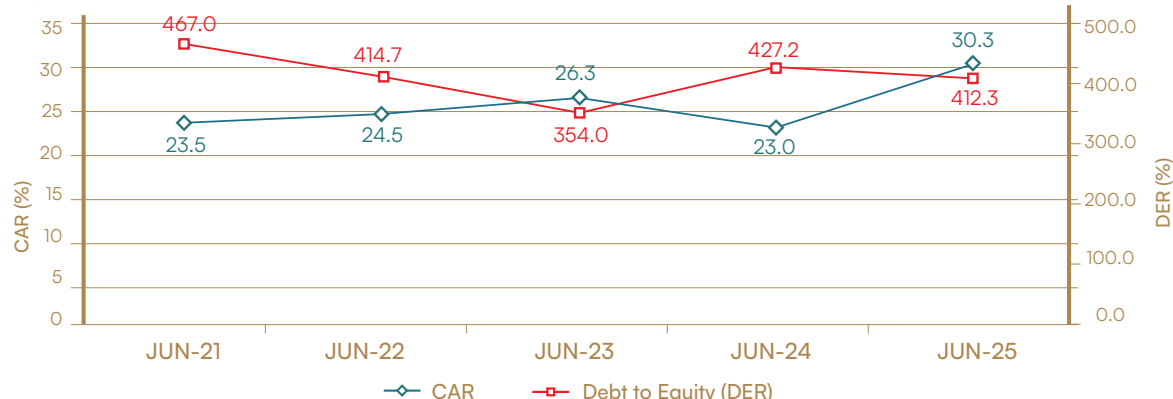
Table 10: Major Balance Sheet Items of Microfinance Sector (Billions of Birr)

No	Major items	JUN 21	JUN 22	JUN 23	JUN 24	JUN 25	Growth (%) 2024 - 25
A	Assets						
1	Total liquid assets	6.7	7.8	9.5	12.1	22.5	86.1
2	Gross loans	20.2	25.3	31.5	39.7	48.9	23.3
3	Provisions	1.3	1.4	1.1	1.1	1.2	13.0
4	Net loans	18.9	23.9	30.4	38.6	47.7	23.6
5	Gross NPLs (PAR>90 days)	2.0	2.2	1.3	1.4	1.6	14.3
6	Total assets	28.7	36.9	49.4	60.1	81.7	35.9
B	Liability and Capital						
7	Total deposits	16.9	18.9	24.3	31.4	41.8	33.1
8	Borrowings	3.3	8.0	10.3	11.0	12.2	10.6
9	Total capital	5.1	7.2	10.9	11.4	15.9	39.9

Source: NBE Database

At the end of June 2025, MFIs capital adequacy ratio stood at 30.3 percent, compared to the 12 percent statutory minimum. This was its best level over the last five fiscal years. In the same way, borrowing, which is one of the sources of financing next to deposits, indicated that the sector is not heavily indebted as observed from a debt equity ratio of 412.3 percent which was much below the maximum international standard ratio of 7:1. As a result, the microfinance sector had a low and stable risk level because of its sufficient capital reserves to manage adverse financial shocks (Figure 13).

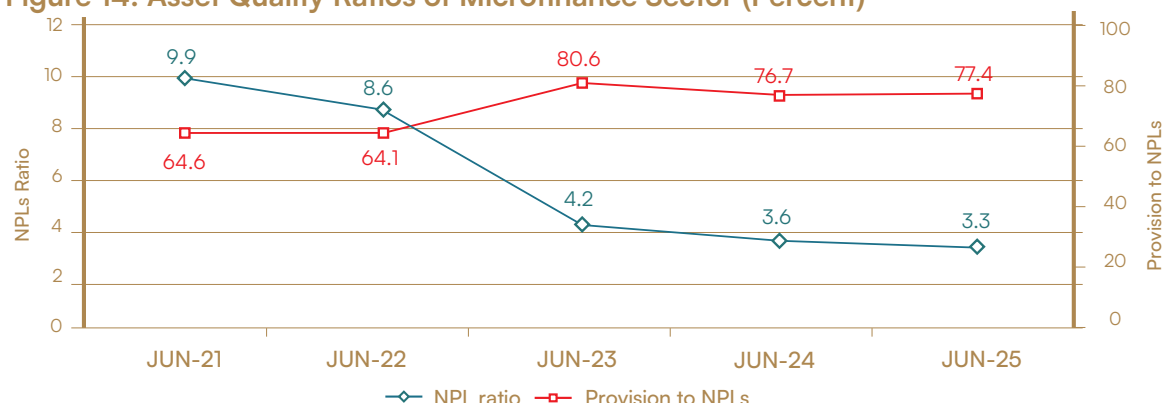
Figure 13: Capital Adequacy and Debt Equity Ratios of Microfinance Sector (Percent)



Source: NBE Database

During the fiscal year under review, the NPLs ratio of MFIs reached 3.3 percent, its best level in five years and compared with the NBE's requirement of less than 5.0 percent. This reflects an improvement in the MFIs sector asset quality, and lower risk to the sector. Correspondingly, a provision coverage ratio of 77.4 percent showed the existence of sufficient coverage for bad loans (Figure 14).

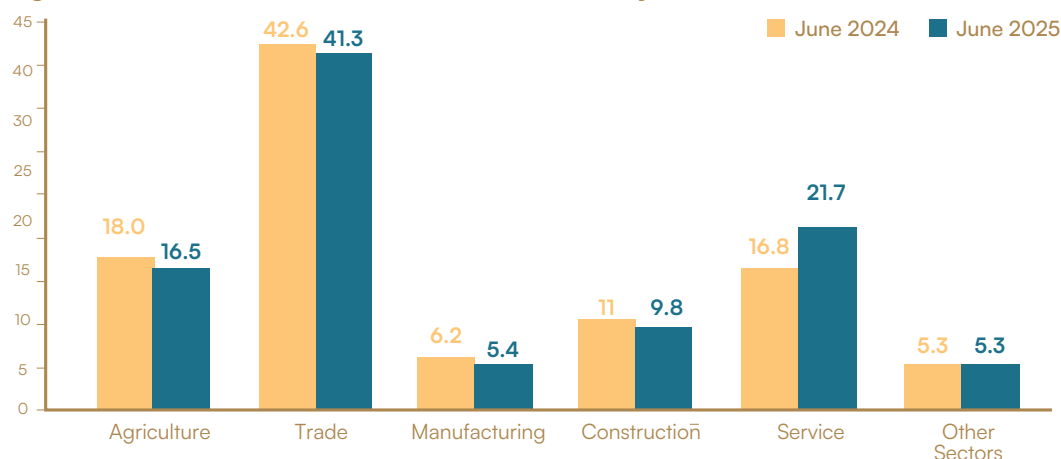
Figure 14: Asset Quality Ratios of Microfinance Sector (Percent)



Source: NBE Database

In terms of the various economic sectors, the share of loans to the services sector increased compared to the previous fiscal year, from 16.8 percent to 21.7 percent. Conversely, the other sectors' (agriculture, trade, manufacturing, and construction) shares marginally reduced over the year under review. Trade loans continued to have the largest share of the loans, at 41.3 percent, during the fiscal year (Figure 15).

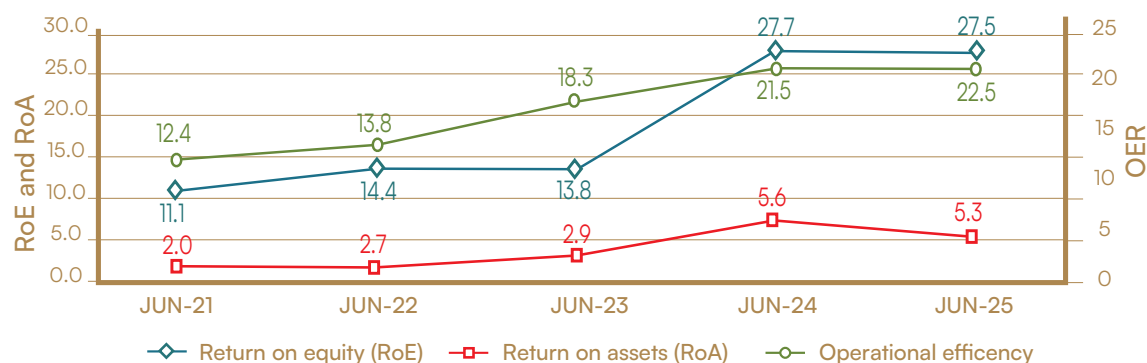
Figure 15: Distribution of Microfinance Loans by Sector (Percent)



Source: NBE Database, see Annex B

Regarding microfinance sector profitability, their net income stood at ETB 3.7 billion which was 22.6 percent higher than ETB 3 billion net income recorded in the previous year, reflecting a record high profit. Equally, the sector registered the highest profitability ratios for RoA (5.3 percent) and RoE (27.5 percent), at the end of June 2025. However, there are still some loss making /weak institutions that have existed for several years, because of operational deficiencies and lack of investment in digitalizing their operations and services thereby limiting their efficiency (Figure 16).

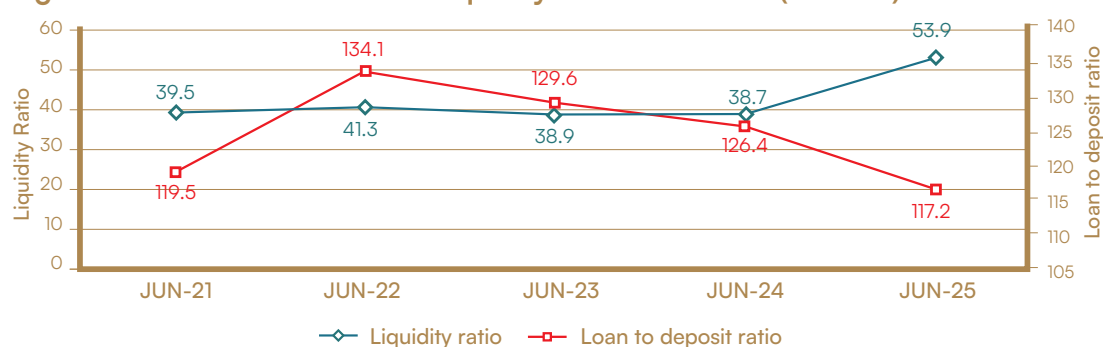
Figure 16: Major Earnings Ratios of Microfinance Sector (Percent)



Source: NBE Database

The microfinance sector's liquidity ratio, with 53.9 percent, reached its highest level ever in the year under review, compared to the NBE minimum requirement of 20 percent. However, this has its own impact on the sector's profitability, i.e., holding idle cash. In contrast, the loans-to-deposits ratio of 117.2 percent indicated that the sector was partly dependent on borrowing from domestic banks and International Fund for Agricultural Development and the Rural Financial Intermediation Program (IFAD/ RUFIP) for financing. Furthermore, some asset-liability mismatch was observed during the sector review. This means there was borrowing while idle cash was available, which triggered some policy measures (Figure 17).

Figure 17: Microfinance Sector Liquidity Ratio Indicators (Percent)



Source: NBE Database

With regards to systemic risk, the microfinance sector was highly interconnected with domestic banks because 82 percent of the sector's liquid assets are held with domestic banks, including NBE and short-term investments.

In aggregate, the risk of the microfinance sector to Ethiopia's financial system is considered low, and the outlook also deemed stable. This is because the ratios for capital adequacy, NPLs, and liquidity are all well within NBE's parameters and showed their best level yet. There is also remarkable growth in the sector's profitability ratios as they have risen more than ever before.

3.3.2. Capital Goods Finance (CGF) Sector⁵

As of June 30th, 2025, total capital goods finance sector loans reached ETB 4.6 billion, up 27.2 percent from the ETB 3.6 billion in the preceding year to strong performance, NPLs ratio of the sector sharply declined (56 percent) from 7.8 percent in 2024 to 2.7 percent indicating fast improvement in terms of asset quality and the existence of low credit risk in the CGF sector.

In the same way, the sector's liquid assets grew to ETB 702.9 million by the end of June 2025 from ETB 377.9 million a year earlier, showing a 86 percent annual expansion which reflects improvement in asset quality and credit collection. Hence, total assets surged 31 percent to ETB 8.2 billion at the end of June 2025, from ETB 6.3 billion at the end of June 2024 (Table 11 and Annex D).

Table 11: Major Balance Sheet Items of CGF Sector (In Millions of Birr)

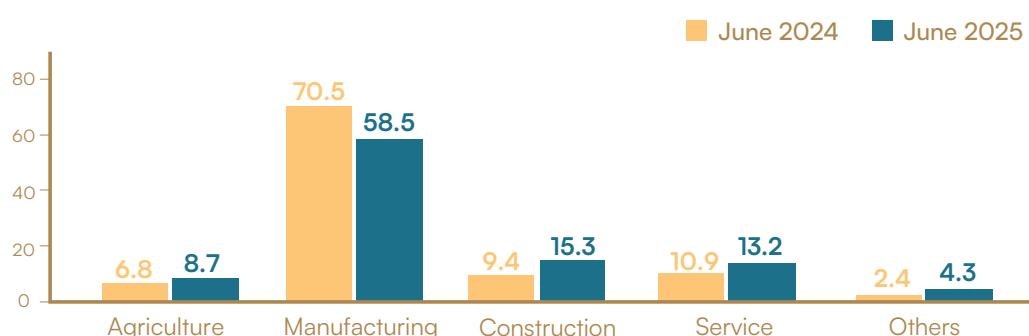
No	Major items	JUN 21	JUN 22	JUN 23	JUN 24	JUN 25	Growth (%) 2024 - 25
A Assets							
1	Liquid assets	832.5	877.0	674.8	377.9	702.9	86.0
2	CGF	1,043.4	1,516.0	2,410.0	3,611.6	4,592.4	27.2
3	Gross NPLs	82.3	63.1	140.1	281.7	123.9	(56.0)
4	Total assets	3,488.8	4,031.2	4,956.2	6,292.1	8,240.7	31.0
B Liabilities and Capital							
5	Borrowings	1,468.7	1,894.8	2,452.5	3,877.6	4,447.1	14.7
6	Capital	1,914.6	2,024.8	2,271.9	2,552.5	3,150.2	23.4

Source: NBE Database

As for the capital goods finance sector's major sources of funding, borrowing, increased 14.7 percent and capital 23.4 percent year on year, or grew to ETB 4.4 billion and ETB 3.1 billion respectively, during the review period. Sources of funding are the major constraint for the sector's operational and financial growth and expansion, which requires alternative policy initiatives for funding sources.

CGF loans have diversified from manufacturing to construction and services. As a result, financing for manufacturing sector dropped from 70.5 percent to 58.5 percent while that of agriculture, construction and services tended to increase marginally during the review period (Figure 18).

Figure 18: Distribution of CGF Sector (Percent)

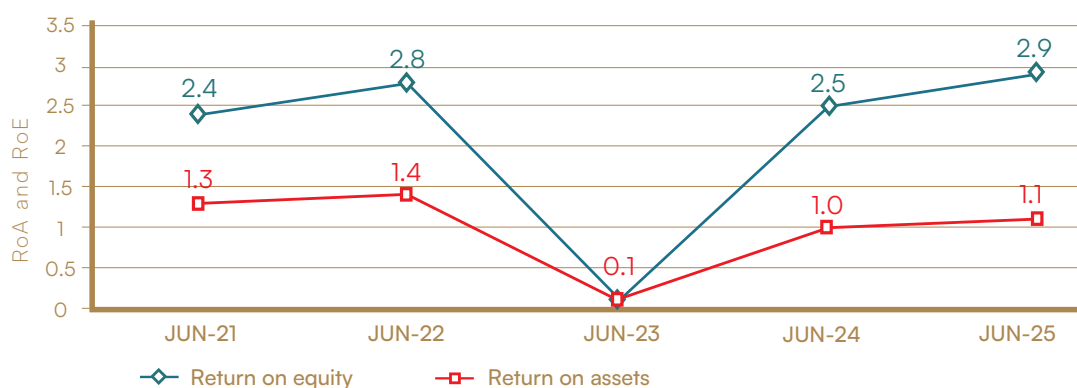


Source: NBE Database

⁵ Capital Goods Finance Sector analysis excluded Ethio Lease Ethiopian Goods Finance Business S.C, which was under liquidation throughout the report (June 2021 — June 2025).

In terms of profit, excluding one company under liquidation, the CGF sector registered a net income and positive profitability ratios of ETB 100.6 million, RoA of 1.1 percent, and RoE of 2.9 percent during the review fiscal year ending June 30th, 2025. Over the last five years, the CGF sector's profitability has been moderate, except for the fiscal year, 2023, when nearly zero profit was recorded (Figure 19).

Figure 19: Major Profitability Indicators of Capital Goods Finance Sector (Percent)

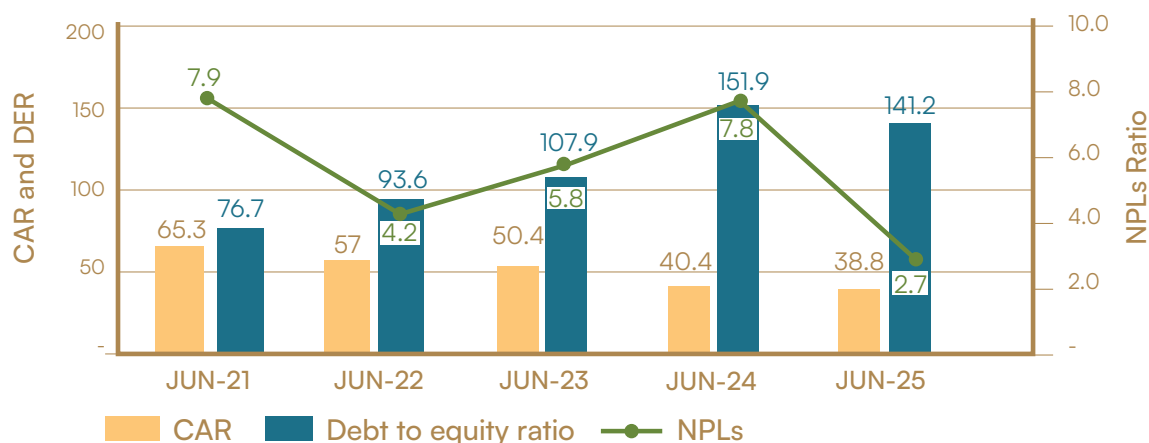


Source: NBE Database

As of June 30th, 2025, major soundness indicators for capital adequacy, debt-equity and liquidity position revealed the existence of low risk for CGF companies.

The capital adequacy ratio stood at 38.8 percent in June 2025 — well above NBE's minimum threshold of 10 percent. In addition, the NPLs ratio, at 2.7 percent, significantly improved, and it was well below the maximum tolerable NBE threshold of 5 percent. Lastly, even though borrowing acts as a major source of financing, the CGF sector is not heavily indebted as observed from the debt-equity ratio of 1.41:1 percent at the end of June 2025, as compared to a maximum international standard ratio of 7:1. Therefore, it can be concluded that all ratios indicated that the CGF sector was safe and sound during the fiscal year under review (Figure 20).

Figure 20: Capital Goods Finance Soundness Indicators (Percent)



Source: NBE Database

3.3.3. Summary of Microfinance and CGF Sector Risks

Microfinance and capital goods finance sectors in aggregate were operating under a safe and sound environment as evidenced by their major soundness indicators, which were well above regulatory requirements, and the operational and financial performance at the end of June 2025.

Microfinance institutions' soundness indicators — namely, capital adequacy ratio, NPLs ratio, liquidity position, profitability ratios, and sector concentration market shares — recorded the best level ever during the fiscal year. Thus, the overall level of risk for MFIs and overall financial system stability is low.

By the same token, capital goods finance companies are also stable and pose a low risk to financial system stability. This is because all indicator ratios — capital adequacy ratio, debt equity ratio, NPLs ratio, and liquidity position — were within NBE's requirement thresholds and improving overtime. Moreover, credit risk and concentration risks are low. Yet, the sector's financial and operational performance requires some sort of policy initiatives so that it can sustainably contribute to economic growth of the country.

3.4. Insurance Sector

The insurance sector plays an important role in economic development by providing insurance coverage against risks, and the provision of alternative means for savings and mobilization of financial resources. At the end of June 2025, the number of insurance companies operating in the Ethiopia remained at 19, of which, 14 were composite insurance companies transacting both long-term and general insurance businesses, 4 general insurance companies trading only non-life/short-term insurances. There is also one locally incorporated re-insurance company (Ethio-Re) operating as a local reinsurer. Similarly, there is one state-owned insurance company and one newly full-fledged sharia-compliant Islamic insurance company under formation.

In addition, 3,077 insurance agents, 54 insurance brokers, 80 loss assessors and two surveyors are operating in the market.

3.4.1. Performance of the Sector

The insurance sector sustained a positive performance during the fiscal year ending in June 2025. The sector's liquidity position improved despite marginal decline in solvency and equity—to—liability ratios. Total assets in the sector reached ETB 84.9 billion at the end of June 2025, which was up 29.3 percent from the previous year. A significant portion of the total assets (54.6 percent) — the investment in fixed-time bank deposits — generated 69.9 percent of the sector's total income.

The general insurance business accounted for 93.5 percent of the sector's total assets during the period under review. General and long—term class of business exhibited respective growth rates of 29.7 percent and 24.6 percent. The 29.3 percent growth in total asset was financed by an increase in liabilities (ETB 12.7 billion, or 28.9 percent) and equity (ETB 6.6 billion, or 30.4 percent). The increase in capital was mainly attributable to NBE's directive that requires insurers to increase their paid-up capital to ETB 0.4 billion for general insurance and ETB 0.1 billion for long—term class of business by the end of June 2027 (Table 12 and Annex E).

Table 12: Financial Performance of Insurance Sector (Billions of Birr)

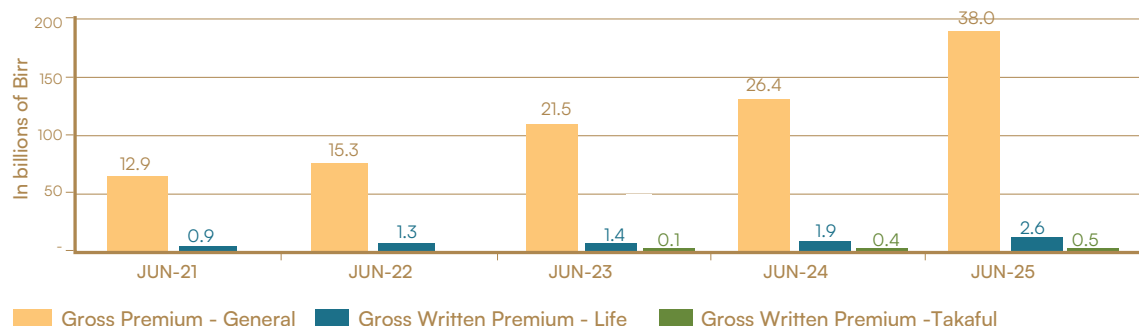
Item	JUN 21	JUN 22	JUN 23	JUN 24	JUN 25	Growth (%) 2024 - 25
Assets						
Total Assets	39.1	40.9	49.7	65.6	84.9	29.3
Total Investment	19.0	22.0	29.0	36.4	46.3	27.2
Investment In Equity	3.6	4.9	5.9	7.3	8.8	20.8
Bank Deposits	13.3	14.4	19.4	24.5	32.4	32.2
Current Assets	26.8	25.8	32.1	46.4	61.8	33.4
Liabilities and Capital						
Total Liabilities	29.1	28.8	35.0	44.0	56.7	28.9
O/W Current Liabilities	25.6	25.0	30.4	42.1	55.5	31.7
Total Equity	10.0	12.1	14.7	21.7	28.3	30.4
O/W Paid-up Capital	5.9	7.1	9.0	11.7	15.9	35.3
Net Income Before Tax	2.7	3.3	4.1	6.9	8.3	20.6

Source: NBE Database

Despite cost pressure, the premium growth led to positive underwriting performances for general insurance businesses. Stronger underwriting resulted in the sector's improved profitability, which is considered sound. Insurance penetration in Ethiopia stood at 0.3 percent, which is at its lowest level compared to the global average of 6.5 percent and 3.6 percent for Africa. Low insurance penetration reflects a potential lack of financial protection for people and businesses against certain risks for which insurers can provide coverage.

The insurance sector registered a remarkable gross written premium of ETB 41.1 billion at the end of June 2025, which was 43.1 percent higher than a year earlier. Of this sum, the general business class accounted for 92.5 percent (ETB 38.0 billion), while long-term business and sharia-compliant Islamic (takaful) insurance combined constituted the remaining 7.5 percent or ETB 3.1 billion (Figure 21).

Figure 21: Gross Written Premium by Line of Business (Billions of Birr)



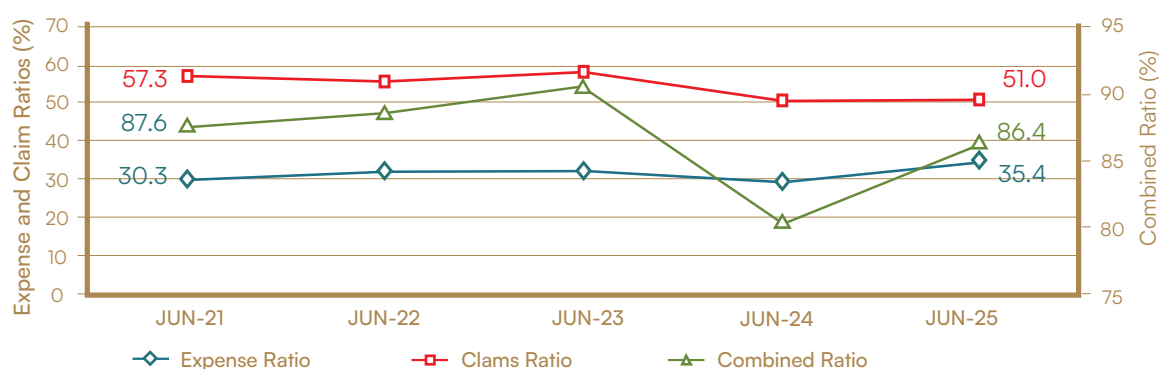
Source: NBE Database

Considering the breakdown of the general insurance business, 49.6 percent accounted for motor-related insurance, which shrank 5.1 percent during the fiscal year, despite continued increase in the number of vehicles. The decline in motor-related insurance could be partly due to the increase in premium costs, which reduced the propensity of people or companies to buy motor insurance, in favour of buying only the mandatory third-party insurance. The shift could induce insurance companies to focus on non—motor classes of business.

At the end of June 2025, net earned premium and net claims incurred for the general class of business stood at ETB 20.5 billion and ETB 10.5 billion, respectively. The respective growth rates of net earned premium and net claims incurred was 21.5 percent and 21.9 percent. Similarly, the underwriting expense for the general business was ETB 7.3 billion, a 45.3 percent increase from ETB 5 billion in the previous period. The resulting claims ratio and expense ratios were 51.0 percent and 35.4 percent, respectively.

The performance of the insurance business, as measured by the combined ratio of the loss and expense ratios, stood at 86.4 percent at the end of June 2025, which was well within the maximum standard of 105 percent. The sector generated ETB 8.3 billion in net income (before tax). The five-year average return on investment was 10.6 percent, which was lower than the inflation rate. This was attributed to the requirement on insurance companies to hold more than 50 percent of their assets on bank deposits to match their short-term insurance liabilities, in citing liquidity systemic risk (Figure 22).

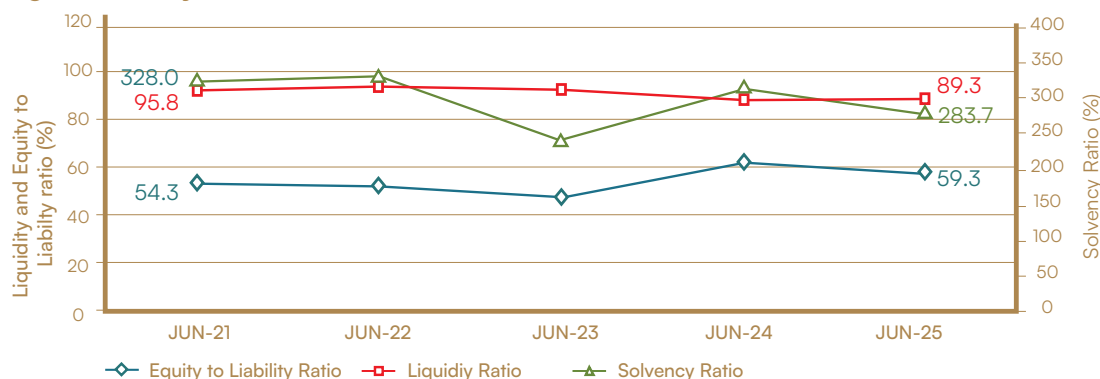
Figure 22: General Insurance Business Operational Performance (Percent)



Source: NBE Database

As of end June 2025, the sector's solvency ratio dropped from 316 percent to 284 percent due to the slow growth of paid-up capital. However, equity as a percentage of liability stood at 59.3 percent, which was well above 20.0 percent minimum prudential requirement. In addition, the sector was liquid with a liquidity ratio of 89.3 percent compared with the maximum prudential requirement of 105.0 percent showing a marginal improvement over last year's result of 92.4 percent (Figure 23).

Figure 23: Key Soundness Indicators of General Business (Percent)



Source: NBE Database

3.4.2. Major Risks for Insurance Sector

The main risks faced by the insurance sector were related to credit, operational, insurance, and concentration risks. Pressing concerns are market penetration, specifically in the life class of business; shortage of insurance professionals, such as actuaries; and inadequate information technology infrastructure in the sector.

Credit Risk: This is the risk that results from counterparty's inability to repay its commitment as per contractual agreement, i.e., amounts due from reinsurers in respect of claims already paid and deposits held in banks. Any liquidity crisis exhibited in the banking industry will hugely affect the insurance sector as their major liquid assets are kept in the banks in the form of bank deposits.

Operational Risk: The lack of technical expertise in the insurance sector is a real constraint. Most insurance companies' operations remain underdeveloped and unautomated. There are hurdles to implement International Financial Reporting Standard (IFRS) 17 due to the unavailability of data and a lower level of automation for the industry's core business.

Insurance Risk: This refers to the risk that inadequate or inappropriate underwriting, product design, pricing, and claims settlement expose an insurer to financial losses, and consequently, to inability to meet its liabilities. Ethiopia's insurance sector is known for its stiff price competition in all classes of business. Insufficient premiums could leave sector players unable to meet their obligations.

Concentration Risk: Ethiopia's state owned insurance corporation accounts for 33.9 percent of the market share in terms of the general insurance business. In addition, the Ethiopian Reinsurance Company receives 25 percent of treaty cession and 5 percent of each policy insurers underwrite (contract with a customer). Moreover, 49.6 percent of the sector's general class of business is motor insurance, which needs diversification going forward.

In general, the sector is expected to maintain or improve its solvency ratios through strong capital reserves (paid-up capital expected to rise) and robust underwriting performance. The sector's outlook remains safe in terms of growth, stability and resilience. Technology development and automation are necessary to tackle operational risks and innovation. The sector also needs to build its capacity to expand the pool of insurance professionals. Furthermore, focus should also be given to the implementation of risk-based capital and IFRS 17.

3.5. Other Financial Institutions Risks

3.5.1. Capital Market Developments

Capital Market and Financial Sector Stability

The past year marked a watershed moment for the Ethiopian financial sector with the launch of the Ethiopian Securities Exchange (ESX) in January 2025. This pivotal development signifies a decisive shift toward a diversified financial ecosystem, expanding beyond the country's historical bank-centric structure. Early confidence in the new capital market has been robust, highlighted by the successful listing of two key financial institutions on the platform. In addition, several significant financial institutions are in the pipeline for future admission to the ESX. These landmark listings represent the dawn of a new era of transparency, broader public participation in enterprise ownership, and the beginning of a well-regulated public-market channel through which financial sector entities can raise capital.

A critical success factor in strengthening financial stability was the launch of the Interbank Money Market (IMM) in October 2024, an initiative developed through close collaboration between NBE and the ESX. This platform allows financial institutions to lend and borrow short-term funds to efficiently manage liquidity and meet reserve requirements, creating transparency and price discovery in the short-term funding market. The IMM quickly gained traction, facilitating trades exceeding ETB 820 billion by the end of the financial year, and exceeding ETB 1.3 trillion by December 2025. Crucially, the deepening liquidity has led to a noticeable reduction in the cost of

borrowing, with the weighted-average interbank rate stabilizing closer to the NBE policy rate. This decline from previously elevated short-term rates — which stood as high as 18 percent in the early months — to 16.2 percent and 14.7 percent for the seven-day and overnight maturity, respectively, demonstrates enhanced efficiency in the transmission of monetary policy and better management of systemic liquidity risk.

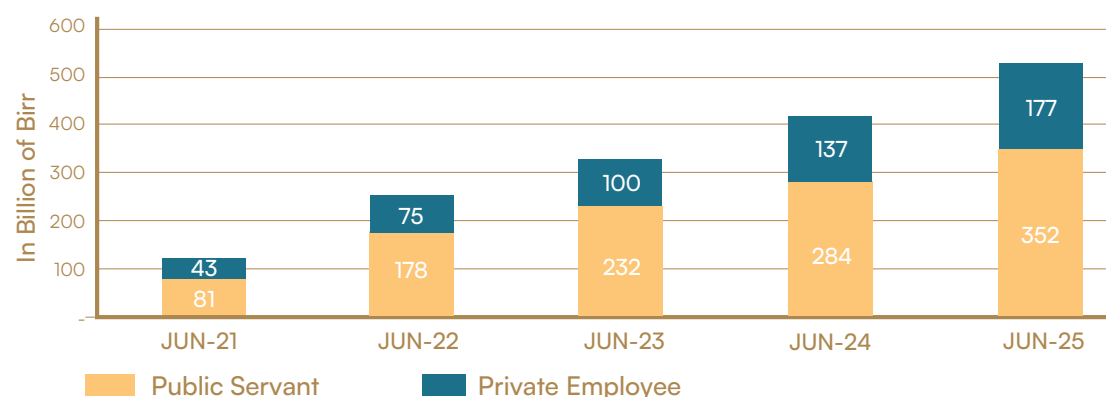
In parallel with the equity market's development, the ESX debt market was successfully operationalized with the listing of government Treasury bills (T-bills) in July 2025. As the inaugural fixed-income security traded on the ESX, the listing of government securities marks a key milestone in diversifying investment products for market participants. This development is vital for the financial sector, as it will enhance liquidity in government securities, provide reliable sovereign price benchmarks, and offer banks and institutional investors a broader menu of secured, liquid assets for portfolio management. Furthermore, the development provides Ethiopia's government with a crucial, non-inflationary channel for raising domestic financing, thereby complementing NBE's efforts to strengthen fiscal discipline.

The establishment of the capital-market ecosystem and the ESX fundamentally supports the financial sector by creating a long-term financing mechanism. Beyond offering a way to raise equity capital for growth and regulatory compliance, the ESX acts as a powerful catalyst for improved corporate standards. Going forward, expanding the pool of listed securities — by introducing short- and medium-term sovereign bonds, Sharia-compliant securities, and expanding the participation of institutional investors, among other measures — is essential to enhance the robustness and inclusivity of the capital market's ecosystem.

3.5.2. Social Security Sector

In Ethiopia, the administration of social security funds is primarily managed by two major institutions: the Ethiopian Public Servants' Social Security Administration (EPSSA) and the Private Organization Employees Social Security Agency (POESSA). These entities serve as the largest institutional depositors in the financial sector that affect balance sheets, making them critical pillars of financial stability. Consequently, any disruption within the social security system could trigger triple effects across the broader financial system (Figure 24).

Figure 24: Total Assets of Social Security Sector (In Billions of Birr)



Source: EPSSA and POESSA

As of June 30th, 2025, the combined assets held by these institutions reached ETB 529 billion, up 26 percent from ETB 421 billion recorded a year earlier. **Moreover, more than 80 percent of these assets are invested in highly liquid government Treasury bills, again, indicating the existence of systemic risk that can affect the financial system's liquidity market.**

The background image is a composite. It features a hand holding a gold Visa credit card from the Commercial Bank of Ethiopia, with the slogan 'WAYS RELY ON!' visible. The hand is positioned over a laptop keyboard. In the upper left, a portion of an Amazon Prime website is visible, showing a 'pro accessories' banner, an 'unlimited' offer, a '+ \$750 welcome bonus', and an 'Extra 15% off coupon'. The text 'amazon' and 'Prime' are also visible. The entire image has a dark, reddish-brown overlay.

4. FINANCIAL SYSTEM INFRASTRUCTURE DEVELOPMENT

4. FINANCIAL SYSTEM INFRASTRUCTURE DEVELOPMENT

4.1. National Payment Systems Development

Payment systems in Ethiopia were radically modernized in 2011 after NBE launched the Ethiopian Automated Transfer System (EATS), i.e., a modern clearing and settlement system. It includes the Real-Time Gross Settlement System (RTGS) and the Automated Clearing House (ACH). The safety and efficiency of RTGS have become critical for the stability of the financial system. The regulatory framework has been constantly updated in line with technological and financial sector developments to mitigate risks (Box 2).

RTGS is becoming systemically important payment system, and its version has been recently updated to ensure modern technology for payment system efficiency and safety for all participating financial institutions. However, few financial institutions failed to fulfil their payment obligations because of liquidity shortage.

Box 2: Payment System Regulatory Framework and Developments

The National Payment System Proclamation No. 718/2011 and Proclamation No. 1282/2023, the Payment System Operators Directive No. ONPS/02/2020, the Payment Instrument Issuers Directive No. ONPS/09/2023, and its amendment Directive No. ONPS/10/2025, among other legal instruments, all constitute the current active regulatory framework to ensure the safety, security, and efficiency of the National Payment System.

NBE has also taken initial steps toward enabling digital payments through the development of infrastructure, encouraging the adoption of digital payments, revising regulations, and promoting innovation by launching the National Digital Payments Strategy (NDPS) in June 2024. Vision of the NDPS is to build a secure, competitive, efficient, innovative, and responsible payment ecosystem to support financially inclusive economy.

4.1.1. Payment Systems Performance

A. Ethiopian Automated Transfer System

At the end of June 2025, there were 36 financial institutions participating in EATS, out of which, four were microfinance institutions. The system processed more than ETB 3.9 million transactions (up 8.3 percent from the previous year) with a value of more than ETB 12.0 trillion (an annual increase of 200 percent) mainly due to the increasing number of participants. As in previous years, few system interruptions on EATS were reported in the review period, indicating a low level of operational risk (Table 13).

Table 13: EATS Performance (Number and Value of Transactions)

Description	JUN 2021	JUN 2022	JUN 2023	JUN 2024	JUN 2025	Growth (%) 2024 -25
1 Number of RTGS transaction	1,734,409	2,739,763	3,901,069	3,575,343	3,871,965	8.3
Value of RTGS transaction (in billions)	2,598.2	3,754.8	4,863.2	4,020.6	12,073.0	200.3
2 Number of cheque transaction	461,237	414,869	355,566	245,709	261,369	6.4
Value of cheque transaction (in billions)	48.9	52.1	43.9	40.3	55.6	38.0

Source: NBE Database

B. Digital Financial Services

As of June 30, 2025, there were 21 licensed non-bank entities operating under the new regulatory framework. These entities included 15 licensed payment system operators (PSOs) and 6 licensed payment instrument issuers. The number of all access points continuously increased, except debit cards, which went down 4 percent, due to a number of ATM cards (only for deposit and withdrawal of cash at ATM) were deactivated because of expiration and long periods of inactivity (Table 14).

Table 14: Digital Financial Services Access Points (Channels and Instruments) (Number)

Fiscal Year Ending	ATM Terminals	POS Terminals	Debit Cards (million)	Mobile Banking Accounts (million)	Internet Banking Accounts (million)	Mobile Money Accounts (million)	Mobile Money Agents
June-2021	6,343	9,208	21.2	11.9	2.3	15.3	35,964
June-2022	6,902	11,760	30.7	16.3	4.4	43.3	156,876
June-2023	7,858	12,016	38.4	27.3	6.8	68.7	233,036
June-2024	10,551	14,030	45.5	39.6	12.2	107.5	415,084
June-2025	13,313	19,638	43.7	54.0	15.7	135.9	540,421
Growth (%) 2024-25	7.2	40.0	-4.0	36.4	28.7	26.4	30.2

Source: NBE Database

During the fiscal year under review, payments worth more than ETB 18.5 trillion were processed through digital transactions, nearly double the value of the previous year. This growth was the result of the successful implementation of the National Digital Payment Strategy and NBE's reform activities. **Digital payments are growing at an exponential rate that may cause emerging risks. Therefore, they need an exploratory risk assessment by each financial institution. This also triggers a need for a greater number of data scientists and software engineers to make data driven decision-making and to manage related risks** (Table 15).

Table 15: DFS Transactions (Number in Million and Value in Billions of Birr)

FISCAL YEAR	ATM		POS		Mobile Banking		Internet Banking		Agent Banking		Mobile Money		Aggregate DFS	
	Vol.	Val.	Vol.	Val.	Vol.	Val.	Vol.	Val.	Vol.	Val.	Vol.	Val.	Vol.	Val.
June 21	225.6	236.1	2.95	7.4	39.5	326.12	2.4	26.6	23.0	8.9	7.2	5.9	301	611.2
June 22	171.1	197.5	2.3	62.2	88.0	163.5	1.1	129.5	34.4	23.0	48.5	24.4	345	1,600.2
June 23	356.4	478.3	6.6	40.8	474.9	3,442.6	5.8	358.1	101.9	76.5	298.8	380.3	1,244	4,776.7
June 24	437.9	728.5	10.2	24.2	1,114.8	6,717.6	15.1	749.0	130.3	446.0	764.8	1,028.6	2,473	9,693.9
June 25	519.3	729.8	8.8	26.4	1823.6	13,116.4	32.8	1,737.4	125.6	889.1	1,941.5	2,080.0	4,451.6	18,576.4
Growth (%) 2024-25	18.6	0.2	-14	9.1	63.6	95.3	117.2	132.0	-3.6	99.3	153.9	102.2	80.0	91.6

Source: NBE Database

4.1.2. Interoperability

Since 2016 the national switch in Ethiopia, Eth-Switch, has enabled the interoperability of ATMs and POS terminals operated by all banks. As a result, the number and value of transactions have grown from year to year. Currently, Eth-Switch is rolling out projects to achieve the interoperability of other digital payment platforms operated by all financial service providers in the country. Cumulatively, such increasing interoperability has its own risks and it requires continuous risk mitigation to maintain payment system stability (Table 16).

Table 16: Interoperability Performance through ATM, POS, and P2P

Items	JUN 2021	JUN 2022	JUN 2023	JUN 2024	JUN 2025	Growth (%) 2024 - 25
ATM transactions						
Number (million)	24.1	39.8	71.4	94.0	119.7	27.3
Value (billion birr)	26.5	44.9	89.7	119.2	354.3	197.2
POS transactions						
Number (million)	0.1	0.3	0.9	2.3	2.7	17.4
Value (billion birr)	0.2	0.3	2.6	5.5	7.8	41.6
P2P transactions						
Number (million)	0.03	2.1	14.1	55.2	128.5	132.7
Value (billion birr)	0.2	19.9	113.3	283.0	380.4	34.4

Source: NBE Database

4.1.3. Major Payment System Risk

Payment systems risk includes potential losses to entities or individuals from a bank's customers or third parties that send or receive payments. Accordingly, it is important for a bank's risk management practices and internal controls to evolve and keep up with changes in the institution's payment systems, products, and services. Like any other system globally, local developments in the payment system fall under threat from risks related to liquidity, compliance, reputation, systemic, fraud, cyberattacks, and settlement.

Liquidity Risk: Ethiopia's payment system was subjected to short-term liquidity problems from some of its participants during the period under review. Establishing an intra-day liquidity facility (ILF) system, other liquidity source, served as a safety net for the participants during the period, which led to low liquidity risk levels in the system.

Compliance Risk: There have been no major failures to comply with NBE's regulatory requirements from the payment service providers (PSPs) during the review period. This was because NBE has established robust regulatory frameworks to reduce the likelihood of non-compliance, and to maintain a strong reputation for adherence to legal and regulatory standards. Hence, the compliance risk in the system is low.

Reputation Risk: No issues were seen on the system that could lead to a loss of trust from participants and customers. Regular monitoring and oversight by NBE of the payments system can mitigate the potential risks.

Settlement Risk: Continuous monitoring of the system, prudent liquidity management, establishing collateral requirements for participants with intraday credit exposure, and ensuring finality and irrevocability of settlements that reduce the likelihood of settlement risk, contributed to the overall stability and reliability of the financial system during the review fiscal year.

Fraud Risk: Fraud risk was addressed by implementing advanced fraud detection systems, regular monitoring for suspicious activities, and strong authentication protocols by NBE payment system oversight. Additionally, educating users about security best practices and ensuring compliance with industry standards can further reduce the risk of fraud within the payment system.

Cyber Attacks Risk: No cyber security threats were reported to NBE from participants of EATS and DFS providers during the period, which has led to a low risk metric for cyber security risk.

Overall, the national payment system is considered safe and efficient based on the assessment of risks related to liquidity, compliance, reputation, settlements, systemic, fraud, and cyber security during the fiscal year under review.

4.2. Credit Market Infrastructure and Financial Inclusion

4.2.1. Credit Market Infrastructure

The Credit Referencing and Moveable Collateral Registry System has increased the efficiency of credit information sharing. It has reduced NPLs exposure by preventing multiple loans and over indebtedness, and ensured secured transactions, and hence, mitigated credit risk to foster financial stability.

The number of credit enquiries used by banks reached 350,819 at the end of June 2025, showing a 37.4 percent annual growth. Similarly, the number of registered borrowers in the credit reference system was 419,113 with a 24.5 percent increase over the previous fiscal year.

In summary, the expansion in the credit reporting system's (CRS) coverage has contributed substantially towards supporting the quality of credit decision making and ensuring adequate loan portfolio management in the financial sector. **Thus, potential risks coming from increasing the number of borrowers should be well managed to minimize credit risk and exposure** (Table 17).

Table 17: Credit Information Sharing Data

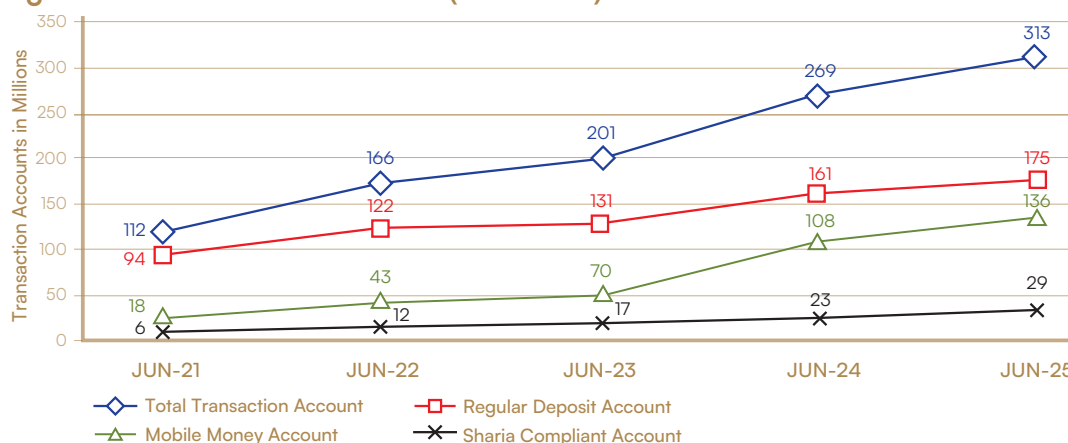
Description	JUN 2021	JUN 2022	JUN 2023	JUN 2024	JUN 2025
Number of subscribers to the CRS	19	23	28	30	32
Total number of credit enquiries	231,715	204,743	285,426	255,374	350,819
Total number of borrowers registered in the CRS	170,456	208,090	263,790	336,549	419,113
Total number of credit accounts in the CRS	388,329	456,439	553,445	669,711	793,789

Source: NBE Database

4.2.2. Financial Inclusion Landscape

As of June 2025, nearly 63 percent of Ethiopian adults had a financial account⁶ while the remaining 37 percent of adults are still excluded from formal financial services. The regulatory reforms of the last three years, particularly in digital finance and Sharia-compliant financial systems, have played a pivotal role in expanding access and driving account usage. Accordingly, 44 million new transaction accounts were opened, bringing the total number of transaction accounts to 313 million by end June 2025. **In other words, such huge transactions need strong and continuous risk assessment by players to manage DFS and digital fraud risks** (Figure 25).

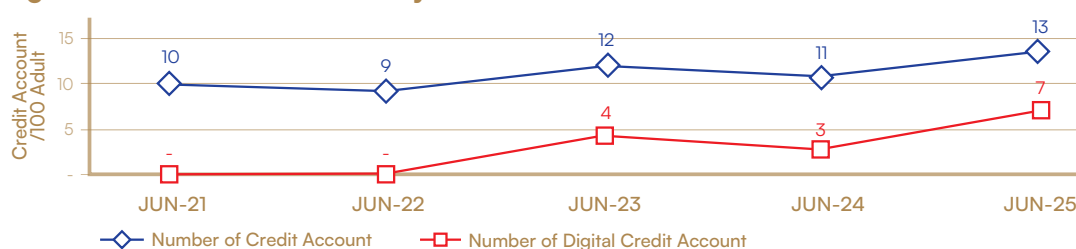
Figure 25: Transaction Accounts (In Millions)



Source: NBE Database

In addition, the total number of credit accounts rose from 6.15 million at the end of June 2024 to 7.54 million a year later in 2025, reflecting a notable expansion in credit access. The number of credit accounts per 100 adults climbed from 11 in June 2024 to 13 in June 2025, signalling steady progress in financial inclusion through the provision of credit (Figure 26).

Figure 26: Number and Density of Credit Accounts



Source: NBE Database

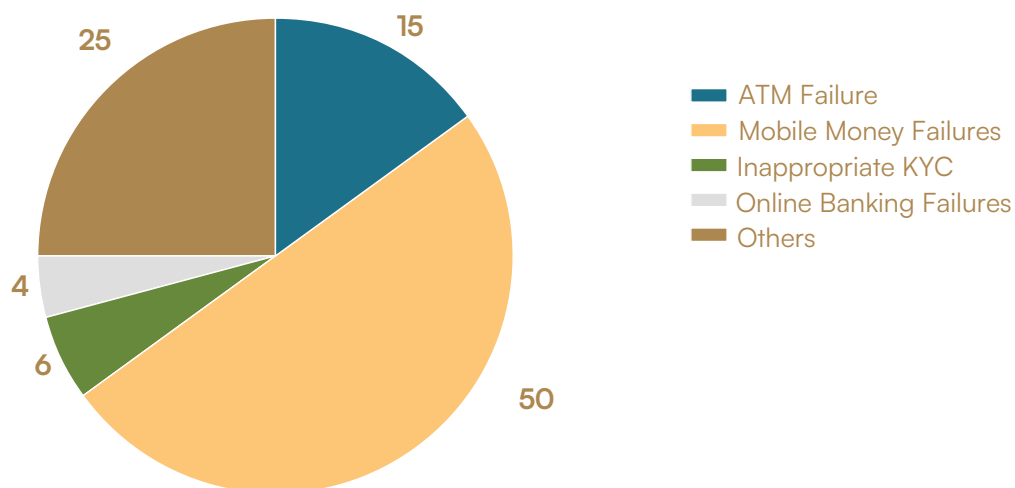
4.2.3. Financial Consumer Protection

During the fiscal year, financial institutions successfully resolved 90 percent of consumer complaints within 10 working days — well above the mid-term benchmark of 59 percent. A total of 13,626 complaints were received, primarily concerning transaction failures and issues related to know-your-customer (KYC) procedures. Notably, nearly half of the complaints were linked to mobile banking transaction failures, highlighting a critical area for service improvement. **This shows that strong digital oversight is required to manage such continuously increasing technological digital risks and operational risks** duly supported by prudential liquidity management of financial institutions.

⁶ Demand side triangulation forecast made in consultation with Boston Consulting Group.

To this effect, the NBE has officially introduced multiple channels for lodging complaints. These include a toll-free call centre (6230), a dedicated website, and an email platform — ensuring accessible and streamlined communication for all consumers seeking support or resolution, that is, to reduce financial system risk (Figure 27).

Figure 27: Financial Consumer Complaints, June 2025, (In Percent)



Source: NBE Database



5.

**SHORT-TERM RISK
TO FINANCIAL
SYSTEM AS SEEN
BY FINANCIAL
SECTOR
STAKEHOLDERS**

5. SHORT-TERM RISKS TO FINANCIAL SYSTEM AS SEEN BY FINANCIAL SECTOR STAKEHOLDERS

To increase awareness of the near risks to the financial system's stability and to incorporate stakeholders' views by identifying the most cited risks, NBE has conducted a survey by purposive sampling (42 samples) that involved financial institutions' CEOs, professionals, academics and advisory firms. This section is a summary of the views provided by respondents and should not be interpreted as representing NBE's views.

Risk emanating from exchange rate fluctuations was the most cited risk by the respondents followed by inflation as one of the major risks to financial system's stability in near future — the next one-to-two years. Conversely, technology risk, digital fraud and cyber-attack, were cited as the least likely risks, relatively. However, these are hidden and emerging risks that need exploratory risk mitigation mechanisms that respondents must understand in the coming years, because almost every financial product and service will be technology based in the coming years.

Exchange Rate

Respondents (11 respondents or 26.2 percent) highlighted concerns on the fast and continuous depreciation of Birr, as the most cited risk for the financial system's stability. During the fiscal year, ground breaking policy measures were taken by NBE to address issues like abolishing the 'Franco Valuta' system, launching a market-based exchange rate system, allowing non-banking foreign exchange bureaus, and auctioning foreign exchange to alleviate foreign currency shortage and to ensure FX market stability. Despite all these policy measures have been taken. Yet, this exchange rate risk was cited as one of the most concerning issues by respondents.

Persistent Inflation

Concern over persistent inflation — triggered by global economic developments, geopolitical risks and domestic demand factors alike — was the second most cited risk, by 10 (or 23.8 percent) of the respondents. NBE has taken various measures, including credit growth cap, enhancing the issuance of bonds and Treasury Bills as alternatives sources of deficit financing for the government, instead of direct advance from NBE, supporting the supply of goods and services, encouraging exports, and setting the policy interest rate to tame inflation and maintain price and financial system stability.

Geopolitical risk (internal and external instability) and external debt risk

These risks increase imported inflation and minimize external sources of funding (grants and external borrowing) that support the economy, which have an impact on financial stability and cause concerns for respondents. This is because these risks are considered to disrupt the global supply and demand chain and push commodity prices up.

Credit and Liquidity Risk

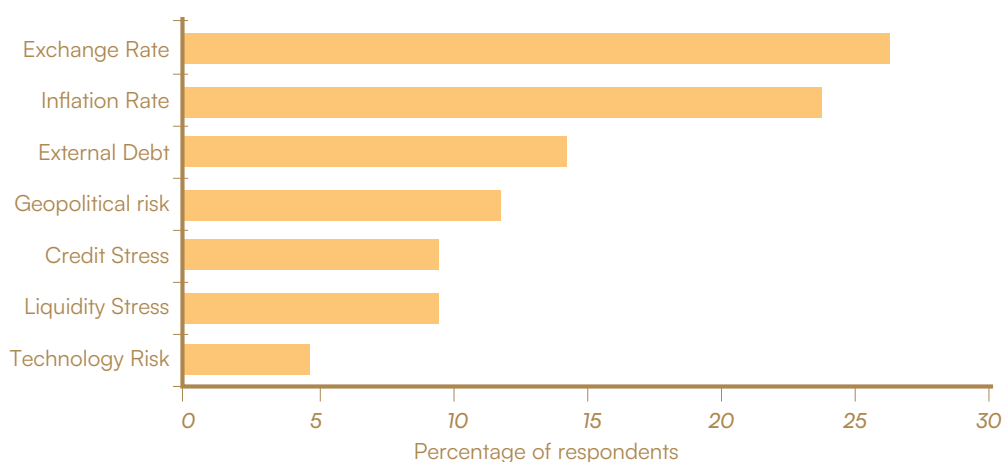
The availability of liquidity minimizes credit stress while loans collection reduces liquidity stress. These risks are inseparable, and can impact a financial system's stability if they are not well managed, which resulted in concerns for respondents.

Technology Risk

This is the risk of least concern for respondents — but this may reflect limited awareness. In fact, technology risk has increased due to the adoption of digital platforms, innovations, and automation processes. It is the fastest growing risk in the short, medium, and long term because financial institutions and other entities locally and internationally, are fast adopting digital technologies in their operations which increase vulnerability from system failures and cyber-attack.

Taken together, 26.2 percent of the respondents have concerns about foreign exchange rise and 23.8 percent on inflation rate level. These concerns need to be addressed by a mix of coordinated policy actions. In addition, the respondents recommend some policy measures to maintain the financial system's stability, which include: further strengthening fiscal and monetary policies, strengthening financial regulation and oversight, and conducting credit and liquidity stress tests. Moreover, to address the identified risks, respondents underlined the importance of fostering foreign exchange reserves and sources of foreign currency, investing on technology infrastructure developments and conducting regular exploratory risk assessment to manage fast growing technology risks, increasing high value import substitution, and enhancing domestic production and productivity (Figure 28).

Figure 28: Most Cited Potential Risks over the Next 1- 2 Years



Source: Survey Data

The image features a close-up, slightly angled view of the Ethiopian flag. The flag's colors—green, white, and red—are visible as diagonal stripes. Overlaid on the green section is a large, stylized emblem in gold, which is the coat of arms of Ethiopia. The emblem consists of a shield with a central cross, flanked by two lions, and topped by a crown. Above the shield is a wreath. The word "ANNEXES" is written in a bold, gold, sans-serif font across the center of the image, partially overlapping the emblem and the flag's stripes.

ANNEXES

Annexes

A. Selected Financial Data for Commercial Banks

Table 18: Commercial Banking Industry Balance sheet Income Statement Items, and Soundness Indicators

NO	MAJOR ITEMS	JUN 21	JUN 22	JUN 23	JUN 24	JUN 25	GROWTH (%) 2024 - 25
1	Balance Sheet (Billions of Birr)						
A	Assets						
	Total liquid assets	278.5	469.5	524.6	559.6	1,068.1	90.9
	Investments	608.7	732.4	795.4	874.0	1,404.2	60.7
	Loans and Bonds	1,336.5	1,570.4	1,953.2	2,194.0	3,040.6	38.6
	O/w Net loans (net of provisions)	766.9	986.7	1,247.5	1,440.9	1,811.0	25.7
	O/w Securities/Bonds	550.4	534.4	642.8	693.1	1,182.0	70.5
	Other assets	242.0	374.2	420.7	563.8	607.4	7.7
	Total assets	1,843.2	2,374.1	2,845.9	3,277.3	4,737.0	44.5
	Provisions for NPLs	4.1	21.7	20.1	13.6	22.6	65.8
	Gross NPLs	27.5	40.1	47.5	57.9	57.2	-1.2
B	Liabilities and Capital						
	Total deposits	1,360.1	1,735.3	2,162.2	2,494.7	3,510.0	40.7
	O/w Demand	439.6	567.1	679.9	813.3	1,253.6	54.1
	O/w Saving	855.8	1,085.3	1,370.1	1,524.3	2,048.6	34.4
	O/w Time/fixed	64.7	83.0	112.2	157.1	207.8	32.3
	Other liabilities	319.2	408.5	405.7	442.5	693.9	56.8
	Total capital	121.9	168.9	212.4	258.6	422.4	63.3
2	Income Statement (Billions of Birr)						
A	Total income	168.9	247.0	297.5	361.4	646.3	78.8
	O/w interest income	128.1	177.0	226.4	276.5	353.1	27.7
B	Total expense	122.8	157.9	220.0	274.0	525.7	91.9
	O/w interest expense	57.8	72.6	91.8	105.2	123.6	17.5
C	Net income after tax	30.3	47.4	48.9	57.9	93.4	61.3
3	Soundness Indicators (%)						Change: 2024-2025
A	Capital Adequacy						
	Capital to risk weighted assets (CAR)	15.2	16.3	14.7	15.4	19.1	3.7
	Capital to total assets	6.9	7.5	7.8	8.2	9.5	1.2
B	Asset Quality						
	Loans to assets	42.7	43.6	46.0	45.8	39.2	-6.6
	NPLs to gross loans	3.5	3.9	3.6	3.9	3.1	-0.8
	Provisions to NPLs	73.3	119.9	138.4	104.1	80.0	-24.1
C	Earnings						
	Return on equity	26.7	32.6	25.7	24.6	27.4	2.8
	Return on assets	1.9	2.4	2.0	2.0	2.5	0.5
D	Liquidity						
	Liquidity ratio (CA to CL)	20.5	27.1	24.3	22.4	30.4	8.0

Source: NBE Database

Table 19: Commercial Banks Loans and Advance by Sector (In Billions of Birr)

No	Economic Sector	JUN-24		JUN-25		Growth (%):
		Amount	% share	Amount	% share	2024 - 25
1	Agriculture	95.1	6.3	156.2	8.5	4.2
2	Manufacturing	345.3	23.0	297.3	16.2	-13.9
3	Domestic Trade	261.7	17.4	344.2	18.7	31.6
4	International Trade	334.2	22.3	420.4	2.8	25.8
5	Hotel & Tourism	42.4	2.8	47.4	2.6	11.7
6	Building & Construction	166.9	11.1	252.5	13.7	51.3
7	Mines, Power & water	0.6	0.0	0.7	0.0	13.1
8	Financial Institutions	4.7	0.3	8.5	0.5	80.2
9	Transport & Communication	40.4	2.7	58.6	3.2	45.0
10	Health & Education	6.9	0.5	8.9	0.5	28.8
11	Consumer and staff loans	176.7	11.8	218.1	11.8	23.4
12	Other Sectors	25.8	1.7	28.0	1.5	8.3
Total		1,500.9	100.0	1,840.8	100.0	22.6

Source: NBE Database

B. Selected Financial Data for Development Bank of Ethiopia

Table 20: Development Bank Balance Sheet and Income Statement Items, and Soundness Indicators

No	Major items	JUN 21	JUN 22	JUN 23	JUN 24	JUN 25	Growth (%) 2024 - 25
1	Balance Sheet (Billions of Birr)						
A	Assets						
	Total liquid assets	43.3	44.0	63.6	34.4	27.4	-20.2
	Loans and Bonds	69.6	81.3	95.4	145.5	153.6	5.6
	O/w Net loans (net of provisions)	49.9	52.3	66.8	88.0	95.9	8.9
	O/w Securities/Bonds	14.2	23.1	23.0	53.2	53.0	-0.5
	Other assets	15.3	7.2	4.3	6.4	7.4	15.4
	Total assets	122.8	126.7	157.8	182.2	183.8	0.9
B	Liabilities and Capital						
	Total deposits	0.8	0.7	1.6	0.7	0.8	22.7
	O/w Demand	0.7	0.7	1.5	0.6	0.8	21.8
	O/w Saving	0.0	0.0	0.0	0.1	0.1	33.3
	O/w Time/fixed	0.1	-	-	-	-	0.0
	Other liabilities/borrowing	90.3	91.2	117.2	142.1	141.0	-0.8
	Total capital	29.2	30.1	31.0	32.4	33.7	4.1
2	Income Statement (Billions of Birr)						
A	Total income	7.6	7.7	12.9	13.8	18.0	30.4
	O/w interest income	6.9	6.7	11.6	11.9	15.3	29.0
B	Total expense	4.6	5.2	7.3	10.2	12.0	17.4
	O/w interest expense	2.9	3.2	4.2	6.7	7.9	18.3
C	Net income after tax	3.3	2.6	4.7	4.2	4.2	-0.4
3	Soundness Indicators (%)						Change: 2024-25
A	Capital Adequacy						
	Capital to risk weighted assets (CAR)	39.7	41.1	30.4	23.9	25.9	2.0
	Net worth to weighted assets	43.0	47.5	38.2	29.0	32.2	3.2
	Debt to equity ratio	311.5	305.0	383.7	440.7	420.7	-20.0
B	Asset Quality						
	Liquid assets to loans	78.1	75.6	87.9	37.3	27.3	-10.0
C	Earnings						
	Return on equity	17.7	8.6	15.5	13.3	12.7	-0.6
	Return on assets	3.0	2.1	3.3	2.5	2.3	-0.2

Source: NBE Database

C. Selected Financial Data For Microfinance Sector

Table 21: Microfinance Sector Balance Sheet and Income Statement Items, and Soundness Indicators

No	Major items	JUN 21	JUN 22	JUN 23	JUN 24	JUN 25	Growth (%):
1	Balance sheet (Billions of Birr)						2024 - 25
A	Assets						
	Total liquid assets	6.7	7.8	9.5	12.1	22.5	86.1
	Gross loans	20.2	25.3	31.5	39.7	48.9	23.3
	Provisions	1.3	1.4	1.1	1.1	1.2	13.0
	Net loans	18.9	23.9	30.4	38.6	47.7	23.6
	Gross NPLs (PAR>90 days)	2.0	2.2	1.3	1.4	1.6	14.3
	Total assets	28.7	36.9	49.4	60.1	81.7	35.9
B	Liabilities and Capital						
	Total deposits	16.9	18.9	24.3	31.4	41.8	33.1
	Borrowings	3.3	8.0	10.3	11.0	12.2	10.6
	Total capital	5.1	7.2	10.9	11.4	15.9	39.9
2	Income Statement (Billions of Birr)						
	Total income	2.9	4.0	6.4	10.6	13.7	29.1
	O/w interest income	2.1	3.0	4.8	8.9	10.6	18.6
	Total expense	2.3	3.1	5.2	7.6	10.0	31.6
	O/w interest expense	0.8	1.0	2.3	3.2	4.1	26.7
	Net income after tax	0.5	0.9	1.2	3.0	3.7	22.6
3	Soundness Indicators (%)						Change: 2024-25
A	Capital Adequacy						
	Capital to risk weighted assets	23.5	24.5	26.3	23.0	30.3	31.8
	Debt to equity ratio	467.0	414.7	354.0	427.0	412.3	-3.5
B	Asset Quality						
	Loans to assets	70.4	68.6	63.8	66.1	59.9	-9.4
	PAR>90 days to gross loans	9.9	8.6	4.2	3.6	3.3	-8.6
	Provisions to NPLs	64.5	64.1	80.6	76.7	77.4	0.9
C	Earnings						
	Return on equity	11.1	14.4	13.8	27.7	27.5	-0.7
	Return on assets	2.0	2.7	2.9	5.6	5.3	-5.7
	Operational efficiency	12.4	13.8	18.3	21.5	22.5	4.7
D	Liquidity						
	Liquidity ratio	39.5	41.2	38.9	38.7	53.9	39.3
	Loan to deposit ratio	119.5	134.1	129.6	126.4	117.2	-7.3

Source: NBE Database

Table 22: Microfinance Sector Loans by Sector (In Billions of Birr)

Year	Agriculture	Trade	Manufacturing	Construction	Service	Others	Total
Jun 21	5.8	5.4	1.0	4.4	2.0	1.6	20.3
Jun 22	6.7	7.6	1.6	4.5	3.4	1.6	25.4
Jun 23	6.8	12.4	2.2	4.2	4.1	1.7	31.4
Jun 24	7.1	16.9	2.5	4.4	6.7	2.1	39.6
Jun 25	8.1	20.2	2.7	4.8	10.6	2.6	48.9

Source: NBE Database

D. Selected Financial Data For Capital Goods Finance Sector

Table 23: Major Balance Sheet and Income Statement Items, and Soundness Indicator Ratios

No	Major items	JUN-21	JUN-22	JUN-23	JUN-24	JUN-25	Growth (%)
1	Balance Sheet (Millions of Birr)						2024 -25
A	Assets						
	Total liquid assets	832.5	877.0	674.8	377.9	702.9	86.0
	Gross CGF	1,043.4	1,516.0	2,410.0	3,611.6	4,592.4	27.2
	Gross NPLs	82.3	63.1	140.1	281.7	123.9	(56.0)
	Total assets	3,488.8	4,031.2	4,956.2	6,292.1	8,240.7	31.0
B	Liabilities and Capital						
	Borrowings	1,468.7	1,894.8	2,452.5	3,877.6	4,447.1	14.7
	Total capital	1,914.6	2,024.8	2,271.9	2,552.5	3,150.2	23.4
2	Income Statement (Millions of Birr)						
A	Total income	173.3	227.9	321.7	450.0	667.9	48.4
	O/w interest income	103.3	141.3	246.7	393.8	591.7	50.3
B	Total expense	102.5	140.6	317.7	349.4	527.1	50.9
	O/w interest expense	7.7	30.4	79.0	137.8	289.1	109.8
C	Net income before tax	70.8	87.3	4.0	100.6	140.8	40.0
3	Soundness Indicators (%)						Change: 2024-25
A	Capital Adequacy						
	Capital to risk weighted assets	65.3	57.0	50.4	40.4	38.8	(1.6)
	Debt to equity ratio	76.7	93.6	107.9	151.9	141.2	(10.7)
B	Asset quality						-
	Total financing to total assets	29.9	37.6	48.6	57.4	55.7	(1.7)
	PAR>90 days to gross loans	7.9	4.2	5.8	7.8	2.7	(5.1)
C	Earning						-
	Return on equity	2.4	2.8	0.1	2.5	2.9	0.4
	Return on assets	1.30	1.4	0.1	1.0	1.1	0.1
	Operational self sufficiency	105.9	104.8	79.2	115.8	114.2	(1.6)

Source: NBE Database

Table 24: Sector Distribution of Leasing Sector Finance (Billions of Birr)

Items	JUN 21	JUN 22	JUN 23	JUN 24	JUN 25	Growth (%): 2024- 2025
Agriculture	42.7	103.7	151.9	242.7	397.9	63.9
Manufacturing	785.3	1,029.5	1,740.1	2,545.3	2,684.1	5.5
Construction	73.6	199.4	241.4	340.7	702.5	106.2
Services	89.6	133.6	226.9	394.7	608.4	54.1
Others	52.1	51.7	49.7	88.1	199.3	126.2
Total	1,043.3	1,517.9	2,410.0	3,611.5	4,592.2	27.2

Source: NBE Database

E. Selected Financial Data For Insurance Sector

Table 25: Major Balance Sheet and Income Statement Items, and Soundness Indicator Ratios

Item	JUN 21	JUN 22	JUN 23	JUN 24	JUN 25	Growth (%)
1 Balance Sheet (Billions of Birr)	2024 -25					
A Assets						
Total Assets	39.1	40.9	49.7	65.6	84.9	29.3
Total Investment	19	22	29	36.4	46.3	27.2
Investment In Equity	3.6	4.9	5.9	7.3	8.8	20.8
Bank Deposit	13.3	14.4	19.4	24.5	32.4	32.2
Current Asset	26.8	25.8	32.1	46.4	61.8	33.4
B Liabilities and Capital						
Total Liabilities	29.1	28.8	35	44	56.7	29
O/W Current Liabilities	25.6	25	30.4	42.1	55.5	31.7
Total Equity	10	12.1	14.7	21.7	28.3	30.5
O/W Paid-up Capital	5.9	7.1	9	11.7	15.9	35.3
2 Income Statement (Billions of Birr)						
Net Income Before Tax	2.7	3.3	4.1	6.9	8.3	20.6
3 Soundness Indicators (%)	Change 2024-25					
A Capital Adequacy						
Equity to Liability Ratio	54.3	53.8	48.3	63.2	59.3	-3.9
Solvency Ratio	328.0	334.0	243.0	316.0	283.7	-32.3
B Performance Indicator	0.0					
Expense Ratio	30.3	32.6	32.8	29.6	35.4	5.8
Claims Ratio	57.3	56.1	58.4	50.9	51.0	0.1
Combined Ratio	87.6	88.7	91.1	80.5	86.4	5.9
C Liquidity						
Liquidity Ratio	95.8	96.8	94.6	92.4	89.3	-3.1

Source: NBE Database





የኢትዮጵያ ብሔራዊ ባንክ
NATIONAL BANK OF ETHIOPIA



nbe.gov.et/fsr