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Commercial Bank of Ethiopia

ANNUAL REPORT

2023/24

DIGITAL BANKING

MOVING FORWARD!



POS



MOBILE
BANKING



CARD
BANKING



INTERNET BANKING



CBEBIR



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Commercial Bank of Ethiopia

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PROFILE

- Has been serving Ethiopia since 1942.
- Pioneered ATM services in Ethiopia.
- Introduced Western Union Money Transfer Services to Ethiopia.
- Is the first Ethiopian bank to offer interest-free banking services.
- Has been playing a catalytic role in the socio-economic development of the nation.
- Had 1,942 branches across the country as of 30 June 2024.
- Has strong correspondent relationships with about 38 renowned foreign banks and SWIFT bilateral key arrangements with over 750 banks.
- Achieved a strong asset position of Birr 1.4 trillion as of 30 June 2024.
- Combines a wide capital base with above 48 thousand permanent and 33 thousand temporary employees.
- Is headquartered in a modern skyscraper (4B+G+48) that is the tallest in East Africa.

VISION

To become a world-class commercial bank financially driving Ethiopia's future.

MISSION

We are committed to realizing stakeholders' values through enhanced financial intermediation globally, deploying highly motivated and skilled employees.

MOTTO

The Bank You Can Always Rely on!

VALUES

i) Integrity

- We are committed to the highest ideals of honor and integrity.
- We are committed to acting in an honest and trustworthy manner.
- We are committed to firmly adhering to ethical principles and standards.

ii) Service Excellence

- We are committed to maintaining the highest operating standards.
- We are committed to being a preferred brand in service quality in the minds of customers and the general public.
- We strive to build long lasting relationships with our customers.

iii) Professionalism

- We take ownership and personal responsibility for all what we do.
- We are professionals in conduct and treat customers with the utmost respect.
- We are responsive to the needs and interests of our customers.
- We maintain the confidentiality and privacy of all customers.
- We continually develop ourselves to maintain leading-edge capabilities.
- We apply our knowledge and competence to our competitive advantage.

VALUES - (Continued)

Iv) Empowerment

- ☞ We distinguish employees as valuable organizational resources.
- ☞ We promote delegation of duties and responsibilities.
- ☞ We maintain an atmosphere that inspires confidence and take ownership.
- ☞ We take responsibility, support each other and serve customers in a courteous and respectful manner.
- ☞ We recognize our employees for their best achievements.

V) Innovative Organization

- ☞ We go above and beyond to find solutions to stakeholder problems leveraging technology where possible.
- ☞ We anticipate and respond to internal and external changes through constant improvement and adjustment.
- ☞ We establish a culture that nurtures individual and group learning.
- ☞ We retain and disseminate tacit knowledge across the Bank.

Vi) Teamwork

- ☞ We respect one another and cooperate in our work.
- ☞ We recognize the importance of teamwork for our success.
- ☞ We collaborate and support one another to ensure process integration and minimize external business challenges.

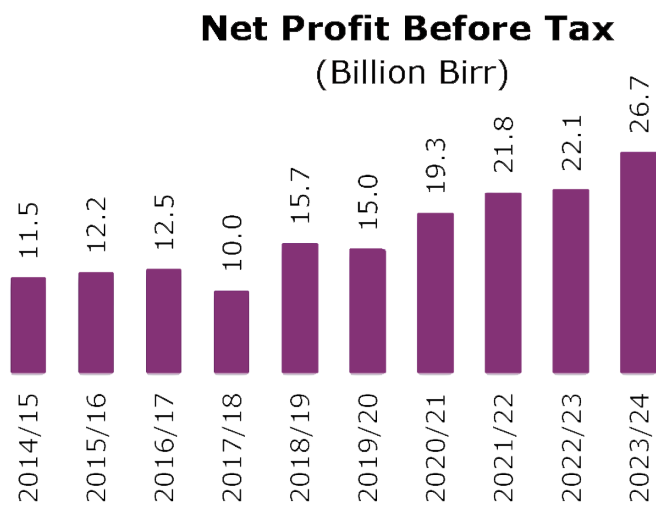
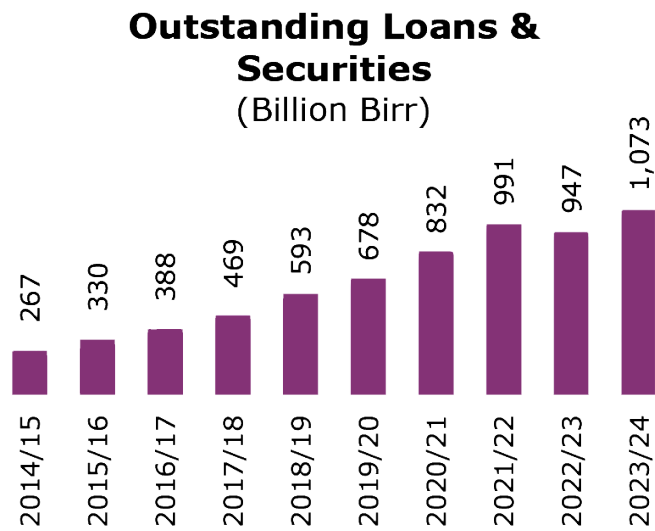
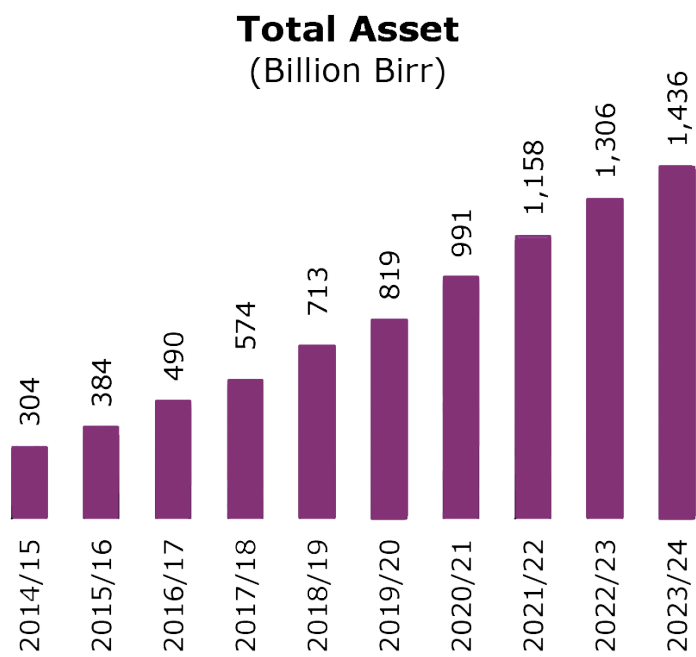
Vii) Respect for Diversity

- ☞ We are responsive to cultural, ethical, religious or other values of employees and customers.
- ☞ We value diversity of ideas and viewpoints of our employees.
- ☞ We foster an environment of inclusiveness, where all people, regardless of their sex, age, belief, etc. can exercise their maximum potential.
- ☞ We are committed to address the needs of our customers, regardless of their sex, age, education etc.
- ☞ We are committed to listening to one another and respond appropriately.

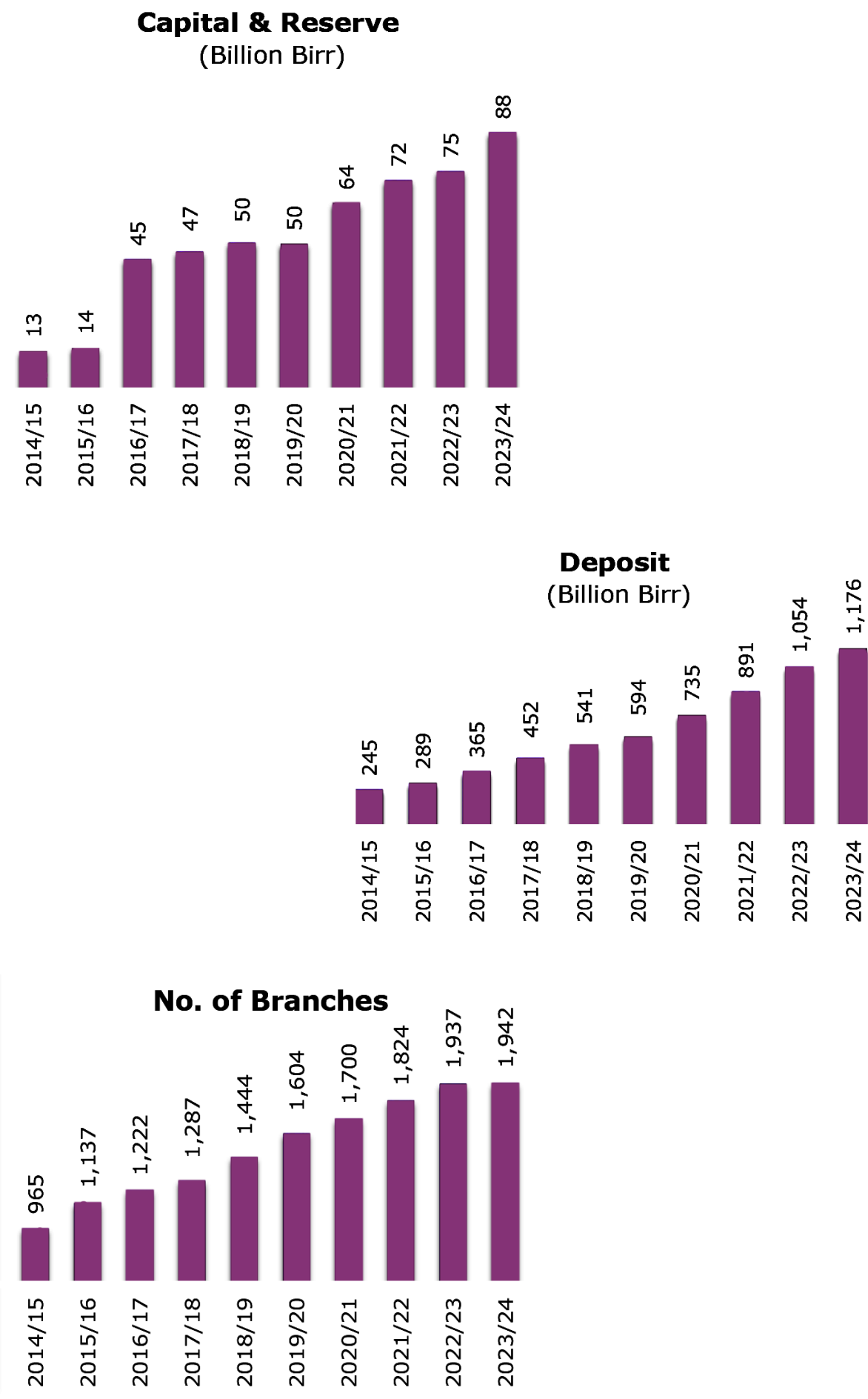
Viii) Corporate Citizenship

- ☞ We value the importance of our role in national development endeavours and stand up for this commitment.
- ☞ We abide by the laws of Ethiopia and other countries in which we do business.
- ☞ We care about the society's welfare and the environment.
- ☞ We believe that the sustainability of our business depends on our ability to maintain and build public confidence.

Performance Highlights



Performance Highlights - (Continued)



Board of Directors



Ato Ahmed Shide
Chairperson



Woy. Aynalem Nigussie
Member



Ato Moges Balcha
Member



Woy. Tigist Hamid
Member



Ato Wondimagegnehu Negera
Member

Board of Directors - (Continued)



Ato Ahmed Tusa
Member



Ato Getachew Negera
Member



Ato Addisu Habba
Member



Eyob Tesfaye (Ph.D)
Member



Ato Bereket Fesehatsion
Member



Ato Olani Sekata
Member

CBE NOOR SHARI'AH ADVISORY COMMITTEE



Sheikh Mohammed Hamidin Abdulsemed (Ph.D)
Chairperson



Jeilan Geleta Mame (Ph.D)
Member



Nur Abdi Gudle (Asso. Professor)
Member



Mahamedzen Nur Hussen (Ph.D)
Member



**Mohammed Habib Mohammed
(Asst. Professor)**
Member

EXECUTIVE MANAGEMENT



Ato Abie Sano
President



Ato Dereje Fufa
Executive VP - Retail and
Branch Banking



Ato Firew Gebreselassie
A/VP – Risk Management
and Compliance



Ato Mulugeta Sarko
VP - Internal Audit



Ato Yonas Lidetu
VP – Finance

EXECUTIVE MANAGEMENT - (Continued)



Ato Fikreselassie Zewdu
VP - Credit



Ato Haileyesus Bekele
VP – Customer Experience



Ato Nuri Hussein
VP - Interest- free Banking



Woy. Makeda Oumer
VP - International Banking



Ato Boku Begna
VP - Wholesale Banking



Ato Wegayehu G/Mariam
VP – Digital Banking

EXECUTIVE MANAGEMENT - (Continued)



Ato Ephrem Mekuria
VP – Human Resource



Ato Amare Assefa
VP – Information System



Ato Surra Saketa
VP - Facilities Management



Eskinder Asfaw (Ph.D)
A/VP Strategy Planning and
Transformation



Woy. Sosina Alemayehu
VP – Legal Service



Ato Ermias Getachew
A/ Chief of Staff



PRESIDENT'S MESSAGE

It gives me great pleasure to announce that the Commercial Bank of Ethiopia (CBE) has registered remarkable financial results for the fiscal year 2023/24 sustaining its leading position in banking industry in almost all key performance indicators. CBE's strategic approach and commitment by integrating advanced technologies into its products and services has been pivotal basis for preserving its dominant position in banking industry.

The global economy showed resilience in the face of recent challenges with estimated growth rate of 3.3% in 2023 and an estimated to 3.2% growth in 2024 as well as projected to be 3.3% growth in 2025 according to IMF World Economic Outlook Report in July 2024. Despite these positive growth and projection, Foreign Direct Investment showed a 2% decline amounting to USD 1.3 trillion in 2023 according to World Investment Report in June 2024 primarily due to global economic slowdown and rising in geopolitical tensions.

Although there were unfavorable global impacts,

Ethiopian economy grew by 8.1%, resulting from growth in major economic sectors, including agriculture, industry, and services by 7%, 9.2%, and 7.7% respectively as compared to the preceding fiscal year.

Under these global and domestic economic situations, CBE achieved the ever highest gross profit amounted to Birr 26.6 billion by generating gross income of Birr 137.4 billion during the fiscal year. This remarkable accomplishment was achieved as a result of CBE's effectiveness in its cost-cutting measures and the successful execution of reforms aligned with its five-year business strategic plan.

During the fiscal year under review, CBE's deposit position surpassed Birr 1.17 trillion by mobilizing Birr 120.7 billion and recruiting 4.7 million new deposit account holders during the fiscal year which had brought its customer base to over 45 million. Specially, CBE Noor services had vigorously managed to recruit more than 1.3 million new account holders to increase its total number of

customers to 7.3 million.

CBE disbursed more than Birr 218 billion loans for different economic sectors depicting a lion's share for private sectors with a share of 90.8%. Of the total loan disbursement, CBE had earmarked Birr 77.4 billion, Birr 77.9 billion, Birr 40.0 billion for import of fertilizers, private ventures and CBE Noor financing respectively. This reveals that CBE has been supporting the private sectors which are the main engine for economic development of the country, particularly for development of agricultural sector.

CBE has also achieved significant result in foreign currency (FCY) earnings generating a total of USD 3.2 billion of which USD 2.0 billion from foreign remittances, USD 0.9 billion from export, and USD 0.3 billion from FCY purchases. CBE's total assets reached Birr 1.4 trillion, grew by 10% compared to last year same period. While CBE's total capital and reserve reached Birr 87.9 billion.

During the fiscal year, over 1.6 billion transactions were processed amounting to more than Birr 31.6 trillion. Of these, over 1.1 billion (76.2%) transactions, amounting to Birr 6.7 trillion were managed through digital payment systems. This significant growth is attributed to CBE's focus on digital payment solutions by enhancing its accessibility for customers and expanding its product offerings. This CBE's strategic move has led to a considerable reduction in operational costs and service expenses for its customers.

CBE had been playing significant role in contributions to developmental and community-based initiatives by supporting both governmental and non-governmental organizations throughout the fiscal year as part of its commitment to corporate social responsibility. Worth mentioning instances, CBE demonstrated its leading role in community engagements by contributing 23 million Birr to the "Clean Ethiopia" project and allocating Birr 17.2 million for Green Legacy campaign. Likewise, a notable example is its investment in establishing a professional football team named the Commercial Bank of Ethiopia Football Association. Within just a year, the team achieved league champion status, bringing pride to CBE while also revitalizing the Premier League.

CBE gives considerable attention to invest in its key asset, that is, in human resource development

through providing relevant and ongoing training programs. This commitment is aimed at enhancing and expanding employees' knowledge and skills to bring about operational efficiency and effectiveness. As a result, during the fiscal year, CBE organized various training sessions for 93,079 participants in technical, developmental and ethical trainings.

On March 16, 2024, CBE faced unexpected challenge when a system glitch allowed depositors to make unauthorized withdrawals and transactions. Recognizing the severity of the situation, CBE acted promptly to recover the funds that had been withdrawn fraudulently. Despite the odds, by June 30, 2024, CBE successfully reclaimed Birr 796.6 million, which is 99.4% of the total amount of Birr 801.4 million initially withdrawn. Certainly, it was a significant achievement for CBE as obviously known that even the most technologically advanced banks worldwide facing similar incidents were less successful in recovering their funds. Despite the unprecedented event, CBE maintained its strength and reliability achieving remarkable performance results and proving its resilience as a solid financial institution.

Looking ahead, CBE cannot be complacent with its current achievements as the best is yet to come so that it is in a position definitely to continue committing its human resources and investing in advanced technologies to face challenges and maintain its leading position in banking industry by achieving greater performance results in all major key performance indicators through enhanced quality in service delivery which will actually result in high customer satisfaction.

During the fiscal year 2023/24, it should be underscored that CBE's remarkable results were realized owing to the strategic guidance of the Board of Directors as well as the dedication of Management team and employees; and above all the trust and confidence of our customers.

Finally, I would like to take this opportunity to express my wholehearted and deepest gratitude to all stakeholders for their unreserved contribution for CBE's commendable achievements mentioned herein.

Abie Sano
President

Sharia's advisory committee (SAC) statement for the fiscal year ended June 30 2024

Pursuant to the CBE's SAC charter and its provision associated to IFB service, and in accordance with the IFRS & AAOFI sharia standard, the SAC presents the following report:

CBE Interest Free Banking (CBE Noor) offers a wide range of deposit, financing and various banking and services comparable to other banking services in Commercial Bank of Ethiopia, irrespective of race, religion or company.

We are very glad when we are honored to announce that the interest free banking (CBE Noor) has mobilized deposit of birr 116.56 billion and earned profit before tax of birr 1.972 Billion from IFB business during the budget year ended June 30 2024.

Thus, we hope and anticipate that CBE Noor will continue to contribute more by upholding similar Sharia compliance dedication, implementations and applications without undermining the never-ending quest of customers and by addressing banking the unbanked, serving the missing middle and accommodating all those who are far from banks due to their uncompromised belief.

As Sharia Advisory Committee of the Bank, we have given our highest dedication to ensure best quality and demonstrated commitment to Sharia compliance in the products, process, documentations, marketing and other related Sharia compliant products and services by the Bank during the fiscal year. Besides its advisory and Sharia compliance assurance services on the regular banking businesses, the Sharia Committee also supports on the development of other Sharia based products and services initiated and attend awareness creation programs to address questions may be raised by the Community at large.

We have reviewed the principles and the contracts relating to the transactions and applications introduced by CBE Noor during the year ended 30 June 2024. We have also conducted our review



to form an opinion as to whether the Bank has complied with sharia Rules and Principles and also with the specific fatwas, rulings and guidelines issued by us and the Bank.

The Bank's management is responsible for ensuring that the bank conducts its business in accordance with Shari'a Rules and Principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank, and to report.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated Sharia Rules and Principles.

In our opinion:

- a. The contracts, transactions and dealings entered into by the Bank during the year ended 30 June 2024 that we have reviewed are in compliance with the Shari'a Rules and Principles;
- b. The profits distribution and loss allocation to the investment accounts complies with the principle adopted according to the Sharia rules and principles.
- c. All amounts devolved to the Bank from sources or realized from sources like penalties or by means that do not comply with the Sharia rules and principles were not incorporated in the Bank's revenues and are placed and reported separately for charity purposes.
- d. The Responsibility of paying Zakat falls on Investment account holders. The Bank is not authorized to pay Zakat directly, as there is no law to that effect.

Finally, the Sharia Advisory Committee takes this opportunity to express its thanks to the Board of Directors and the Bank's management for their co-operation and their keenness in understanding and adherence to the rules of the noble Sharia Principles.

Thank you!

Mohammad Hammidin (Ph.D)
SAC Chairperson

Jeyilan Geletu Mame (Ph.D)
SAC Member

Nur Abdi Gudle (Associate Prof.)
SAC Member

MohammadZain Nur Hussien (Ph.D)
SAC Member

Mohammed Habib Mohammed
(Associate Prof.)
SAC Member



1. HIGHLIGHTS OF GLOBAL AND DOMESTIC ECONOMIES

1.1 The Global Economy

2023/24 was a period of resilience for the global economy that saw steady growth and easing inflation. It experienced pandemic-related supply chain disruptions, followed by an energy and food crisis due to the Russia-Ukraine war, a sharp inflation spike, and monetary policy tightening coordinated worldwide. However, the global economy, which had been projected to grow by 3.2% in 2024, showed a growth rate of 3.3% earlier, that is in 2023 (IMF, 2024) .

Despite facing the weakest growth outside recessions in the past 50 years, global trade showed signs of recovery in 2023. While goods trade contracted by 1.9%, overall trade remained nearly flat. This trend is expected to continue in 2024, with projections suggesting a return to growth (UNCTAD, 2024) . Meanwhile, the tourism industry experienced a significant rebound in the first quarter of 2024. International tourist arrivals surpassed 285 million, nearing pre-pandemic levels. Projections for the full year indicate a potential 2% increase in arrivals compared to 2019 (UNWTO, 2024) .

Global foreign direct investment (FDI) declined by 2% to USD 1.3 trillion in 2023, driven by an economic slowdown and rising geopolitical tensions, which is expected to remain the same in 2024 (UNCTAD, 2024). In 2023, the global unemployment rate improved slightly to 5.1% despite regional disparities and economic pressures (ILO, 2024) . In the same year, global remittance reached USD 656 billion, with a growth rate of 0.7%, and is projected to grow by 2.3% in 2024, supported by robust labour markets in advanced economies (WB, 2024) .

In the 2023/24 FY, the average prices of energy items fell by 18.1%, while those of non-energy items dropped by 2.4% as compared to the 2022/23 FY. The average price of coffee Arabica decreased by 10% to USD 4.58/kg while that of gold increased by 13.5% to reach USD 2,078/troy oz. On the other hand, the average price index of oil seeds declined by 11.7%. Moreover, the average price of crude oil decreased by 1.7% to

USD 82.88/bbl, and that of palm oil by 9.3% to USD 860.87/mt. Over the past year, the prices of aluminium, nickel, and zinc dropped, while those of tin, iron ore, lead, and copper rose. The average price of DAP and Urea fertilizers fell by 15.4% and 25.6%, respectively (WB, 2024 ; FAO 2024) .

Stagnant global growth, particularly in advanced economies, could negatively impact both export demand and remittances from the Ethiopian diaspora. Furthermore, declining prices for key export commodities like coffee and oilseeds have reduced foreign currency earnings per unit of export. On the other hand, decreased imported inflation has lessened the burden of foreign currency payments. A swift post-pandemic recovery in global tourism has expanded potential foreign currency inflows from tourism for destinations like Ethiopia.

1.2 The Ethiopian Economy

The Ethiopian economy grew by 8.1% during the 2023/24 FY. Sector-wise, outputs of agriculture, service, and industry rose by 7.0%, 7.7%, and 9.2%, respectively. These sectors accounted for 31.8%, 40.2%, and 29.1% of the country's GDP, respectively (MoPD) .

During the 2023/24 FY, Ethiopia's export earnings rose by 6% to USD 3.8 billion. However, goods imports increased by 7.7% to USD 18.4 billion, leading to a trade deficit of USD 14.7 billion. The country also received USD 5.4 billion in private transfers, showing a 14% annual growth here. As of June 2024, the official exchange rate depreciated to Birr 57.2 per USD, yet being significantly lower than the parallel market rate (NBE) .

The general year-on-year inflation fell to 19.9% in June 2024 . Similarly, the year-on-year food inflation dropped to 22.7%, and the non-food inflation was 15.3% (ESS, 2024) .

Ethiopia's broad money supply increased by 16% year-over-year, reaching Birr 2.48 trillion in June 2024. Conversely, the amount of currency outside the banking system declined by 3.2% to Birr 205.4 billion during the same period (NBE) .

The financial sector was robust with growing business volume and accessibility. The total number of commercial banks became 32 and that of their branch networks above 12 thousand. The number of insurance companies, microfinance institutions, payment operators, and leasing companies also reached 18, 53, 10, and 6, respectively (NBE, 2024) .

Ethiopia's robust economic growth of 8.1%, particularly the industrial sector's 9.2% expansion, presents significant opportunities for the banking industry to mobilize resources and expand lending portfolios. The surge in export earnings and private transfers indicates a growing market for financial products and services, enhancing banks' potential for customer acquisition and deposit growth. However, the rising trade deficit and persistent inflation, despite recent declines, may pose risks to loan repayment capacities and consumer spending. Moreover, the expanding financial sector, with an increasing number of banks and other financial institutions, underscores the need for banks to become more competitive through innovation and enhancement their service offering.

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2. HIGHLIGHTS OF CBE'S FINANCIAL STATEMENTS

2.1 Income Statement

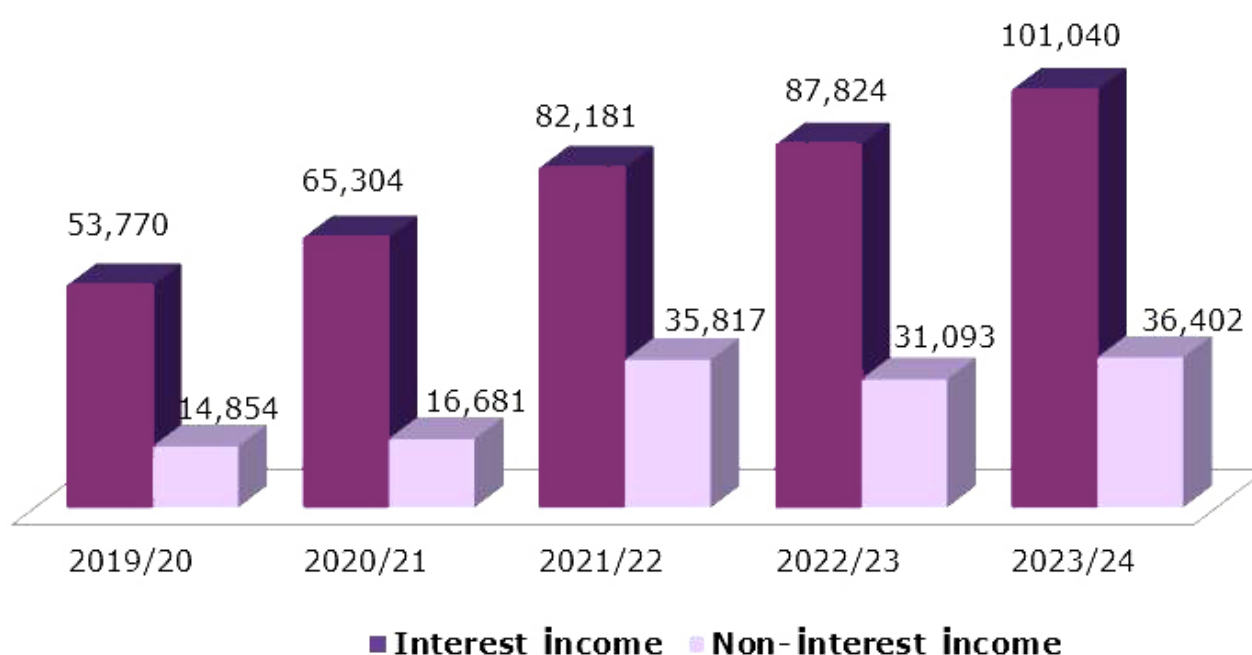
2.1.1 Income

The Bank achieved a 5.6% year-over-year surge in gross income in the 2023/24 FY that led to Birr 137 billion. Interest income, which contributed 74% to the total, grew by 15%, while non-interest income did so by 17%.

Income Statement Comparison with 2022/23 FY			
Particulars	2022/23 FY (Mn. Birr)	2023/24 FY (Mn. Birr)	Growth (%)
Total income	118,917	137,442	15.6
Interest income	87,824	101,040	15.0
Non-interest income	31,093	36,402	17.1
Total expense	96,807	110,777	14.4
Interest expense	45,674	44,485	-2.6
Non-interest expense	51,133	66,292	29.6
Profit before tax	22,110	26,665	20.6

For the past five fiscal years, the Bank's income has shown a steady upward trend, interest income being the main driver of this growth.

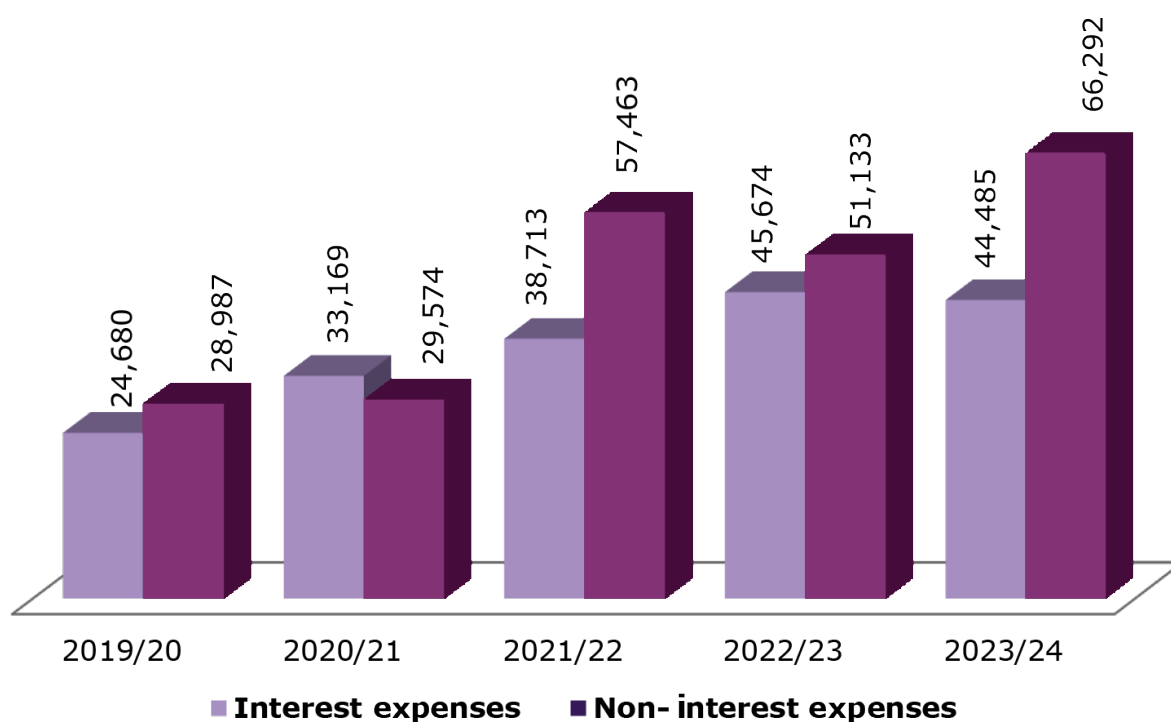
Trends in Income (Mn. Birr)



2.1.2 Expense

The Bank's total expense in the 2023/24 FY rose by 14% to Birr 110.8 billion. Interest expenses fell by 2.6% unlike in the previous year and comprised 40% of the total. Conversely, non-interest expenses showed a significant growth (29.6%) to reach Birr 66 billion.

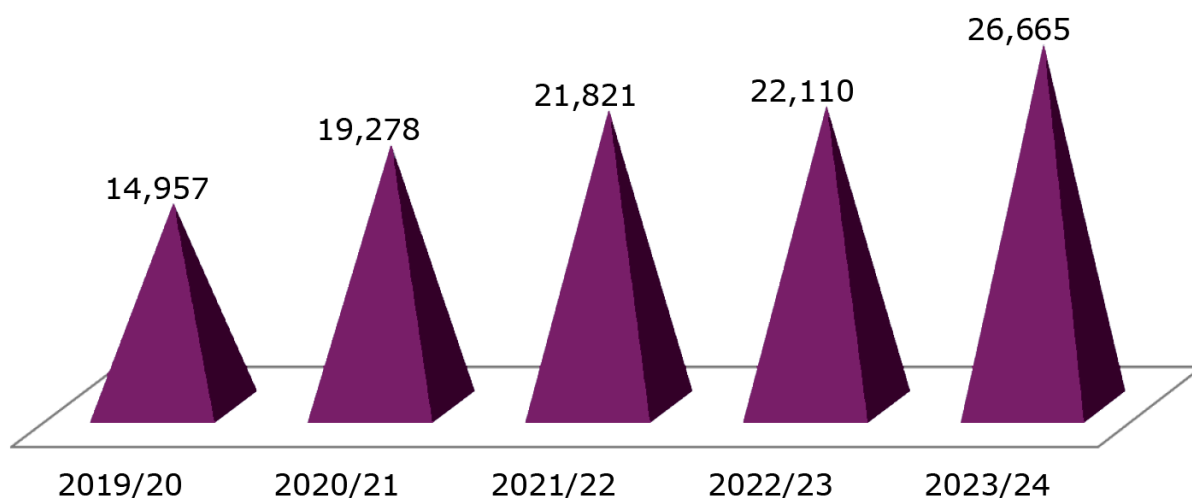
Trend in Expense (Mn. Birr)



2.1.3 Profit

During the 2023/24 FY, CBE saw a 20.6% increase in net profit before tax that resulted in Birr 26.7 billion.

Profit Before Tax (Mn. Birr)



CBE's profitability metrics were sound compared to industry standards. The Bank achieved a Return on Assets (RoA) of 1.9%, a Return on Equity (RoE) of 32.8%, and a Net Interest Margin (NIM) of 4.9%.

Profitability Indicators Comparison with 2022/23 FY		
Particulars	2022/23 FY (%)	2023/24 FY (%)
RoA	1.80	1.94
RoE	30.25	32.80
NIM	3.97	4.87

2.2 Balance sheet

2.2.1 Assets

CBE's total asset expanded by 10% to reach Birr 1,436 billion as of 30 June 2024. The overall growth in assets was mainly driven by the high growth of loans to customers, mainly in the private sector. Holding a dominant share, debt and equity securities exhibited a slow growth (3.2%), indicating the Bank's strategic shift towards financing private borrowers. The overall credit portfolio of the bank grew by 13.3% to reach Birr 1,073 billion.

In 2023/24 FY, building and construction loans grew by 184%, while CBE NOOR financing increased by 111%. However, the loan to the industry sector remained dominant.

Comparison of Outstanding Credit and Securities (Net of Provision) with 2022/23			
Particulars	2022/23 FY (Mn. Birr)	2023/24 FY (Mn. Birr)	Growth (%)
Debt & equity securities	742,255.6	765,919.5	3.2
Loans to customers (Net of impairment losses)	329,278.7	421,488.6	28.0
Agriculture	28,328.9	33,538.0	18.4
Manufacturing	180,651.0	211,637.1	17.2
Domestic trade and services	32,526.0	29,974.0	-7.8
Foreign trade	6,715.7	13,468.0	100.5
Building and construction	8,784.4	24,958.1	184.1
Mining and quarrying	-	-	-
Personal and consumer loan	51,804.9	64,702.1	24.9
CBE NOOR finance	20,467.8	43,211.3	111.1
Loans to financial institutions	1,080.3	1,769.1	63.8
Total outstanding loans & securities	947,254.0	1,073,046.3	13.3

In the 2023/24 FY, CBE disbursed new loans totalling Birr 218.2 billion. A significant portion of this, Birr 198.3 billion (90.9%), was allocated to the private sector, including crucial fertilizer imports. Additionally, CBE NOOR financing amounted to Birr 44.2 billion. During the same period, the Bank collected a total loan repayment of Birr 171.2 billion.

2.2.2 Liabilities

CBE's total liabilities increased by 9.5% to Birr 1,348.5 billion in the 2023/24 FY, being up from Birr 1,305.9 billion in the previous year. Deposits, constituting 87% of total liabilities, grew by 11.5% to reach Birr 1,176 billion as of 30 June 2024.

Comparison of Year-end Deposits with 2022/23 FY			
Particulars	2022/23 FY (Mn. Birr)	2023/24 FY (Mn. Birr)	Growth (%)
Customer deposits	1,052,783	1,175,456	11.7
Demand deposit	371,622	431,420	16.1
Saving deposit	582,489	621,547	6.7
Fixed time deposit	8,241	5,930	-28.0
CBE NOOR deposit	90,431	116,559	28.9
Deposits due to other banks	1,709	580	-66.0
Total deposit	1,054,492	1,176,036	11.5

2.2.3 Capital and Reserves

CBE's total capital and reserve reached Birr 87.9 billion as of 30 June 2024, showing a growth of 17.8% from 30 June 2023. The capital adequacy ratio stood at 22.03%.

3 HIGHLIGHTS OF NON-FINANCIAL DEVELOPMENTS

3.1 Customer Base Expansion and Use of Digital Channels

The customer base of the Bank continued to increase, and 4.7 million new deposit accounts were opened during the 2023/24 FY. The number of CBE's account holders reached 45 million by the end of the year, growing by 11.7% from the preceding year. CBE NOOR recruited nearly 1.3 million new account holders, resulting in a total of 7.3 million.

Likewise, the number of digital channel users saw significant growth, with debit card holders, mobile banking users, and CBE Birr users becoming 31.4 million, 10.7 million and 34.2 million, respectively.

3.2 Accessibility

In the 2023/24 FY, the Bank opened five new branches, increasing the total number of branches to 1,942 as of 30 June 2024. Among these, 155 offer only CBE NOOR services, and 1,785 offer these services in separate windows. Reflecting the Bank's emphasis on digitalization, the number of new branches opened fell significantly from the previous year's total of 113.

To enhance the accessibility of services via digital channels, CBE has been actively recruiting agents and merchants for CBE Birr. As of 30 June 2024, the Bank had engaged 74 super agents, 42,145 agents and 58,125 merchants.

3.3 Human Resource Development

By the end of June 2024, the total workforce of the Bank reached 81,980, consisting of 48,729 permanent employees and 33,251 contract workers. This made CBE the leading employer in the country as ever.

Throughout the fiscal year, the Bank implemented a range of training programs aimed at enhancing the skills of its staff. Approximately 93,079 participants took part in various technical, developmental, and ethics training sessions.



ANNEX: 2023/24 AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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AUDIT SERVICES
CORPORATION

COMMERCIAL BANK OF ETHIOPIA
(Federal Democratic Republic of Ethiopia)

FINANCIAL STATEMENTS
For the year ended 30 June 2024



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Office of the Federal Auditor General Audit Services Corporation

INDEPENDENT AUDITOR'S REPORT TO THE SUPERVISING AUTHORITY OF COMMERCIAL BANK OF ETHIOPIA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Commercial Bank of Ethiopia (the Bank) and its consolidated subsidiaries (the Group), which comprise the consolidated and the Bank's statements of financial position as at 30 June 2024, and the consolidated and the Bank's statements of profit or loss and other comprehensive income, consolidated and Bank's statements of changes in equity and consolidated and the Bank's statements of cash flows for the year then ended, and notes to the consolidated and the Bank's financial statements, including consolidated and the Bank's summaries of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial positions of the Group and of the Bank as at 30 June 2024 and the consolidated and the Bank's financial performances and the consolidated and the Bank's cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of opinion

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

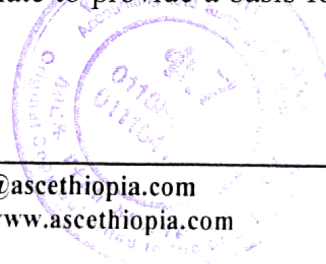
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**INDEPENDENT AUDITOR'S REPORT TO THE
SUPERVISING AUTHORITY OF
COMMERCIAL BANK OF ETHIOPIA (continued)**

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

A. Group and consolidation

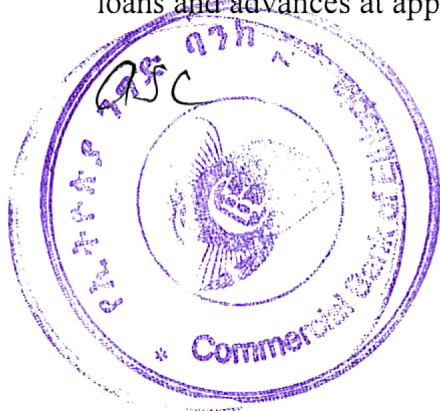
The scope of our Group audit was determined by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope on the audit work at all companies operating within the Group.

Our audit work was executed at levels of materiality applicable to each individual entity which were lower than Group materiality. At the Bank level we also tested the consolidation process and carried out analytical procedures.

B. Loans and advances

There are risks that loans and advances may be given without proper managerial approval; may not be accurately recorded; do not exist; may not be recorded at appropriate values; and all bad and doubtful balances may not have been provided for or written off. In our response to these risks, we assessed the reasonableness of the design of the system of internal control by enquiring of relevant Bank personnel and reviewing the documented system developed by the Bank. We tested this system in order to confirm our understanding of it. We identified the preventive and detective controls. We checked a sample of selected transactions covering the whole year to see that all controls were exercised on all transactions.

For a sample of disbursements made during the year, we checked the approval by the appropriate level of management and checked that all formalities necessary before disbursement of loans and advances had been fulfilled. We test checked loan agreements and legal documents to verify the terms and conditions of the loans and advances. We obtained an analysis of loans and verified that they had been classified in correct categories and we considered the value of collateral available against each loan for calculating the provision for doubtful loans and advances. Our testing did not identify major weaknesses in the design and operation of controls that would have required us to expand the nature or scope of our planned detailed test work. Overall, we found no major concerns in respect to the completion of formalities or the recording of loans and advances at appropriate values.



**INDEPENDENT AUDITOR'S REPORT TO THE
SUPERVISING AUTHORITY OF
COMMERCIAL BANK OF ETHIOPIA (continued)**

***Responsibilities of the Directors and Those Charged with Governance for
the Financial Statements***

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



**INDEPENDENT AUDITOR'S REPORT TO THE
SUPERVISING AUTHORITY OF
COMMERCIAL BANK OF ETHIOPIA (continued)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



INDEPENDENT AUDITOR'S REPORT TO THE
SUPERVISING AUTHORITY OF
COMMERCIAL BANK OF ETHIOPIA (continued)

Auditors' Responsibilities for the Audit of the Financial Statements
(continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Woizero Banchiayehu Tamirat.

Audit Services Corporation

10 October 2024



STATEMENT OF DIRECTOR'S RESPONSIBILITY

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

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

To the best of their knowledge and belief, based on the above, the Directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review, except for a system glitch that temporarily affected the Bank, which was promptly and effectively resolved by management during the reporting period. The Directors have reviewed the performance and financial position of the Group to the date of signing of these financial statements and its prospects based on prepared budgets, and are satisfied that the Group is a going concern and, therefore, have adopted the going concern assumption in the preparation of these consolidated financial statements.

Approval of the annual financial statements

The financial statement is approved by the Board of Directors on October 10, 2024 in accordance with Bank Corporate Governance Directive No SBB/91/2024, National Bank of Ethiopia.

Signed on behalf of the Directors by:

Ato Ahmed Shide
Board Chairperson

Ato Abie Sano
President

COMMERCIAL BANK OF ETHIOPIA

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2024 (IN ETHIOPIAN BIRR)

		For the year ended 30 June	
	Notes	2024	2023
Interest Income	4(r), 7	101,040,098,062	87,823,861,178
Interest Expense	4(r), 7	(44,485,798,801)	(45,674,380,732)
Net interest income		56,554,299,261	42,149,480,446
Impairment losses on financial instruments	4(c), 10 & 11	(9,512,588,141)	(7,995,398,404)
Net interest income after provisions		47,041,711,120	34,154,082,042
Gain/loss on foreign currency transactions	4(b)	2,209,345,621	3,309,314,832
Equity investments in associates	4(a), 14	94,939,993	47,052,414
Non-interest income	4(s), 8	34,097,904,909	27,736,755,393
Non-interest expense	4(s), 8	(56,778,987,615)	(43,137,140,535)
Profit before tax		26,664,914,028	22,110,064,145
Income tax	25	(4,641,590,715)	(4,673,432,346)
Profit for the year		22,023,323,313	17,436,631,798
Other comprehensive income:			
<i>Items that will never be reclassified to profit or loss:</i>			
Remeasurements of defined benefit liability	24	966,783,174	(184,982,370)
Related tax	25	(290,034,952)	55,494,711
Unrealized (loss)/gain arising from measurement at fair value	25 & 34	80,091,323	154,836,399
Related tax	25	(24,027,397)	(46,450,920)
<i>Items that are or may be reclassified to profit or loss:</i>			
Financial assets:			
Foreign currency translation differences for foreign		(146,799)	1,269,859
Operations		(146,799)	1,269,859
Other comprehensive income, net of tax		732,665,348	(19,832,320)
Total comprehensive income		22,755,988,661	17,416,799,478

The accompanying notes are an integral part of these consolidated financial statements.

Board Chairperson

President

COMMERCIAL BANK OF ETHIOPIA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024
(IN ETHIOPIAN BIRR)

	Notes	30 June 2024	30 June 2023
Assets			
Cash and cash equivalents, net	9	193,540,186,560	184,664,053,906
Debt & Equity securities, net	10	765,919,530,636	742,255,592,299
Loans and advances to customers, net	11	421,488,583,179	329,278,708,327
Loans to micro-finance institutions, net	12 & 36	1,830,164,440	1,157,509,155
Receivables, net	13	2,959,855,401	3,435,075,376
Investments in associates	14 & 38	505,713,285	410,773,292
Non-current assets held for sale	4(k), 15	75,070,410	27,014,139
Investment property	4(j), 16	523,519	544,592
Property, plant and equipment, net	17	22,117,093,890	19,163,873,342
Intangible assets	18	885,238,539	765,802,372
Other assets	19	12,716,025,783	12,189,419,675
Right of use asset, net	20	4,972,239,466	4,607,014,164
Deferred tax assets	25	9,369,382,828	7,931,001,270
Total assets		1,436,379,607,938	1,305,886,381,909
Liabilities			
Deposits due to other banks	21	580,376,582	1,708,903,425
Customers' deposits	21	1,175,455,600,180	1,052,782,471,633
Current tax liabilities	25	6,249,992,353	6,389,765,083
Provisions	22	2,845,402,347	2,522,973,672
Finance lease obligations	20	805,434,113	597,986,030
Employee benefits	4(p), 23	14,200,049,328	12,236,608,600
Other liabilities	24	148,316,006,497	155,004,289,398
Total Liabilities		1,348,452,861,400	1,231,242,997,842
Equity			
Capital	26	40,000,000,000	40,000,000,000
Legal reserve	4(q), 26	29,325,668,911	23,792,522,436
Capital reserve		78,980,267	
Statutory Reserve	26		90,827,390
CBE NOOR reserve	26	25,924,887	24,105,344
Fair value reserve	26	345,454,605	289,390,679
Foreign Currency Translation Reserve	26	(149,652,512)	(29,102,090)
Accumulated Profit or Loss	26 & 24	15,460,439,773	12,364,122,991
Retained Earning		4,037,505,488	-
Re measurement of defined benefit liability	26	(1,197,574,880)	(1,888,482,683)
Total equity		87,926,746,539	74,643,384,068
Total liabilities and equity		1,436,379,607,938	1,305,886,381,909
The accompanying notes are an integral part of these consolidated financial statements.			

Board Chairperson

President

COMMERCIAL BANK OF ETHIOPIA

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024 (IN ETHIOPIAN BIRR)

	Capital	Legal reserve	Capital reserve	Statutory reserve	CBE NOOR reserve	Fair value reserve	Foreign currency translation reserve	Accumulated Profit or Loss	Retained Earning	Remeasurement of defined benefit liability	Total Equity
Balance as of June 30, 2023	40,000,000,000	23,792,522,436		90,827,390	24,105,344	289,390,679	(29,102,090)	12,364,122,991		(1,888,482,683)	74,643,384,069
Opening Adjustment											
Profit for the year								22,023,323,313			22,023,323,313
Other comprehensive income						56,063,926				690,907,803	746,971,729
Transfer to capital reserve			78,980,267								78,980,267
Transfer to/ (from) CBE NOOR reserve					1,819,543						1,819,543
Retained Earning									4,037,505,488		4,037,505,488
Transfer to/ (from) legal reserve		5,533,146,475						(5,533,146,475)			
Transfer to/ (from) Statutory reserve				(90,827,390)							(90,827,390)
Gain/Loss on foreign exchange							(120,550,422)				(120,550,422)
Accumulated profit or loss								(13,393,860,056)			(13,393,860,056)
Balance as of June 30, 2024	40,000,000,000	29,325,668,911	78,980,267		25,924,887	345,454,605	(149,652,512)	15,460,439,773	4,037,505,488	(1,197,574,880)	87,926,746,541

COMMERCIAL BANK OF ETHIOPIA

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024

(IN ETHIOPIAN BIRR)- (continued)

	Capital	Legal Reserve	Capital reserve	Statutory reserve	CBENNOOR reserve	Fair value reserve	Foreign currency translation reserve	Accumulated Profit or Loss	Remeasurement of defined benefit liability	Total Equity
Balance as of June 30, 2022	40,000,000,000	19,411,191,215	249,632,382	1,756,847,304	19,412,058	181,005,199	(233,187,639)	11,899,022,042	(1,767,940,532)	71,515,982,029
Opening Adjustment										
Profit for the year								17,436,631,798		17,436,631,798
Other comprehensive income						108,385,480			(120,542,151)	(12,156,671)
Transfer to capital reserve			(249,632,382)							(249,632,382)
Transfer to/ (from) CBE NOOR reserve					4,693,286					4,693,286
Transfer to/ (from) legal reserve		4,381,331,221						(4,381,331,221)		
Transfer to/ (from) Statutory reserve				(1,666,019,914)						(1,666,019,914)
Gain/Loss on foreign exchange							204,085,549			204,085,549
Accumulated profit or loss								(12,590,199,628)		(12,590,199,628)
Balance as of June 30, 2023	40,000,000,000	23,792,522,436		90,827,390	24,105,344	289,390,679	(29,102,090)	12,364,122,991	(1,888,482,683)	74,643,384,069

COMMERCIAL BANK OF ETHIOPIA
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024
(IN ETHIOPIAN BIRR)

	30 June 2024	30 June 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	26,664,914,028	22,110,064,145
Adjustment		
Impairment of loans and advance and Debt Securities	45,464,850,967	40,851,157,658
Provision for unutilized OD, LC and Guarantee	(31,779,255)	(9,809,846)
Reduction of Allowance for Placement with other Banks	(242,648,327)	133,480,534
Provision against Non-current asset held for sale	-	(155,889,602)
Depreciation and amortization	3,116,395,186	3,450,525,607
Income from associate recognized in profit or loss	(94,939,993)	(47,052,414)
Loss (Gain) on Disposal of Property, Plant and Equipment	(41,419,792)	(10,831,330)
Loss (Gain) on Disposal of NCA held for sale	(541,810,561)	(91,152,663)
Finance lease charge	37,188,271	37,977,304
	74,330,750,524	66,268,469,392
Movement in working capital		
Change In Debt and Equity Securities	(33,172,711,929)	(50,150,342,938)
Change in Loans and advances	(128,758,516,189)	(72,551,940,614)
Change in receivables	384,392,585	(1,556,708,403)
Change in Non Current Asset Held for Sale	27,014,139	(88,271,374)
Change in other assets	(526,606,108)	(1,877,890,927)
Change in customers' deposits	122,674,948,091	163,124,787,724
Change in provisions	354,207,929	(123,821,444)
Change in employee benefits	2,935,392,157	2,466,490,924
Change in other liabilities	(12,407,393,526)	(27,421,943,617)
	25,841,477,672	78,088,828,723
Cash generated from operations		
Income taxes paid	(4,177,266,145)	(7,250,110,623)
Net cash generated by operating activities	21,664,211,527	70,838,718,099
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property ,plant and equipment	(5,807,376,245)	(6,306,722,968)
Proceeds from disposal of property, plant and equipment	31,562,517	13,624,560
Proceeds from disposal of NCA held for sale	466,740,151	1,168,162,919
Payments for Investments		
Payment for intangibles	(384,039,825)	(478,100,029)
Payment right of use assets	(4,839,342)	(1,706,751,581)
Net cash used in investing activities	(5,697,952,744)	(7,309,787,099)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(12,364,122,991)	(11,899,022,042)
Finance lease obligation paid	(177,883,632)	(197,086,725)
Net cash outflow from financing activities	(12,542,006,623)	(12,096,108,766)

COMMERCIAL BANK OF ETHIOPIA**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024**

(IN ETHIOPIAN BIRR) - (continued)

	30 June 2024	30 June 2023
Increased (decrease) in cash and cash equivalents	<u>3,424,252,160</u>	<u>51,432,822,235</u>
Unrealized gain (losses) arising from change in foreign currency exchange rates	1,799,378,214	1,419,281,706
Cash and cash equivalents at the beginning of the year	118,645,368,115	65,793,264,174
Cash and cash equivalents at the end of the year	<u>123,868,998,489</u>	<u>118,645,368,115</u>
Cash in hand	16,270,306,956	16,389,972,409
Balance with National Bank of Ethiopia	33,668,097,222	73,000,355,995
Treasury Bills	47,941,289,945	6,913,600,000
Placement with other banks	26,569,680,947	24,050,343,136
Deposit due to other banks	(580,376,582)	(1,708,903,425)
Cash and cash equivalents	<u>123,868,998,489</u>	<u>118,645,368,115</u>

(1) REPORTING ENTITY

Commercial Bank of Ethiopia (the Bank) is a financial institution established in 1942 as State Bank of Ethiopia and later incorporated as a limited liability public enterprise pursuant to the laws of the Government of Ethiopia on December 16, 1963 for an indefinite time period as a holding Bank.

The Bank's registered office is in Addis Ababa, Ethiopia and it has 1,942 branches.

(2) BASIS OF CONSOLIDATION

The Bank has subsidiaries in Ethiopia, the Republic of Djibouti and the Republic of South Sudan. The consolidated financial statement incorporates the financial statements of the Bank and three entities controlled by the Bank- its subsidiaries (together referred to as the Group or individually as Group entities). Control is achieved where the Bank has the power to govern the financial and operation policies of an entity so as to obtain benefits from its activities.

(3) BASIS OF PREPARATION***(a) Statement of compliance***

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of measurement

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

1. Equity instruments designated at fair value through other comprehensive income;
2. Non-current assets held for sale measured at lower of their carrying amounts and fair value less costs to sell; and
3. The liability for defined benefit obligations is recognized as the present value of the defined obligation, plus unrecognized actuarial gains less unrecognized past service cost and unrecognized actuarial losses.

(c) Use of judgments and estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses, including the determination of the best way of presenting information on each page of the Group's financial statements. Actual results may differ from these estimates.

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

Judgments

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

Note 4 (a) – determination of control over investees.

Management used the control model under IFRS 10, to determine whether the control indicators set out in note 4(a) indicate that the Bank controls a trust, an investment fund or an entity without ownership interest.

Assumptions and estimation uncertainties

Note 4((c) and (l)) – identification and measurement of impairment for financial instruments;

Note 4 (g) and note 4 (k) – useful lives of tangible and intangible assets;

(3) BASIS OF PREPARATION - continued***(c) Use of judgments and estimates - continued***

Note 4(o) – measurement of defined benefits obligations: key actuarial assumptions;

Note 4(n) and note 4(u) – recognition and measurement of provisions and contingencies;

Note 4(t) – recognition of deferred taxes; and

Note 4(c) vii) Fair value measurement of financial instruments.

Information on assumptions and uncertainty of estimates posing a significant risk of resulting in a material adjustment is presented as follows:

(d) Classification and Impairment of financial assets

The classification of financial assets includes the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

The impairment of financial instruments includes the assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses (ECL).

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 4(c) (viii) which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 4(c) (viii).

(e) Deferred tax

The Group is subject to income tax under different jurisdictions. Estimates are made through a tax projection for determining the provision for income taxes and liabilities. When the final tax outcome is different from the amounts that were recorded, differences will impact the provision for income taxes and deferred taxes in the period in which such determination is made (see note 4(t)).

(4) SIGNIFICANT ACCOUNTING POLICIES

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

(a) Details of Consolidation***i. Subsidiaries***

Subsidiaries are investees controlled by the Bank. The Bank controls a subsidiary if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Bank reassesses whether it has control if there are changes to one or more of the elements of control. The financial statements of subsidiaries, as described below, and are included in the financial statements from the date on which control commences until the date when control ceases.

(4) SIGNIFICANT ACCOUNTING POLICIES - continued
(a) Details of Consolidation - continued

The Bank's subsidiaries are as follows:

Name	Principal place of business	30 June 2024	30 June 2023
Commercial Nominees PLC	Federal Democratic Republic of Ethiopia	100%	100%
Commercial Bank of Ethiopia-South Sudan Limited	The Republic of South Sudan	100%	100%
Commercial Bank of Ethiopia-Djibouti Limited	The Republic of Djibouti	100%	100%

ii. Associates

Associates are all entities over which the Bank has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investments are initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income (OCI) is reclassified to profit or loss as appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Bank and its associate are recognized in the Bank's financial statements only to the extent of unrelated parties' interests in the associates.

iii. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency
(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group's entities at the spot exchange rate at the date of the transaction.

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

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

This consolidated financial statement is presented in Ethiopian Birr ("ETB"), which is the Group's functional

(4) SIGNIFICANT ACCOUNTING POLICIES - continued***(b) Foreign currency - continued***

currency. The loans granted and liabilities contracted are in Ethiopian Birr, which is the currency that predominates in the economic environment where the Group operates. Similarly, the main cash flows for settled goods and services, taxes and other obligations are in Birr.

For entities incorporated in Ethiopia the legal currency is the Ethiopian Birr; whereas for the entities incorporated in the Republic of South Sudan the legal currency is the South Sudanese pound while Djibouti Franc is the legal currency in the Republic of Djibouti.

(ii) Foreign operations

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated into Ethiopian Birr (ETB) at the spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into Ethiopian Birr (ETB) using an average rate for the period. Foreign currency differences are recognized in other comprehensive income (OCI), and accumulated in the foreign currency translation reserve.

(c) Financial assets and financial liabilities***(i) Recognition and initial measurement***

The Group initially recognises loans and advances, deposits and debt securities on the date at which they are originated. All other financial assets and liabilities (including assets designated at fair value through profit or loss) are initially recognised on the trade date on which the Group becomes a party to the contractual provision of the instrument.

A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue. Subsequent to initial recognition, financial liabilities (deposits and debt securities) are measured at their amortized cost using the effective interest method.

(ii) Classification and measurement

Classification and measurement of financial assets

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

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

Financial assets include both debt and equity instruments.

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

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

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

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

(4) SIGNIFICANT ACCOUNTING POLICIES - continued**(c) Financial assets and financial liabilities - continued**

payments of principal and interest on the principal amount outstanding.

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

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

Classification of debt instruments is determined based on:

- (i) The business model under which the asset is held; and
- (ii) The contractual cash flow characteristics of the instrument.

Business model assessment

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

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

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

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

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value

(4) SIGNIFICANT ACCOUNTING POLICIES - continued

(c) Financial assets and financial liabilities - continued

basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows is solely payments of principal and interest

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

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

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

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

The Group holds a portfolio of long-term fixed rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Debt instruments measured at amortized cost

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

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

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition,

(4) SIGNIFICANT ACCOUNTING POLICIES - continued**(c) Financial assets and financial liabilities - continued**

unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI), unless the instrument is designated in a fair value hedge relationship.

When designated in a fair value hedge relationship, any changes in fair value due to changes in the hedged risk are recognized in Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income. Upon derecognition, realized gains and losses are reclassified from OCI and recorded in Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income on an average cost basis.

Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

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

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

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

- i. Are held for trading purposes;
- ii. Are held as part of a portfolio managed on a fair value basis; or
- iii. Whose cash flows do not represent payments that are solely payments of principal and interest.

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

Debt instruments designated at FVTPL

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

Financial assets are designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise.

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

Equity instruments

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

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

Equity instruments measured at FVTPL

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon

(4) SIGNIFICANT ACCOUNTING POLICIES - continued

(c) Financial assets and financial liabilities - continued

purchase, with transaction costs recognized immediately in the Statement of profit or loss and other comprehensive income as part of Non-interest income. Subsequent to initial recognition the changes in fair value are recognized as part of Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Equity instruments measured at FVOCI

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

Gains and losses on these instruments including when derecognized/sold are recorded in OCI and are not subsequently reclassified to the Statement of Profit or Loss and Other Comprehensive Income. As such, there is no specific impairment requirement. Dividends received are recorded in Interest income in the Statement of Profit or Loss and Other Comprehensive Income. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the Statement of Profit or Loss and Other Comprehensive Income on sale of the security.

Reclassifications

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

Classification and measurement of financial liabilities

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

(iii) Derecognition

Financial assets:

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

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

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

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

Financial liabilities:

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

(4) SIGNIFICANT ACCOUNTING POLICIES - continued**(c) Financial assets and financial liabilities - continued***(iv) Modifications of financial assets and financial liabilities**Financial assets*

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

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

Financial liabilities

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

(v) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(vi) Amortized cost measurement

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

(vii) Fair value measurement

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

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

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

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

(viii) Impairment

The Group recognises loss allowances for ECL on the following financial instruments that are not measured

(4) SIGNIFICANT ACCOUNTING POLICIES - continued**(c) Financial assets and financial liabilities - continued**

at FVTPL:

- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments.

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

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (see Note 3(a)).

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL. The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

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

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover. See also Note 4(a).

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see note 4(c)(viii)) and ECL are measured as follows.

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt

(4) SIGNIFICANT ACCOUNTING POLICIES - continued**(c) Financial assets and financial liabilities - continued**

financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

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

- The rating agencies' assessments of creditworthiness;
- The country's ability to access the capital markets for new debt issuance;
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness;
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

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

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(4) SIGNIFICANT ACCOUNTING POLICIES - continued

(c) Financial assets and financial liabilities - continued

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

(d) Cash and cash equivalents

Cash comprise cash on hand, placements with other banks, cash reserve with the National Bank of Ethiopia, payment and settlement account with the National Bank of Ethiopia and Cash in Transit. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in values.

Cash and cash equivalents are carried at amortized cost in the statement of financial position

(e) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

(f) Debt Securities

Government securities and coupons and corporate bonds are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss. They are measured at amortized cost-plus accrued interest.

(g) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Group. Minor ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation is charged on the straight –line basis at the following rates per annum.

	%
➤ Building	5
➤ Computer equipment	25
➤ Fixtures, fittings and equipment	20
➤ Motor vehicles	20

(4) SIGNIFICANT ACCOUNTING POLICIES - continued***(g) Property, plant and equipment - continued***

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

Minor repairs and maintenance costs are expense as incurred.

(h) Inventory

The Group maintains materials or supplies to be consumed in the rendering of services as inventory and measure at lower of cost or Net realizable value.

(i) Leases***(i) Group acting as a lessee***

The Group recognizes a right-of-use asset at cost and a lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease; if that rate cannot be readily determined, the Group used the lessee's incremental borrowing rate.

After the commencement date, the Group measures the right-of-use asset applying a cost model (cost less any cumulative depreciation and any cumulative impairment). In the case of the lease liability, the Group measure it by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made, and re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The Group exempt to apply the requirement for short term leases and leases for which the underlying asset is of low value.

(ii) Bank acting as a lessor – Finance leases

Where the Group is the lessor, the Group classifies each of its leases as either an operating lease or a finance lease.

Finance lease

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

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

Operating lease

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

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

(j) Investment property

Investment property is property held either to earn rental income, capital appreciation, or both, and is not intended to be sold in the normal course of business. All investment properties are recognized at cost less accumulated depreciation and cumulative impairment losses.

When the use of a property changes such that it is reclassified as property plant and equipment, its carrying value at the date of reclassification becomes its cost for subsequent accounting.

(4) SIGNIFICANT ACCOUNTING POLICIES - continued***(k) Non-current assets held for sale***

Non-Current assets held for sale correspond to Acquire assets such as real estate and moveable property foreclosed in the absence of repayment of loans due to the Group. This type of non-current available-for-sale assets are expected to be recovered mainly through sale and not through continued use.

The value of these assets is updated through an internal appraisal made within three months of the date on which the Group acquires ownership; therefore, if the appraisal value is less than carrying value, a valuation reserve is created and charged to the year's income.

Subsequently, the available-for-sale assets or group of assets are recorded at the lower of their carrying amount and the fair value less costs to sell. Impairment losses in the initial classification of available-for-sale assets and subsequent gains or losses are recognized in profit or loss.

If the sale is paid up-front and the amount recovered exceeds the carrying amount, the difference is directly recorded in the year's income. If it is a sale to be paid in installments, and the amount to be recovered exceeds the carrying amount, the difference is accounted for as deferred income, and accrued as installments are collected. If the recovered amount is less than the carrying amount, the loss is charged to income, irrespective of the sale is paid up-front or in installments.

(l) Intangible assets***Software***

Software acquired by the Group is measured at cost less accumulated amortization and any impairment losses.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is four years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted as found appropriate.

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or Cash Generating Unit CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(4) SIGNIFICANT ACCOUNTING POLICIES - continued***(m) Impairment of non-financial assets - continued***

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Deposits from banks and customers

Deposits and borrowings are the Group's sources of debt funding. These liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

(o) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(p) Employee benefits*i- Defined benefit plans*

A defined benefit plan is a post-employment benefit plan at the termination of the employment relationship, other than a defined contribution plan. The Group accounts not only its legal obligation under the formal term described above, also for any constructive obligation that arises from the Group's customary practices. A customary practice gives rise to a constructive obligation where the Group has no realistic alternatives but to pay employee benefits.

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs are deducted. The discount rate is the yield at the reporting date on governmental bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested.

To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Group recognizes re-measurements for other long-term benefits in profit or loss and not in other comprehensive income. Where as, the Group recognizes all others actuarial gains and losses arising from defined benefit plans in other comprehensive income in the period in which they arise.

ii- Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided, current wages including medical expenses, being taken into consideration. A liability is recognized for the amount expected to be paid and includes mainly wages and salaries, bonuses, leave benefits and other allowances, and incentives as a result of past services provided by the employees, and the obligation can be estimated reliably.

iii- Termination benefits

According to Law, in case of unjustified dismissal, employers are obligated to pay to their employees compensation based on the years of service.

(q) Legal reserve

The legal reserve is a statutory reserve required by the regulators. The Bank has to transfer annually 25%

(4) SIGNIFICANT ACCOUNTING POLICIES - continued**(q) Legal reserve - continued**

of its annual net profit as a legal reserve until such reserve equals its capital. When the legal reserve equals the capital of the Bank, the amount to be transferred to the legal reserve shall be 10% of the annual net profit. For Commercial Nominees PLC 5% of the net profit until the accumulated legal reserve balance amounts to 10% of the issued share capital according to commercial code of Ethiopia Article 454.

(r) Revenue and expense recognition

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

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

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

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

Gross carrying amount and Amortised cost

The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit loss allowance. The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance).

Calculation of interest income and expenses

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

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

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

Presentation of interest income and expenses

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

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- Interest on debt instruments measured at FVOCI calculated on an effective interest basis;
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- The effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

(4) SIGNIFICANT ACCOUNTING POLICIES - continued**(r) Revenue and expense recognition - continued**

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

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL

(s) Fees and commissions

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income relate mainly to commissions on local money transfers (LMTS), guarantee commission, outward remittance, card charges, and commission on import letter of credit– are recognized as the related services are performed. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

The Group recognises revenue when satisfy its performance obligation. The Group's revenue from contracts with customer is measured based on the consideration specified in a contract with a customer. It is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

(t) Dividend income

Dividend income is recognized when the right to receive income is established. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity investment.

(u) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in OCI.

(a) Current tax

The current income tax is the expected tax payable on the taxable income for the year and any adjustment to the tax payable in respect of previous years. The amount of current tax payable is the best estimate of tax amount expected to be paid or received that reflects the uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantially enacted at the reporting date.

(b) Deferred tax

Deferred tax is measured under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between such values. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to temporary differences when recovered or settled in each of the jurisdictions where the subsidiaries of the Bank operate, based on laws enacted or substantially enacted as of the reporting date.

No deferred taxes are recognized for the initial recognition of an asset or a liability in a transaction that is not a business combination and that affects neither accounting nor taxable income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority and to the same fiscal entity or on different tax entities, but the intent is to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which such can be reversed. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(4) SIGNIFICANT ACCOUNTING POLICIES - continued
(v) Contingencies

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated. When a reasonable estimation cannot be made, disclosure is provided in the NOTES TO THE FINANCIAL STATEMENTS. Contingent revenues, earnings or assets are not recognized until realization is assured.

(w) New standards, amendments and interpretations

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

Standards / Interpretations	Effective for annual periods beginning on or after
Insurance Contracts (IFRS 17)	1 July 2023
Insurance Contracts (IFRS 17 amendments)	1 July 2023
Classification of liabilities as current or non-current (IAS 1 amendment)	1 July 2023
Definition of Accounting Estimates (IAS 8 amendment)	1 July 2023
Disclosure Initiative: Accounting Policies (IAS 1 and IFRS Practice Statement 2 amendment)	1 July 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (IAS 12 amendment)	1 July 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (IFRS 10 and IAS 28 amendment)	Deferred indefinitely by amendments made in December 2015
Lease Liability in a Sale and Leaseback (IFRS 16 Amendments)	1 Jan 24
Statement of Cash Flows and Financial Instruments: Disclosures (IAS 7 & IFRS 7 Amendments)	1 Jan 24
IFRS S1 General Requirements for Disclosure of Sustainability related Financial Information	1 Jan 24
IFRS S2 Climate-related Disclosures	1 Jan 24
Lack of Exchangeability (IAS 21 The Effects of Changes in Foreign Exchange Rates Amendments)	1 Jan 24
Classification and Measurement of Financial Instruments (IFRS 9 and 7 Amendments)	1 Jan 26
Presentation and Disclosure in Financial Statements (IFRS 18)	1 Jan 26
Subsidiaries without Public Accountability: Disclosures (IFRS 19)	1 Jan 26

IFRS 17 Insurance Contracts (and its related amendments)

IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and

(4) SIGNIFICANT ACCOUNTING POLICIES - continued**(w) New standards, amendments and interpretations - continued**

- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI.

The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

The entity is in the process of determining the impact of IFRS 17 and will provide more detailed disclosure on the impact in future financial statements.

The standard is effective for annual periods beginning on or after 1 July 2023. Early adoption is permitted only if the entity applied IFRS 9.

The new standard and amendment, introduced have no material impact on the Groups's financial statements and are not expected to significantly affect future periods.

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

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

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

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. The amendments are to be applied retrospectively from the effective date. These standards are not expected to have a material impact on the Group's current or future reporting periods and on foreseeable future transactions.

Definition of accounting estimates (Amendments to IAS 8)

Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates;
- Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The Board clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

(4) SIGNIFICANT ACCOUNTING POLICIES - continued***(w) New standards, amendments and interpretations - continued***

The effects of changes in inputs and/or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 July 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The Group will make an assessment of the impact of this amendment.

Disclosure Initiative: Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

Making information in financial statements more relevant and less cluttered has been one of the key focus areas for the International Accounting Standards Board (the Board).

The Board has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed;
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements;
- Accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- Accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- The amendments clarify that if an entity discloses immaterial accounting policy information such information shall not obscure material accounting policy information.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material.

The amendments are effective from 1 July 2023 but may be applied earlier.

The Group will make an assessment of the impact of this amendment.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment to IAS 12)

The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision

The Group will make an assessment of the impact of this amendment.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where

(4) SIGNIFICANT ACCOUNTING POLICIES - continued***(w) New standards, amendments and interpretations - continued***

the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is crucial in determining the extent of the gain to be recognised.

When a parent loses control of a subsidiary in a transaction with an associate or joint venture (JV), there is a conflict between the existing guidance on consolidation and equity accounting.

Under the consolidation standard, the parent recognises the full gain on the loss of control. But under the standard on associates and JVs, the parent recognises the gain only to the extent of unrelated investors' interests in the associate or JV. In either case, the loss is recognised in full if the underlying assets are impaired.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases

This amendment provides clarification on the subsequent measurement of lease liabilities in a sale and leaseback transaction. It specifies that the seller-lessee must measure the lease liability to reflect the payments it makes for the lease, including those based on expected future performance or use of the asset. This ensures that the accounting reflects the substance of the leaseback agreement and aligns with the original intention of IFRS 16.

The Group will assess the impact of this amendment in future financial reporting periods to determine any potential effects on its financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements

The amendments to IAS 7 and IFRS 7 enhance transparency in supplier finance arrangements. They require entities to disclose information that helps users understand the effects of supplier finance arrangements on the entity's financial position and cash flows. This includes the nature of the arrangements, the amounts outstanding, and the impact on liquidity risk.

The Group will make an assessment of the impact of this amendment.

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S1 provides a framework for the disclosure of sustainability-related financial information. It establishes general requirements to ensure that sustainability-related information is relevant, reliable, and comparable across entities. This standard aims to enhance transparency and accountability in how companies report on sustainability issues.

The Group will make an assessment of the impact of this amendment.

IFRS S2 Climate-related Disclosures

IFRS S2 specifically addresses climate-related disclosures. It requires companies to provide detailed information on the impact of climate change on their business, including risks and opportunities, strategy, governance, and metrics used to assess and manage climate-related risks. The goal is to improve the quality of climate-related information available to investors.

The Group will assess the impact of this amendment.

Lack of Exchangeability – Amendments to IAS 21 (The Effects of Changes in Foreign Exchange Rates)

These amendments address situations where a currency cannot be exchanged into another currency due to restrictions or other barriers. The guidance clarifies how to determine the exchange rate to use in such cases, ensuring that the financial statements reflect the economic reality of the situation.

The Amendments to IAS 21 ("Lack of Exchangeability") have an effective date of January 1, 2025. Early application is permitted, allowing entities to adopt the amendments before the mandatory date if

(4) SIGNIFICANT ACCOUNTING POLICIES - continued***(w) New standards, amendments and interpretations - continued***

they choose. These amendments aim to provide clearer guidance on how to address situations where exchangeability between currencies is limited or unavailable.

The Group will assess the impact of this amendment.

Amendments to the Classification and Measurement of Financial Instruments – (IFRS 9 and IFRS 7)

These amendments refine the classification and measurement requirements for financial instruments under IFRS 9. They also enhance the disclosure requirements in IFRS 7 to provide more information on the nature and extent of risks arising from financial instruments, improving transparency and consistency in financial reporting.

The amendments are effective for annual periods beginning on or after January 1, 2024. Early application is permitted. These changes are intended to enhance comparability and consistency in financial instrument reporting across entities.

The Group will assess the impact of the amendments and apply the standards as required.

Presentations and Disclosure in Financial Statements (IFRS 18)

IFRS 18 is a new standard that focuses on the presentation and disclosure requirements in financial statements. It aims to streamline and standardize the presentation of financial information, ensuring that financial statements are clear, concise, and provide relevant information to users.

IFRS 18: Presentation and Disclosure in Financial Statements is effective for annual reporting periods beginning on or after 1 January 2027. Early application is permitted.

The Group will assess the impact of the amendments and apply the standards as required.

Subsidiaries without Public Accountability: Disclosures (IFRS 19)

IFRS 19 is a new standard that provides disclosure requirements specifically for subsidiaries without public accountability. It allows such subsidiaries to provide reduced disclosures in their financial statements while still complying with the recognition and measurement principles in IFRS. This standard is particularly relevant for smaller subsidiaries of larger groups. The Group will assess the impact of the amendments and apply the standards as required.

The Group will include all new or amended standards and assess their possible impact on the financial statements.

(5) FINANCIAL RISK REVIEW

The Group is exposed to the following financial risks from financial instruments, for which it conducts regular risk management efforts:

- Credit risk
- Liquidity risk
- Market risk
- Capital management
- Operational risk

This note presents information about the Bank's exposure to each of the above risks, and Company's objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout separate financial statement.

Risk management framework

The Board of Directors of the Bank has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Loan and Risk Review Committee

(5) FINANCIAL RISK REVIEW - continued*Risk management framework - continued*

(LRRC) through the Loan and Risk Review Committee charter, which is responsible for providing the standards and minimum parameters to be followed in managing the bank's exposure to risk. Besides, it is also responsible for developing and monitoring effectiveness of the Bank's risk management policies and the degree of compliance to national and international regulatory standards. The LLRC reports regularly to the Board of Directors on its activities.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to those limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank through its training management standards and procedures aims to develop a disciplined and constructive control environment in which all the employees understand their roles and obligations.

The Board Audit Committee of Commercial Bank of Ethiopia oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk faced by the Bank. The Bank's Board Audit Committee is assisted in its oversight role by Internal Audit function. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Bank's Audit Committee. In addition, the Bank is subject to the regulations of the National Bank of Ethiopia with respect to, among others matters, comprehensive risk management, liquidity and capitalization.

(a) Credit Risk

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. See accounting policy on note 4(c) for the explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired.

COMMERCIAL BANK OF ETHIOPIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(5) FINANCIAL RISK REVIEW - continued

(a) Credit Risk - continued

Risk classification Amounts in ETB	12-month ECL Stage 1	Lifetime ECL not credit impaired Stage 2	Lifetime ECL credit impaired Stage 3	Purchased credit impaired	Total 30 June 2024	Total 01 July 2023
Loans and advances to Customers and microfinance institutions (at amortised cost)						
Stage 1	260,913,305,670				260,913,305,670	196,359,882,118
Stage 2		178,922,240,811			178,922,240,811	151,204,853,309
Stage 3			19,359,187,190		19,359,187,190	18,640,096,830
Gross carrying amount (includes accrued interest)	260,913,305,670	178,922,240,811	19,359,187,190		459,194,733,671	366,204,832,257
Expected Credit Loss allowance (excluding off balance sheet)	2,643,860,556	22,253,108,786	10,979,016,710		35,875,986,052	35,768,614,776
Carrying amount	258,269,445,114	156,669,132,025	8,380,170,480		423,318,747,619	330,436,217,481
Investment securities - debt instruments (at amortised cost)						
Stage 1	785,298,333,929				785,298,333,929	752,448,001,102
Stage 2					-	-
Stage 3					-	-
Gross carrying amount (includes accrued interest)	785,298,333,929				785,298,333,929	752,448,001,102
Expected Credit Loss allowance	20,670,348,017				20,670,348,017	11,161,574,425
Carrying amount	764,627,985,912				764,627,985,912	741,286,426,678
Other financial assets (at amortised cost)						
Stage 1	185,227,304,245				185,227,304,245	175,788,426,592
Stage 2						
Stage 3						
Gross carrying amount (includes accrued interest)	185,227,304,245				185,227,304,245	175,788,426,592
Expected Credit Loss allowance	3,178,874,402				3,178,874,402	2,935,052,007
Carrying amount	182,048,429,843				182,048,429,843	172,853,374,585

(5) FINANCIAL RISK REVIEW - continued
(a) Credit Risk - continued

No	Grade	Score	Rating	Status
1	Grade 1	$\geq 85\%$	Exceptionally low risk	Bankable
2	Grade 2	70 – 84 %	Very low risk	Bankable
3	Grade 3	60 – 69.9 %	Low risk	Bankable
4	Grade 4	50 – 59.9 %	Moderate risk	Bankable
5	Grade 5	40 – 49.9 %	Potential risk	Exceptionally bankable
6	Grade 6	30 – 39.9 %	High risk	Very exceptional bankable
7	Grade 7	25 – 29.9 %	Very high risk	Not bankable
8	Grade 8	$< 25\%$	Default risk	Not bankable

The term bankable indicates that the borrower's loan request is feasible and acceptable by the Bank, after passing through rigorous business and risk analysis.

CBE classifies its credit customers in order to identify those who contribute high value to its profitability and growth and thereby enhance service quality and customer satisfaction. The classification is made based on the result of the analysis of parameters that are allotted with weight such as income generated from the customer (30%), total credit exposure (20%), customer's credit risk grade (25%) and sales volume registered (20%).

Customer Classification	Score (X)	
	New customer/70	Existing customer/100
Business	$55\% \leq X \leq 70\%$	$80\% \leq X \leq 100\%$
Corporate	$35\% \leq X < 55\%$	$60\% \leq X < 100\%$
Commercial	$X < 35\%$	$X < 60\%$

CBE's credit risk grading is only applicable to borrowers classified as Corporate, Business and Commercial class customers, except for new customer/newly established business. The grading parameters are mainly five that encompass sub-parameters allotted with score from 100 points.

Parameter	Weight
Financial Risk/Strength of financial management system	35%
Business/Industry Risk	10%
Management Risk	15%
Account Performance Risk	25%
Customer Relationship Risk	15%

Grade 1: Loan debtors are labeled as "exceptionally low risk" borrowers at the time of the risk review period where the overall score is 85% and above.

- Loans and advances fully secured by cash and cash substitute, regardless of the loan status.
- The borrower has strong repayment capacity, excellent track records in servicing debt regularly, and is not subject to criticism.

Grade 2: They are classified as "very low risk borrowers, if they meet the following criteria during the issuance of credit risk grade.

- These borrowers are not as strong as grade 1 borrowers in terms of credit risk parameters.
- The borrower has strong repayment capacity
- The borrower has excellent liquidity and low leverage

(5) FINANCIAL RISK REVIEW - continued

(a) Credit Risk - continued

- The business demonstrates consistently strong earnings and cash flows
- The borrower has well established and strong market share
- CBE has confidence on the management of the business and
- The loan is performing in accordance with the terms and conditions of the contract

Grade 3: These borrowers are considered as “low risk” borrowers, being capable of meeting the following criteria.

- Not as strong as the grade 2 in terms of credit risk parameters, but the business still demonstrates consistent earnings, cash flow and have good track record.
- The borrower has adequate liquidity, cash flow and earnings.
- The borrower has acceptable share in the market.
- The business has acceptable management capability.
- The business is performing in accordance with the terms and conditions of the contract.

Grade 4: These borrowers are rated as “moderate risk” borrowers given the fact that they demonstrate the following features when the grade is issued.

- They are not as strong as Grade 3 in terms of credit risk parameters.
- The loans and advances show sign of irregularity, or have arrears (the credit facilities have been inactive).
- The borrower needs attention due to conditions affecting the business, the industry, or the economic environment.
- The borrower has above average risk due to strained liquidity, higher than normal leverage, thin cash flow and/or inconsistent earning.
- The borrower may incur loss.

Grade 5: They are debtors with “potential risk” witnessed by the following results from the credit risk grading analysis.

- Lower than grade 4 in terms of credit risk parameters
- The borrower has potential weaknesses that deserve CBE’s close attention. If left uncorrected, these weaknesses may result in a deterioration of the repayment prospects of the borrower.
- The loans and advance show extended irregularities, or have the arrears (the credit facilities have been inactive).
- Severe management problem exists
- Credit facilities should be downgraded to this grade if sustained deterioration in financial condition is noted (consecutive losses, negative net worth and excessive leverage).

Grade 6: These are “High risk” borrowers.

- Financial condition is weak and capacity or inclination to repay is in doubt.
- These weaknesses jeopardized full settlement of credit facilities.

Grade 7: “Very High” risk borrowers

- Full repayment of principal and interest is unlikely and the possibility of loss is extremely high.
- However, due to especially identifiable pending factors, such as litigation, liquidation procedures and capital injection, the asset is not yet classified as loss.

Grade 8: “Default Risk”

- The loan has been long outstanding with no progress in obtaining repayment or on the verge of liquidation/wind up.

(5) FINANCIAL RISK REVIEW - continued
(a) Credit Risk - continued

- Prospect of recovery is poor and legal options have been pursued or initiated
- Proceeds expected from the liquidation or realization of security may be awaited
- CBE's criteria for timely write-off shall be adhered to apply.

In order to classify the outstanding loans according to the risk grade of debtor, the following assumptions are used because of the fact that retail loans are not regularly graded except at the initial stage of the credit assessment.

- Loan disbursed to Business, Corporate and Commercial customers are presented according to their risk grade from the risk grading analysis.
- Emergency staff loan, staff personal loan and staff mortgage loan are assigned grade 1 because of the fact that such loans are regularly repaid from salary account of the staff without any delinquency and arrears.
- All loans and that are unrated assumed to be graded as follows.
- All ungraded Pass status retail loans are assigned with grade 2.
- All ungraded Special Mention status retail loans are assigned with risk grade 3
- All ungraded Sub-Standard status retail loans are assigned with risk grade 5
- All ungraded Doubtful status retail loans are assigned with risk grade 6.
- All ungraded Loss status retail loans are assigned with risk grade 7.
- All loans and advances under litigation decision (ALD) are assigned with risk grade 8.

The risk grade classification and the underlying assumptions are made based on the analysis of the repayment trend of retail borrowers and default history in the Bank over the past five years.

The Bank has implemented a series of credit procedures and reports for assessing the performance of its portfolio, the requirements of provisions and, especially, for anticipating events that may affect its debtors' future condition.

The following table analyzes the Bank's loans, which are exposed to credit risk and its corresponding assessment according to the above risk classification:

30 June 2024

Risk Grade	Classification	Individually Significant Loans	Other Loans	Gross Amount
1	Exceptionally low risk	151,214,427,126	101,521,303,226	252,735,730,353
2	Very low risk	14,735,513,469	64,976,771,326	79,712,284,795
3	Low risk		28,946,573,838	28,946,573,838
4	Moderate Risk		9,466,075,338	9,466,075,338
5	Potential Risk	5,285,266,546	4,132,040,044	9,417,306,590
6	High Risk		1,102,546,775	1,102,546,775
7	Very High Risk		267,731,863	267,731,863
8	Default Risk		18,053,852	18,053,852
Total principal		171,235,207,141	210,431,096,262	381,666,303,403
Interest receivable from loans				77,528,430,268
Provision for loan losses				(35,875,986,052)
Net Loan				423,318,747,619

30 June 2024

(5) FINANCIAL RISK REVIEW - continued
(a) Credit Risk - continued

Risk Grade	Classification	Individually Significant Loans	Other Loans	Gross Amount
1	Exceptionally low risk	145,902,261,771	85,131,966,121	231,034,227,893
2	Very low risk	14,735,513,469	31,557,981,335	46,293,494,804
3	Low risk	-	24,132,774,525	24,132,774,525
4	Moderate Risk	-	1,709,825,476	1,709,825,476
5	Potential Risk	5,285,266,546	271,303,805	5,556,570,351
6	High Risk	-	136,644,351	136,644,351
7	Very High Risk	-	50,553,810	50,553,810
8	Default Risk	-	18,182,004	18,182,004
Total principal		165,923,041,786	143,009,231,426	308,932,273,212
Interest receivable from loans				57,272,559,044
Provision for loan losses				(35,768,614,776)
Net Loan				330,436,217,481

(h) Amounts arising from ECL
Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 4(c) (viii).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information an analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit risk grading

The Bank has applied the days past due approach to determine the credit risk grading for financial assets classified at amortised cost for purposes of estimating PDs.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by economic sector.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and exchange rate.

Based on advice from the Risk Committees and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below

(5) FINANCIAL RISK REVIEW - continued**(a) Credit Risk - continued**

on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modelling, the days past due exceeds 30 days.

Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Day past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

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

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in note 4.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- Its remaining lifetime PD at the reporting date based on the modified terms; with
- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired /in default. A customer needs to

(5) FINANCIAL RISK REVIEW - continued**(a) Credit Risk - continued**

demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Definition of default

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

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- The borrower is past due more than 90 days on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- Qualitative – e.g. breaches of covenant;
- Quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Bank Market Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates three economic scenarios: a base case, which is the central scenario, based on available projections, and two less likely scenarios, one upside and one downside scenario. Both the upside and downside scenarios are derived from analysis of historical volatilities on each identified macroeconomic variable.

The Bank applies, in modelling of forward-looking information, Ethiopian historical macroeconomic data and forecasts published by Business Monitor International (BMI), a reputable external data body. The scenario probability weightings are derived from each segment's macroeconomic information values.

PD computed for ECL estimation is point-in-time. It captures all macroeconomic factors that will affect PD estimate in the future. Therefore, the impact of forward-looking indicators on PD has to be analyzed using Principal Component Analysis (PCA) in order to generate FLI adjusted PD.

The Cox proportional hazards model's exponent function is used to compute the FLI adjusters as a function of PCA coefficients and macroeconomic projections on a base, upside and downside basis. PCA coefficient values are used as base probability weights and split the difference equally for upside and downside scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses. The economic scenarios used as at 30 June 2024 included the following key indicators:

- | | |
|---|---------------------------------------|
| ➤ Real GDP growth rate | ➤ Debt servicing |
| ➤ Gross National Expenditure (% of GDP) | ➤ Import of goods and services |
| ➤ Real Rate of Interest; lending | ➤ Real Rate of Interest; Time deposit |
| ➤ Gross National Savings | ➤ Gross domestic savings |
| ➤ Gross National Income | ➤ Official Exchange rate |
| ➤ Exports of goods and services | |

(5) FINANCIAL RISK REVIEW - continued**(a) Credit Risk - continued**

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 10 to 15 years.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above. PD estimates are estimates at a certain date, which are calculated, based on statistical models, and assessed using tools tailored to the various categories of counterparties and exposures.

These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for loans and advances to banks and investment securities.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based mainly on the counterparties' collateral and also on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim; counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- | | |
|-------------------------|--|
| ➤ Instrument type; | ➤ Date of initial recognition; |
| ➤ Credit risk gradings; | ➤ Industry; and |
| ➤ Collateral type; | ➤ Geographic location of the borrower. |

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 4(c) (viii).

(5) FINANCIAL RISK REVIEW - continued

(a) Credit Risk - continued

	30 June 2024					30 June 2023			
Amounts in ETB	12-month ECL Stage 1	Lifetime ECL not credit impaired Stage 2	Lifetime ECL credit impaired Stage 3	Total		12-month ECL Stage 1	Lifetime ECL not credit impaired Stage 2	Lifetime ECL credit impaired Stage 3	Total
Loans and advances at amortised cost									
Balance at 1 July 2023	6,837,427,213	15,034,754,554	13,896,433,010	35,768,614,776		2,133,997,383	16,881,959,574	13,772,690,451	32,788,647,408
Transfer to 12 months ECL	(4,193,566,657)			(4,193,566,657)		4,703,429,830			4,703,429,830
Transfer to Lifetime ECL not credit impaired		7,218,354,232		7,218,354,232			(1,847,205,020)		(1,847,205,020)
Transfer to Lifetime ECL credit impaired			(2,917,416,300)	(2,917,416,300)				123,742,559	123,742,559
Net remeasurement of loss allowance									
Balance at 30 June 2024	2,643,860,556	22,253,108,786	10,979,016,710	35,875,986,052		6,837,427,213	15,034,754,554	13,896,433,010	35,768,614,776
Investment securities - debt instruments (at amortised cost)									
Balance at 1 July 2023	11,161,574,425			11,161,574,425		6,233,867,941			6,233,867,941
Transfer to 12 months ECL	9,508,773,592			9,508,773,592		4,927,706,484			4,927,706,484
Net remeasurement of loss allowance									
Balance at 30 June 2024	20,670,348,017			20,670,348,017		11,161,574,425			11,161,574,425
Other financial assets (at amortized cost)									
Balance at 1 July 2023	2,935,052,007			2,935,052,007		1,429,108,796			1,429,108,796
Transfer to 12-month ECL	243,822,394			243,822,394		1,505,943,211			1,505,943,211
Transfer to Lifetime ECL not credit impaired									
Net remeasurement of loss allowance									
Balance at 30 June 2024	3,178,874,401			3,178,874,401		2,935,052,007			2,935,052,007

(5) FINANCIAL RISK REVIEW - continued**(a) Credit Risk - continued****• Default but not impaired loans:**

According to the NBE's directive No. SBB/90/2024, non-performing (defaulted) loan refers to loans or advances whose credit quality has deteriorated such that full collection of principal and/or interest in accordance with the contractual terms and conditions is in question. Loans with pre-established repayment program are non-performing (impaired) when principal and/or interest is due or uncollected for 90 consecutive days or more.

Overdrafts and other advances that do not have pre-established repayment program are non-performing (defaulted) when:

- The debt remains outstanding for 90 consecutive days or more beyond the scheduled payment date or maturity
- The debt exceeds the borrower's approved limit for 90 consecutive days or more.
- Interest is due and uncollected for 90 consecutive days or more.
- For overdrafts,
 - The account has been inactive for 90 consecutive days or more or
 - Deposits are insufficient to cover the interest capitalized during 90 consecutive days or
 - The account fails to show debit balance of 5% or less from the approved limit at least once over 360 days preceding the date of loan review
- While managing credit risk, default is considered to have occurred with regard to particular obligor when either or both of the following two events have occurred.

Loans secured by cash or cash substitute guarantees and/or sources of payment that are enough to cover the carrying value are deemed default but not impaired, that means, with no losses incurred.

• Restructured/Renegotiated loans:

Renegotiated loans or advances refers to loans which have been refinanced, rescheduled, rolled over, or otherwise modified at favorable terms and conditions for the borrower because of weaknesses in the borrower's financial condition or ability to repay.

Non-Performing Loans are restructured when the result of analysis on the obligor's financial capacity witnesses the need to modify/change the original terms and conditions of the loan contract in order to recover the outstanding loan. As per CBE's problem loans management procedure, any NPL (defaulted loan) is worked out and restructured by taking either of the following changes or combined options.

- Extension of the repayment period with the consent of the concerned parties (borrower and guarantor);
- Changing the form of the loan fully or partially (e.g. overdraft to a term loan);
- Requesting additional collateral or change of collateral;
- Cross-collateralizing multiple loans;
- Including additional covenants;
- Arranging transfer of loans from one borrower to other borrowers upon request by the borrower, based on the mutual agreement of both the borrower and the would-be buyer of the loan, when an acceptable agreement is submitted to the Bank and a new buyer of the loan is deemed to be better than the actual customer;
- Persuading owners, shareholders, and directors/managers of borrowers to enter into a personal guarantee contract with the Bank;
- The Bank does not encourage additional finance for the loan recovery cases. However, the Bank may approve additional loan for Grade 6 and 7 customers, if there are appropriate and concrete justifiable reasons; and

(5) FINANCIAL RISK REVIEW - continued**(a) Credit Risk - continued**

An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy. Once a non-performing loan has been restructured, it doesn't remain in the same category of loan status as prior to the restructuring. However, the status (category) is turned to "substandard", without prejudice to the standard definition of substandard when:

(a) Renegotiated term loans equivalent of all past due interest is paid by the borrower in cash at the time of renegotiation and the following payments are made by the borrower on a consistent and timely basis in accordance with the restructured terms of the loan or advance.

- Loans with monthly or quarterly installment payments, at least 3(three) consecutive repayments.
- Loans with semi-annual installment repayments, at least 2(two) installments.
- Loans with annual installment repayments, at least one repayment.

(b) Renegotiated non-performing overdraft facilities equivalent of all past due interest is paid by the borrower in cash at the time of renegotiation and the account shows at a minimum:

- A nil balance at least once
- A turnover rate of once the approved limit

- Write-off policy:

The Bank determines the write-off of a loan or group of loans demonstrating non-recoverability. This determination is made after performing an analysis of the financial conditions from the date of default and the likelihood of recovering such loans.

As per the credit procedure a loan is written-off when the Bank exhausts all means to recover the outstanding loan. It is uncertain to know how long it will take to get court verdict on litigations to recover the outstanding amount of defaulted loans from other attachable properties registered in the name of the defaulters. Hence, doesn't consider time limit for write-offs. Defaulted loans are written-off immediately after exhausting all means to recover the loan.

After having fully exhausted all possible means for the recovery of loans and advances and after ascertaining that the property held as collateral does not cover the loan in full; and after having ascertained that there is no other attachable property to cover the remaining balance fully or partially, the recovery area shall compile evidence to support that the loan or part of the loan it proposes to write-off is unrecoverable.

Loan write-offs can be initiated for the following reasons:

- Absence of attachable property;
- Insolvency of the borrower;
- Declaration of bankruptcy of the borrower by a court;
- Higher Cost of Recovery than the Realizable Value of the Property;
- Defects in Documentation – if the Bank has no legal ground to sue the borrower because of defects in the contract;
- Court decision; and
- Statute limitation.

COMMERCIAL BANK OF ETHIOPIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(5) FINANCIAL RISK REVIEW - continued

(a) Credit Risk - continued

The table below shows the gross outstanding loans past due days of payment according with the contractual schedule of payment:

Range	Loan Status	30 June 2024	30 June 2023
From 1 to 29 days	Pass	210,248,036,442	144,045,975,991
From 30 to 89 days	Special Mention	156,351,895,453	150,621,884,827
From 90 to 179 days	Sub-standard	9,429,999,527	6,929,316,291
From 180 to 360 days	Doubtful	1,109,946,067	4,725,658,095
Over 360 days	Loss	4,526,425,915	2,609,438,010
Total Principal		381,666,303,403	308,932,273,213
Interest Receivable		77,528,430,268	57,272,559,044
Allowance for Impairment		(35,875,986,052)	(35,768,614,776)
Net Loan		423,318,747,619	330,436,217,481

The following table shows the credit rating of deposits in financial institutions basis of ratings afforded by credit rating agencies:

Rating	ETB	30 June 2024	30 June 2023
Between AA+ and AA-		331,830,154	2,473,748,304
Between A+ and A-		31,416,480,973	25,721,531,593
Between BBB+ and BBB-		2,475,828,507	2,488,112,966
Other (including unrated)		1,289,353,831	3,199,554,113
Total		35,513,493,465	33,882,946,975
Provision for loss		(4,843,776)	(4,961,498)
		35,508,649,689	33,877,985,477
Domestic Bank Account Balances			
Sovereign Counterparty (NBE)		141,031,038,787	134,435,607,614
Between A+ and A-			
Between BBB+ and BBB-		141,031,038,787	134,435,607,614
Total		141,031,038,787	134,435,607,614
Provision for loss		(904,054,874)	(1,146,585,478)
		140,126,983,913	133,289,022,136

The credit rating of these financial institutions, in which CBE has maintained Nostro account balance, is basically obtained from the world bankers' almanac as rated by Moody, Fitch, and Standards & Poor. The equivalent rating is used to aggregate the overall rating by these agencies.

Collateral

CBE has guarantee on loans granted, mainly Government bond and written government undertaking by the Ministry of Finance, Motor Vehicles, Buildings and other class of collaterals.

Fair value estimates are based on the value of guarantees at the time loans commitments are originated. The Bank has technical employees (appraisers) for a constant monitoring of these collaterals in order to update such fair values if it is necessary. In addition, the fair value of collateral is updated when a loan is individually assessed as impaired or by any change in conditions that the debtor request in advance and

(5) FINANCIAL RISK REVIEW - continued
(a) Credit Risk - continued

in the case of project financing, according to the progress of work.

While estimating the value of the collateral held, CBE may opt to use the cost sales comparison or income valuation approach as appropriate. Every collateralized property is insured by appropriate insurance company and they have 100% insurance policy coverage against perils related the property.

According to credit procedure of CBE, collateralized building and other real properties are revalued every five year. However, a revaluation of collateral may be undertaken at any time if either of the following conditions materializes.

- If a sudden price decline of the property held as collateral is ascertained or suspected.
- When a report is received evidencing that the property held as collateral has sustained damages or master plan changes that affects the value of the collateral.
- When noticeable construction is added to the collateral held.
- When the Bank decides to foreclose the collateral.

The table below shows the value of collateral held by CBE as a security for loans and bonds granted as at 30 June 2024 and 30 June 2023.

Fair value of collaterals and guarantees			
	ETB	30 June 2024	30 June 2023
Ministry of Finance		901,623,188,151	783,077,455,772
Building		207,472,707,996	113,223,891,934
Machinery		19,950,636,031	12,408,313,854
Vehicle		12,202,218,738	7,083,844,833
Business Mortgage		4,646,556,587	2,528,805,376
Merchandise		2,439,421,186	1,444,092,404
Oil seed		758,685,582	1,100,000,000
Lease Right		978,517,181	506,585,640
Government Bond		5,383,530,782	193,495,700
Blocked Account		649,118,160	94,894,000
Coffee plantation		166,691,922	53,123,982
Documentary Credit		532,332,600	3,000,000
Bank Guarantee		7,943,983,224	520,883
Total Collateral Value		1,164,747,588,139	921,718,024,379
Total Outstanding Loan and Bond (Net ECL)		1,073,046,304,821	947,253,762,529
Collateral Coverage ratio		109%	97%

As can be seen from the above table, the value of collateral held by CBE as a security for loan granted are measured when the loans are initially granted. The overall collateral coverage ratio to the outstanding principal loan and bond is estimated about 109%, (2023: 97%).

In conducting the credit analysis of loan case, collateral coverage ratio is considered apart from loan granted on clean basis. The borrower can pledge one collateral for many loans or different collaterals for single loan or different types of collateral for different loans.

Concentration of Credit Risk

The table intends to briefly indicate the loan portfolio Vs security covered by different class of collaterals at the reporting date. While factoring the collateral for loan provision coverage it is adjusted to the

COMMERCIAL BANK OF ETHIOPIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(5) FINANCIAL RISK REVIEW - continued

(a) Credit Risk - continued

computation of EAD.

Some of the collateral classes are very liquid and equivalent to cash such as blocked account balance and government bond. The collateral data indicates the balance of collateral securities held by CBE for loans and advances disbursed up to 30 June, 2024.

The Bank analyzes credit risk concentration by sector and geographic location. The analysis of credit risk concentration as of the reporting date of the financial statement is described as follows:

i. Concentration by sector

Sector	ETB	30 June 2024	30 June 2023
Agriculture		35,533,600,810	29,694,884,239
Manufacturing		240,827,317,053	205,924,733,608
Domestic Trade and Services		53,807,226,605	47,590,707,935
International Trade		20,911,421,713	12,295,358,584
Building and Construction		39,414,238,791	16,432,762,887
Consumer Loan		66,864,679,274	53,104,227,219
Financial Institutions		1,836,249,425	1,162,157,785
Total Outstanding		459,194,733,671	366,204,832,256
Allowance for Expected Credit Loss		(35,875,986,052)	(35,768,614,776)
Net Loan		423,318,747,619	330,436,217,480

The loan portfolio is diversified in all economic sectors. However, the lion's share of the outstanding loan is concentrated in the prime economic sectors such as Manufacturing, Consumer Loan, Domestic Trade and Services, Agriculture Building and Construction and International trade.

Murabaha Finance Birr 44,135,546,165 classified with respective sectors for the year end 30 June 2024.

ii. Concentration by Product line

The loan portfolio is also diversified product wise. The main loan product lines of the Group consists Term Loan, Overdraft, Advances and Merchandise. The largest portfolio of credit product is constituted by term loans that consists different sub-products according to the purpose of the loan granted for.

Product type	ETB	Outstanding loan balances	
		30 June 2024	30 June 2023
Term loan		388,804,633,833	331,656,881,473
Overdraft		26,254,553,673	13,609,365,439
CBE NOOR		44,135,546,165	20,938,585,345
Total Outstanding		459,194,733,671	366,204,832,257
Allowance for Expected Credit Loss		(35,875,986,052)	(35,768,614,776)
Net Loan		423,318,747,619	330,436,217,481

(iii) Loan Concentration by Jurisdiction

Jurisdiction	ETB	30 June 2024	30 June 2023
Ethiopia		423,307,160,977	330,424,281,361
South Sudan		11,586,641	11,936,120

From the group, Commercial Bank of Ethiopia & Commercial Bank of Ethiopia-South Sudan Limited are the only entities engaged in lending activity and the remaining associates and subsidiaries have no any loan

COMMERCIAL BANK OF ETHIOPIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(5) FINANCIAL RISK REVIEW - continued

(a) Credit Risk - continued

portfolio in their book of records.

(iv) Loan Commitment by Product Line

ETB	30 June 2024	30 June 2023
Concentration by Commitment type		
Loan and Bond Commitment	45,177,473,517	38,449,036,150
Letter of Credit	186,993,756,435	210,932,254,909
Letter of Guarantee	4,643,673,733	6,309,493,394
Total	236,814,903,685	255,690,784,453
Provision for Loan Loss	(119,092,539)	(150,871,794)
Total Commitment, net	236,695,811,146	255,539,912,659

Financial guarantees are contracts that require the CBE to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

Term Loan and Bond commitments are promises to disburse the remaining portion of an approved loan/bond under pre-specified terms and conditions.

Letter of credit commitment is also pertaining to advances made to import and export business of the borrowers where the Bank is committed to meet their obligation when they fail.

(b) Liquidity risk

Liquidity risk is the risk that the Group either does not have sufficient resources available to meet all its obligations and commitments as and when they fall due, or can only access these financial resources at excessive cost. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation and security.

The Group manages liquidity risk both a short-term and medium-term basis. In short-term, the focus is on ensuring that the cash flow demands can be met through asset maturities, customer deposits and wholesale funding where required. In the medium-term, the focus is on ensuring the statement of financial position remains structurally sound.

The Asset and Liability Management Committee (ALCO) and the Risk Management Committee regularly monitor the liquidity position by analyzing the maturity structure of assets and liabilities, the stability of deposits by customer type and the compliance to minimum standards set forth by the regulations and corporate policies.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. Net liquid assets are cash and cash equivalents and negotiable financial instruments that mature in less than 186 days from the date of issue.

The Group also monitors on a regular basis the advances to deposits ratio. This is defined as the ratio of total loans and advances to customers relative to total customer deposits. A low advance to deposit ratio demonstrates that customer deposits are in excess of customer loans due to the emphasis placed on generating a high level of stable funding from customers.

ETB	30 June 2024	30 June 2023
Loans and advances to customers	423,318,747,619	330,436,217,481
Deposits from customers	1,176,035,976,762	1,054,491,375,058
Loans & Advances to deposits ratio	36.00%	31.34%

(5) FINANCIAL RISK REVIEW - continued**(b) Liquidity risk - continued**

The table below summarizes the Group's liquidity risk as at 30 June 2024 and 30 June 2023, categorized into relevant maturity groupings based on the earlier of the remaining contractual maturities.

Total Financial Assets and Financial Liabilities (Amounts in Million Birr)

30 June 2024	Up to 1 month	1-3 months	3 months up to 1 year	1-3 years	Over 3 years	Non-Maturity Items	Total
I. Assets							
On balance sheet							
Cash and balances with NBE	95,054	59,923	240	1	29,379	8,944	193,540
Loans and advances to banks					1,830	-	1,830
Loans and advances to customers	25,965	63,682	37,978	28,876	253,934	11,053	421,489
Receivables						2,960	2,960
Investment in associates						506	506
Equity securities and Debt Securities	3,332	114,803	124,242	29,321	487,649	6,572	765,920
Other Assets						50,136	50,136
A. Total Assets	124,351	238,408	162,460	58,198	772,792	80,170	1,436,380
II. Liabilities							
On balance sheet							
Deposits due to other banks	580	-	-	-	-		580
Customers' deposits	52,534	2,434	3,426	11	1,117,052		1,175,456
Borrowing From NBE					100,583		100,583
Current Tax Liability		6,250					6,250
State Dividend Payable		15,460					15,460
Other liabilities	1,171	2,313			62,099		65,583
B. Total liabilities	54,285	26,463	3,426	11	1,279,735	-	1,363,910
C. Net liquidity Gap (A-B) as at 30 June 2024	70,067	211,951	159,035	58,187	(506,943)	80,170	72,466
Cumulative Gap as at 30 June 2024	70,067	282,017	441,052	499,239	(7,704)	72,466	144,933

COMMERCIAL BANK OF ETHIOPIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(5) FINANCIAL RISK REVIEW - continued
(b) Liquidity risk - continued
Total Financial Assets and Financial Liabilities (Amounts in Million Birr)

30 June 2023	Up to 1 month	1-3 months	3 months up to 1 year	1-3 years	Over 3 years	Non-Maturity Items	Total
I. Assets							
On balance sheet							
Cash and balances with NBE	125,576	7,008	216	2	2,041	49,821	184,664
Loans and advances to banks	7	46	283	442	381	-	1,158
Loans and advances to customers	21,568	11,536	55,267	39,952	200,956	-	329,279
Receivables						3,435	3,435
Investment in associates						411	411
Equity securities and Debt Securities	2,869	66,145	125,686	168,002	378,585	969	742,256
Other Assets						44,685	44,685
A. Total Assets	150,020	84,734	181,451	208,397	581,963	99,321	1,305,886
II. Liabilities							
On balance sheet							
Deposits due to other banks	304	-	-	-	1,405		1,709
Customers' deposits	49,584	1,912	2,447	2	998,837		1,052,782
Borrowing From NBE					104,575		104,575
Current Tax Liability		6,390					6,390
State Dividend Payable		12,364					12,364
Other liabilities	573	12,137			53,077		65,787
B. Total liabilities	50,460	32,803	2,447	2	1,157,894	-	1,243,607
C. Net liquidity Gap (A-B) as at 30 June 2023	99,559	51,931	179,004	208,395	(575,932)	99,321	62,279
Cumulative Gap as at 30 June 2023	99,559	151,490	330,494	538,890	(37,042)	62,279	124,559

(5) FINANCIAL RISK REVIEW - continued**(b) Liquidity risk - continued**

It is assumed that the fair value of the liquid assets is equivalent to the carrying amount since no discounting is involved to realize these assets into cash.

Customer deposits up to three months represent current, savings and call deposit account balances, which past experience has shown to be stable and of a long-term nature.

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates, and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Group has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits and other liabilities. This enhances flexibility, limits dependence on any source of funds and generally lowers the cost of funds. The Group strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall Group strategy.

(c) Market risk

The Group recognizes market risk as the risk of loss arising from changes in market prices and rates. The Group's exposure to market risk arises principally from customer-driven transactions and recognizes that the value of on and off-balance sheet positions of the Group are adversely affected by the movement in the market prices or rates such as interest rate, exchange rate, equity prices and commodity price that may result in loss for the Group. The objective of the Group's market risk policies and processes is to obtain the best balance between risk and return whilst meeting customers' requirements.

The Group's exposure to potential market risk arises mainly due to the open interest rate and exchange rate positions. All these elements are exposed to general and specific market movements and may result in the reduction of the value of a financial asset. The Asset and Liability Management Committee (ALCO) authorize the established limits and monitor results.

(a) Interest rate risk:

The interest rate risk is the exposure of the financial position of the Group to any losses arising from adverse movements in interest rates.

The Group monitors the sensitivity of changes in interest rates, and determines the balance structure, different item terms and investment strategies.

The table below summarizes the exposure to interest rate risks. Included in the table below are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

(5) FINANCIAL RISK REVIEW - continued

(c) Market risk - continued

Exposure to interest rate risk (Amounts in Millions Birr)

30 June 2024	Up to 1 month	1-3 months	3 months up to 1 year	1-3 years	Over 3 years	Non-Maturity Items	Total
I. Assets							
A. Interest Rate Sensitive Assets							
Cash & Balances with NBE						193,540	193,540
Loans and Advances to Banks					1,830		1,830
Loans and Advances to Customers	18,951	46,478	27,718	21,075	187,275	119,992	421,489
Debt Securities	2,780	95,789	103,665	24,465	455,923	82,006	764,628
Total Rate Sensitive Assets	21,730	142,267	131,383	45,540	645,029	395,537	1,381,487
II. Liabilities							
B. Rate Sensitive Liabilities							
Deposits Due to other Banks	580	-	-	-	-	-	580
Customers' Deposits	47,856	2,119	2,982	11	575,993	546,496	1,175,439
Borrowings from NBE							
Total Rate sensitive liabilities	48,436	2,119	2,982	11	575,993	546,496	1,176,020
C. Rate Sensitive Gap	(26,706)	140,149	128,401	45,529	69,036	(150,958)	205,451
Cumulative Rate Sensitive Gap	(26,706)	113,443	241,844	287,373	356,409	205,451	410,902
Adjusted Interest Rate Change	0.14	0.25	1.5	1	1		
Relative Gap Ratio (RSG to Total Asset)	(21%)	59%	79%	78%	9%		14%
Total Asset	124,351	238,408	162,460	58,198	772,792	80,170	1,436,380

(5) FINANCIAL RISK REVIEW - continued

(c) Market risk - continued

Exposure to interest rate risk (Amounts in Millions Birr)

30 June 2023	Up to 1 month	1-3 months	3 months up to 1 year	1-3 years	Over 3 years	Non-Maturity Items	Total
I. Assets							
A. Interest Rate Sensitive Assets							
Cash & Balances with NBE						184,664	184,664
Loans and Advances to Banks	7	46	283	442	381		1,158
Loans and Advances to Customers	21,568	11,536	55,267	39,952	200,956	-	329,279
Debt Securities	2,869	66,145	125,686	168,002	377,615	970	741,286
Total Rate Sensitive Assets	24,444	77,726	181,236	208,395	578,952	185,634	1,256,387
II. Liabilities							
B. Rate Sensitive Liabilities							
Deposits Due to other Banks	304	-	-	-	1,405	-	1,709
Customers' Deposits	49,584	1,912	2,447	2	537,599	461,237	1,052,782
Borrowings from NBE							
Total Rate sensitive Liabilities	49,888	1,912	2,447	2	539,005	461,237	1,054,491
C. Rate Sensitive Gap	(25,444)	75,814	178,788	208,393	39,947	(275,604)	201,895
Cumulative Rate Sensitive Gap	(25,444)	50,370	229,158	437,551	477,499	201,895	403,791
Adjusted Interest Rate Change	0.14	0.25	1.5	1	1		
Relative Gap Ratio (RSG to Total Asset)	(17%)	89%	99%	100%	7%		15%
Total Asset	150,020	84,734	181,451	208,397	581,963	99,321	1,305,886

(5) FINANCIAL RISK REVIEW - continued
(c) Market risk - continued
(b) Exchange rate risk:

Exchange rate risk is the risk a financial instrument's value fluctuates as a result of changes in the exchange rates of foreign currencies and other financial variables. Foreign exchange rate risks arise from financial instruments denominated in currencies other than the Bank's functional currency.

The Group's foreign currency denominated assets and liability accounts may result in translational gain/loss depending on the net open position and direction of the exchange rate movement. To control the risk, the net position in each foreign currency is managed on a daily basis.

The various foreign currencies to which the Group is exposed to are summarized below:

Currency Type	30 June 24	30 June 23
	Amount in Thousands of Foreign Currency	Amount in Thousands of Foreign Currency
1. On B/S FCY Assets		
AED	1,069	1,450
CAD	701	481
CHF	1,554	1,204
DJF	64,331	89,967
DKK	645	2,661
EUR	11,604	17,383
GBP	1,211	4,531
INR	180,128	176,371
JPY	63,067	33,922
KES	12,831	19,546
KWD	33	18
AUD	38	8
SAR	2,455	1,564
SEK	9,247	7,556
USD	645,593	636,481
NOK	7,019	1,917
CNY	215	3,708
2. On B/S FCY Liabilities		
DJF	36	36
EUR	62,864	96,698
GBP	6,600	6,034
USD	1,057,879	975,976
JPY	760	760

(5) FINANCIAL RISK REVIEW - continued
(c) Market risk - continued
Sensitivity analysis

As can be witnessed in the exchange rate movement during the year, the tendency of further depreciation of Birr is probable. Hence, we have considered two scenarios of Birr devaluation by 15% and 20%.

In order to see the impact on the financial performance of CBE, the sensitivity is applied to the open position in USD, GBP and other currencies.

Stressed by 15% Birr Devaluation

S.No.	Descriptions	Multiplying Factor	Actual Position	Stressed by 15% Birr Devaluation	Change
1	Overall Open Position		(224,473)	(257,730)	(33,257)
1.1	Net Short Open Position – USD		(209,674)	(241,126)	(31,452)
1.2	Net Short Open Position – EUR		(12,038)	(13,843)	(1,805)
1.3	Net Short Open Position - Other Currencies		(2,761)	(2,761)	-
2	Total, Capital		72,285	72,285	-
2.1	Capital Charge (8%)	8%*1	17,958	19,779	1,821
2.2	Forex risk Capital Charge to total Capital Ratio	2.1/2	238	274	36
3	Overall Open Position to Capital Ratio		-311%	-342%	-31%
4	Profit before tax Projection		27,037		
5	Total, Gain/Loss due to depreciation of Birr against USD		(3,575)		
6	Total, Gain/Loss due to depreciation of Birr against EUR		(476)		
7	Total, Gain/Loss due to depreciation of Birr against USD and EUR (5+6)		(4,051)		
8	Post Shock Profit/Loss		22,986		
9	Impact on capital		-		
10	Post-shock capital		-		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(5) FINANCIAL RISK REVIEW - continued
(c) Market risk - continued
Stressed by 20% Birr Devaluation

S.No.	Descriptions	Multiplying Factor	Actual Position	Stressed by 20% Birr Devaluation	Change
1	Overall Open Position		(224,473)	(268,815)	(44,342)
1.1	Net Short Open Position – USD		(209,674)	(251,609)	(41,935)
1.2	Net Short Open Position – EUR		(12,038)	(14,445)	(2,407)
1.3	Net Short Open Position - Other Currencies		(2,761)	(2,761)	-
2	Total, Capital		72,285	72,285	-
2.1	Capital Charge (8%)	8%*1	17,958	19,779	1,821
2.2	Forex risk Capital Charge to total Capital Ratio	2.1/2	238	274	36
3	Overall Open Position to Capital Ratio		-311%	-342%	-31%
4	Profit before tax Projection		27,037		
5	Total, Gain/Loss due to depreciation of Birr against USD		(4,767)		
6	Total, Gain/Loss due to depreciation of Birr against EUR		(635)		
7	Total, Gain/Loss due to depreciation of Birr against USD and EUR (5+6)		(5,402)		
8	Post Shock Profit/Loss		21,635		
9	Impact on capital		-		
10	Post-shock capital		-		

5) FINANCIAL RISK REVIEW - continued**(d) Operational Risk Management**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Group seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

Operational risks arise from all of the Group's operations and are faced by all business units. As such, the Group seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, control and report such risks.

The scope of operational risk assessment of any process shall be determined based on various factors among them:

- The level of perceived risks;
- Previous operational risk assessment risks;
- Business criticality of the activities, process or product under consideration;
- The presence of overarching regulatory requirement; and
- Management's need for further examination of ongoing operations (such as lines of business, product, service and processes individually or in combinations).

Every risk assessment unit shall perform a risk assessment on its respective processes/units, at least on an annual basis. The Risk and Compliance Management process may request for more frequent risk assessment, if the need arises, primarily based on the perceived level of risk of the respective risk assessment unit/process.

(e) Capital management

The Group manages its capital based on Basel guidelines as well as local regulation requirements. The Commercial Code of Ethiopia through article 80 (capital and reserves) defines capital as the original value of the elements put at disposal of the undertaking by the owner or partners by way of contribution in kind or in cash. It further stipulates that all profits preserved for the undertaking and not forming part of capital shall constitute a reserve.

The statutory regulator, the National Bank of Ethiopia, has issued directive number SBB/78/21 that dictates every bank transfer on an annual basis, 25% of its annual net profit to its legal reserve account until such account equals its capital. When the legal reserve account equals the Bank's capital, the amount to be transferred to the legal reserve account shall be 10% of the annual net profit.

The Bank's capital is therefore managed in accordance with NBE directives and proclamation on banking business and those of subsidiaries capital is managed in accordance with the commercial code and other related laws.

In addition to regulatory requirements, CBE conducts objective analysis on the adequacy of its capitalization on a regular basis. Based on the result of rigorous analysis made on capital management and adequacy, CBE injects additional capital after proposing the required amount of additional capital to the Ministry of Finance and upon approval by the house of peoples' representatives of the Federal Democratic Republic of Ethiopia.

The National Bank of Ethiopia requires a bank to maintain at all times:

- Primary or Tier 1 capital: state capital/paid-up capital, declared reserves and Accumulated Profit or loss.

5) FINANCIAL RISK REVIEW - continued
(e) Capital management - continued

- ➡ Secondary or Tier 2 capital: Includes qualified equity instruments. However, CBE does not have any tier-2 capital account in its statement of financial position.

The Bank and its individually regulated subsidiaries have met with all of the external capital requirements to which they are subject. As of 30 June 2024, and 30 June 2023 respectively, the Bank's regulatory capital position was as follows:

ETB	30 June 2024	30 June 2023
Capital - Level 1		
State Capital	40,000,000,000	40,000,000,000.00
Legal Reserves	29,325,668,911	23,792,522,436
Capital Reserve	78,980,267	
CBE NOOR Reserve	25,924,887	24,105,344
Accumulated Profit or loss.	15,460,439,773	12,364,122,991
Retained Earning	4,037,505,488	
Statutory Reserve	-	90,827,390
Total	<u>88,928,519,326</u>	<u>76,271,578,161</u>
Capital - Level 2		
Fair Value Reserve	345,454,605	289,390,679
Foreign Currency Translation Reserve	(149,652,512)	(29,102,090)
Remeasurement of Defined Benefit BS	(1,197,574,880)	(1,888,482,683)
Total	<u>(1,001,772,787)</u>	<u>(1,628,194,093)</u>
Total Regulatory Capital	<u>87,926,746,539</u>	<u>74,643,384,068</u>
Total assets and weighted contingencies	300,260,011,378	288,527,900,671
Total regulatory capital / risk weighted assets	<u>29.28%</u>	<u>25.87%</u>

5) FINANCIAL RISK REVIEW - continued**(e) Capital management - continued**

Accumulated profit or loss is the portion of the Group's net profit that has not yet been distributed to the government as dividends, after accounting for the required legal reserve during the current year.

Retained earning represents the profits from previous years that the Group has retained for future use, after paying dividends to the government as per the Ethiopian Investment Holdings Dividend Policy.

The Statutory Reserve for 2024 has not been maintained due to the NBE's allowance for uncollectable suspense accounts being lower than IFRS requirements.

(6) FAIR VALUE OF FINANCIAL INSTRUMENTS**(a) Accounting classifications**

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

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

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

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

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

During the current year, there was sufficient information available to measure the fair value of financial instruments based on observable market inputs. In the previous year, the available-for-sale equity instruments were measured at cost because the fair value was not considered to be reliably measurable.

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

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. Estimated fair value of fixed interest-bearing deposits without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with similar maturities and interest rates, hence their fair value approximates their carrying amounts.

COMMERCIAL BANK OF ETHIOPIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(6) FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

(a) Accounting classifications - continued

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

30 June 2024	Amortized Cost	FVOCI	FVTPL	Total carrying amounts	Fair value		
	ETB	ETB	ETB	ETB	Level 1	Level 2	Level 3
Financial Instruments					ETB	ETB	ETB
Financial Assets:							
Cash and Balances with NBE	92,492,997,637			92,492,997,637			
Treasure Bill	107,003,294,757			107,003,294,757			
Placement with other Banks	35,508,649,689			35,508,649,689			
Loans and advances to customers	421,488,583,179			421,488,583,179			
Loans to micro-finance institutions	1,830,164,440			1,830,164,440			
Debt Securities	705,258,677,432			705,258,677,432			
Equity Securities		1,291,544,725		1,291,544,725		1,291,544,725	1,291,544,725
Receivables	2,959,855,401			2,959,855,401			
Investment in Subsidiaries	4,588,501,991			4,588,501,991			
Investment in Associates		505,713,285		505,713,285		505,713,285	505,713,285
Total financial assets	1,371,130,724,525	1,797,258,010		1,372,927,982,535		1,797,258,010	1,797,258,010
Financial liabilities:							
Deposits due to other banks	580,376,582			580,376,582			
Customers' deposits	1,175,455,600,180			1,175,455,600,180			
Current tax liability	6,249,992,353			6,249,992,353			
Other liabilities	100,583,421,765			100,583,421,765			
Total financial liabilities	1,282,869,390,879			1,282,869,390,879			

(6) FAIR VALUE OF FINANCIAL INSTRUMENTS - continued**(a) Accounting classifications - continued**

30 June 2023					Fair value		
	Amortized Cost	FVOCI	FVTPL	Total carrying amounts	Level 1	Level 2	Level 3
	ETB	ETB	ETB	ETB	ETB	ETB	ETB
Financial Instruments							
Financial Assets:							
Cash and Balances with NBE	126,956,676,834			126,956,676,834			
Treasure Bill	97,011,705,400			97,011,705,400			
Placement with other Banks	33,877,985,477			33,877,985,477			
Loans and advances to customers	329,278,708,327			329,278,708,327			
Loans to micro-finance institutions	1,157,509,154			1,157,509,154			
Debt Securities	650,607,066,580			650,607,066,580			
Equity Securities		969,165,622		969,165,622		969,165,622	969,165,622
Receivables	3,435,075,376			3,435,075,376			
Investment in Subsidiaries	3,634,487,035			3,634,487,035			
Investment in Associates		410,773,292		410,773,292		410,773,292	410,773,292
Total financial assets	1,245,959,214,182	1,379,938,914		1,247,339,153,096		1,379,938,914	1,379,938,914
Financial liabilities:							
Deposits due to other banks	1,708,903,425			1,708,903,425			
Customers' deposits	1,052,782,471,633			1,052,782,471,633			
Current tax liability	6,389,765,083			6,389,765,083			
Other liabilities	104,574,708,536			104,574,708,536			
Total financial liabilities	1,165,455,848,678			1,165,455,848,678			

(6) FAIR VALUE OF FINANCIAL INSTRUMENTS - continued
(b) Valuation hierarchy:

The Group uses the following hierarchy for determining and disclosing the fair value of available-for-sale financial assets by valuation technique:

	Level 1	Level 2	Level 3
Fair value determined using:	Unadjusted quoted prices in an active market for identical assets and liabilities.	Valuation models with directly or indirectly market observable inputs.	Valuation using significant non-market observable inputs
Types of financial assets:	Actively traded government and other agency securities. Listed derivative instruments. Listed equities.	Corporate and other government bonds and loans. Over-the-counter (OTC) derivatives.	Corporate bonds in illiquid markets. Highly structured OTC derivatives with unobservable parameters.
Types of financial liabilities:	Listed derivative instruments.	Over-the-counter (OTC) derivatives.	Highly structured OTC derivatives with unobservable parameters.

(7) INTEREST INCOME AND EXPENSE

Interest income and expense are analyzed as follows:

Interest Income	30 June 2024	30 June 2023
Loans and advances to customers	39,370,258,444	33,010,104,667
Debt securities	61,669,839,619	54,813,756,511
Total interest income	101,040,098,062	87,823,861,178

The Group assessed whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. For credit impaired financial assets, the bank has applied effective interest rate to amortised cost of the financial asset in subsequent reporting periods.

Interest expense	30 June 2024	30 June 2023
Interest expense	44,485,798,801	45,674,380,732
Total interest expense	44,485,798,801	45,674,380,732

(8) NON-INTEREST INCOME AND EXPENSES

NON-INTEREST INCOME	30 June 2024	30 June 2023
Commissions	20,737,537,712	17,341,318,368
Bank services and transaction fees	7,336,673,125	6,876,973,369
Discount Earned on Securities	388,260,012	432,598,541
Other income	5,635,434,060	3,085,865,114
Total Non-Interest Income	34,097,904,909	27,736,755,393

(8) NON-INTEREST INCOME AND EXPENSES - continued

The Group recognises revenue when satisfy its performance obligation. The Group has determined that its revenue from contracts with customer does not contain a significant financing component but deal with a significant number of contracts with customers. It is disclosed aggregating with non-interest income.

NON-INTEREST EXPENSE	30 June 2024	30 June 2023
Salaries and Employee Benefits	35,258,382,531	30,128,908,095
Outsourcing Service Expense	827,343,854	311,560,735
License Fees	781,931,766	734,755,102
Depreciation and Amortization	3,008,484,004	1,763,185,253
Deprecation Right of Use Asset	1,938,135,850	1,620,154,353
Advertising and publicity	525,092,582	326,798,945
Repairs and maintenance	927,191,070	762,292,193
Electronic data process	1,075,378,659	657,893,197
Stationery and office supplies	266,921,469	552,515,109
Donation and Contribution Expense	30,415,240	1,577,031,405
Deposit Insurance Fund Contribution	3,167,321,567	
Discount Loss	388,250,155	432,598,541
Other expenses	8,584,138,872	4,269,447,611
Total non- interest expenses	56,778,987,615	43,137,140,535

(9) CASH AND CASH EQUIVALENTS

	ETB	30 June 2024	30 June 2023
Cash on hand		16,270,306,956	16,389,972,409
Cash reserve with National Bank of Ethiopia		59,421,651,619	54,521,651,619
Cash reserve with Central Bank of South Sudan		360,264,570	381,768,899
Cash reserve with Central Bank of Djibouti		1,273,981,432	725,304,985
Treasury Bills-cash class		47,941,289,945	6,913,600,000
Placements with other banks		35,513,493,465	33,882,946,975
Payment and settlement accounts:			
With National Bank of Ethiopia		33,668,097,222	73,000,355,995
		194,449,085,210	185,815,600,882
Allowance for Impairment Losses		(908,898,650)	(1,151,546,977)
		193,540,186,560	184,664,053,906

The cash reserves is non-interest earning and is based on the value of deposits as adjusted for National Bank of Ethiopia requirements. At 30 June 2024 and 30 June 2023, the cash reserve requirement was 7%, on average in every calander month.

Out of the total placement with other Banks ETB 8,943,812,518.17 as at 30 June 2024 and ETB 9,832,603,838.96 as at 30 June 2023 represent the debt service reserve account in relation to the master loan agreement made at EXIM Bank of China on behalf of State Owned Enterprises. These funds are not available to finance the Group's day-to-day operations.

(10) DEBT AND EQUITY SECURITIES

		30 June 2024	30 June 2023
Debt and Equity Securities	ETB	<u>765,919,530,637</u>	<u>742,255,592,299</u>

i. Debt Securities

As part of its investments in securities, the Group maintained a portfolio of investments mainly in coupon bonds, corporate bonds, Treasury & DBE Bonds, Government securities and Treasury bills. This account is comprised as follows:

		30 June 2024	30 June 2023
Debt securities	ETB	785,298,333,929	752,448,001,102
Allowance for Impairment Losses		(20,670,348,017)	(11,161,574,425)
		<u>764,627,985,912</u>	<u>741,286,426,678</u>

		30 June 2024	30 June 2023
Coupon bonds	ETB	35,815,069,235	44,621,342,385
Corporate bonds		633,844,077,480	583,357,777,088
Treasury & DBE Bonds		35,886,090,226	11,519,557,572
Government securities		20,000,776,130	22,269,963,959
Treasury bills-Investment class		59,752,320,857	90,679,360,098
		<u>785,298,333,929</u>	<u>752,448,001,102</u>

The interest receivable related to these investment securities is broken down as follows:

		30 June 2024	30 June 2023
Interest receivable	ETB		
Coupon bonds		1,403,428,976	715,405,134
Corporate bonds		113,120,857,292	69,622,463,403
Treasury & DBE Bonds		1,511,334,226	407,625,572
Total		<u>116,035,620,494</u>	<u>70,745,494,108</u>

The allowances for impairment losses on each debt security are detailed as follows:

		30 June 2024	30 June 2023
Allowance for impairment losses	ETB		
Corporate and Coupon bonds		19,931,589,513	10,944,983,592
Government securities		125,716,289	142,750,469
Treasury Bonds		207,250,476	59,932,649
DBE bonds		22,779,362	13,907,716
Treasury bills		383,012,377	-
		<u>20,670,348,017</u>	<u>11,161,574,425</u>

COMMERCIAL BANK OF ETHIOPIA

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(10) DEBT AND EQUITY SECURITIES - continued

i. Debt Securities - continued

Allowance amounts recognized (reduced) during the year:

	ETB	30 June 2024	30 June 2023
At 1 July 2023		11,161,574,425	6,233,867,941
Amounts recognized (reduced)		9,508,773,592	4,927,706,484
As at 30 June 2024		20,670,348,017	11,161,574,425

ii. Equity securities

	ETB	30 June 2024	30 June 2023
Ethswitch Share Company		355,475,866	321,497,331
African Export Import Bank		723,885,131	637,100,000
S.W.I.F.T. SCRL		13,723,892	10,568,291
AAI Convention & Exhibition Center		150,000,000	-
Capital Finance Excellence Center		3,159,836	-
Ethiopian Security Exchange Sh. Co		45,300,000	-
		1,291,544,725	969,165,622

(a) The change in the carrying amount of equity securities

Ethswitch Share Company		30 June 2024	30 June 2023
At 1 July at cost	ETB	321,497,331	164,170,000
Additions		21,174,698	11,735,751
Changes in fair value		12,803,837	145,591,580
		355,475,866	321,497,331

African Export Import Bank		30 June 2024	30 June 2023
At 1 July at cost	ETB	637,100,000	350,210,000
Additions		23,313,083	278,959,542
Changes in fair value		63,472,048	7,930,458
		723,885,131	637,100,000

S.W.I.F.T. SCRL		30 June 2024	30 June 2023
At 1 July at cost		10,568,291	9,253,929
Changes in fair value		3,155,602	1,314,361
		13,723,892	10,568,291

(10) DEBT AND EQUITY SECURITIES - continued
ii. Equity securities- continued
AAI Convention & Exhibition Center

30 June 2024	30 June 2023
<u>150,000,000</u>	-

Capital Finance Excellence Center

At 1 July at cost

30 June 2024	30 June 2023
2,500,000	-

Changes in fair value

659,836	-
<u>3,159,836</u>	-

Ethiopian Security Exchange Sh. Co

30 June 2024	30 June 2023
<u>45,300,000</u>	-

(b) Changes in fair value measurement

Current year unrealized loss/gain arising from measurement at fair value was ETB 80,091,323 and related tax 30% ETB 24,027,397. At June 30, 2023 the additional fair value reserve was ETB 154,836,399 and related tax 30% ETB 46,450,920.

The Group's investment portfolio and performance is measured on a fair value basis. The Group evaluates the information about its investments on a fair value basis together with other related financial information. During the year, there is no permanent reduction in the value and evidence which evidences impairment of an investment in the Group's investment.

(c) Identifying a comparable companies

The comparative companies that the Group has used in valuing the securities are comparable to the company which is being valued. Major factors to consider so as identifying a comparable universe of the target company include:

- Similarity of the Assets (i.e., Industry Classification);
- Geography (if there are similar assets in similar economy, given dependable data is available);
- Growth rate;
- Capital structure; and
- Profitability.
- Size of the companies;

(d) The method of valuation used

For securities that do not have a quoted share price in an active market i.e Eth-switch, the Group has employed an Income approach of valuation, an enterprise value (EV) to EBITDA multiple based on observed multiples for peer companies.

(11) LOANS AND ADVANCES TO CUSTOMERS

Below is the composition of loans and advances to customers divided by category as well as its provision for impairment as of the reporting dates:

LOANS AND ADVANCES	30 June 2024	30 June 2024	30 June 2024
ETB	Gross Amount	Allowance for loan losses	Book value
Agriculture			
Term loan	34,880,141,524	(1,386,489,026)	33,493,652,498
Overdraft	46,564,929	(2,180,092)	44,384,836
	34,926,706,453	(1,388,669,118)	33,538,037,334
Manufacturing			
Term loan	222,167,034,238	(21,643,068,175)	200,523,966,063
Overdraft	11,598,360,054	(485,193,102)	11,113,166,952
	233,765,394,292	(22,128,261,277)	211,637,133,015
Domestic & Trade services			
Term loan	26,040,776,734	(1,939,191,260)	24,101,585,474
Overdraft	6,046,076,956	(173,709,001)	5,872,367,956
	32,086,853,690	(2,112,900,260)	29,973,953,430
International trade			
Term loan	11,019,540,507	(3,474,090,601)	7,545,449,906
Overdraft	6,233,620,258	(311,042,347)	5,922,577,910
	17,253,160,765	(3,785,132,949)	13,468,027,816
Building and construction			
Term loan	28,359,230,156	(4,955,210,567)	23,404,019,589
Overdraft	1,826,991,628	(272,948,904)	1,554,042,723
	30,186,221,784	(5,228,159,471)	24,958,062,313
Consumer Loan			
Term loan	65,065,824,130	(363,721,085)	64,702,103,044
	65,065,824,130	(363,721,085)	64,702,103,044
CBE NOOR FINANCING			
Murabaha finance	44,074,323,133	(863,056,906)	43,211,266,227
	44,074,323,133	(863,056,906)	43,211,266,227
Total Loans to Customers	457,358,484,246	(35,869,901,067)	421,488,583,179

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(11) LOANS AND ADVANCES TO CUSTOMERS - continued

	30 June 2023	30 June 2024	30 June 2024
ETB	Gross Amount	Allowance for loan losses	Book value
Agriculture			
Term loan	29,355,814,306	1,087,391,646	28,268,422,660
Overdraft	63,441,825	2,927,805	60,514,020
	29,419,256,131	1,090,319,451	28,328,936,680
Manufacturing			
Term loan	194,553,029,878	21,033,242,304	173,519,787,574
Overdraft	7,941,371,340	810,205,065	7,131,166,275
	202,494,401,219	21,843,447,370	180,650,953,849
Domestic & Trade services			
Term loan	34,368,647,162	4,943,338,368	29,425,308,794
Overdraft	3,315,666,555	214,952,352	3,100,714,203
	37,684,313,717	(5,158,290,720)	32,526,022,997
International trade			
Term loan	9,015,225,299	(3,614,117,625)	5,401,107,674
Overdraft	1,550,219,454	(235,641,335)	1,314,578,119
	10,565,444,753	(3,849,758,959)	6,715,685,794
Building and construction			
Term loan	11,513,486,547	(3,074,608,872)	8,438,877,675
Overdraft	456,784,343	(111,230,881)	345,553,461
	11,970,270,890	(3,185,839,753)	8,784,431,136
Consumer Loan			
Term loan	42,226,389,018	(241,092,388)	41,985,296,630
	42,226,389,018	(241,092,388)	41,985,296,630
Loan & Advance for Employee			
Term loan	9,821,562,576	(1,940,356)	9,819,622,220
	9,821,562,576	(1,940,356)	9,819,622,220
CBE NOOR finance			
Murabaha finance	20,861,036,169	(393,277,148)	20,467,759,022
	20,861,036,169	(393,277,148)	20,467,759,022
Total	365,042,674,472	(35,763,966,145)	329,278,708,327

(11) LOANS AND ADVANCES TO CUSTOMERS - continued

Allowance recognized (reduced) during the year for expected credit losses:

Allowance for expected credit losses	ETB	2024/2023
At 30 June 2022		32,788,647,408
Amounts recognized (reduced) during the year		2,979,967,368
At 30 June 2023		35,768,614,776
Impairment recognized (reduced) during the year		107,371,276
At 30 June 2024		35,875,986,052

(12) LOANS TO MICRO-FINANCE INSTITUTIONS
(a) Classification

Below is the composition of loans to micro-finance institution divided by category as well as its provision for impairment as of the reporting dates:

Conventional Loan and Advances	ETB	30 June 2024	30 June 2023
Terms loans		1,272,086,544	802,726,687
Overdraft		502,939,849	281,881,922
Allowance for expected credit losses		(5,916,469)	(4,338,434)
		1,769,109,924	1,080,270,174
CBE Noor Financing			
Terms loans		61,223,032	77,549,176
Allowance for expected credit losses		(168,516)	(310,197)
		61,054,516	77,238,979
Total		1,830,164,440	1,157,509,154

(b) Impairment losses on loans and advances

Allowance recognized (reduced) during the year for loans to micro-finance institution:

	ETB	30 June 2024	30 June 2023
At 1 July 2023		(4,648,631)	(16,397)
Amounts recognized(reduced) during the year		(1,436,354)	(4,632,234)
As at 30 June 2024		(6,084,985)	(4,648,631)

(13) RECEIVABLES

	ETB	30 June 2024	30 June 2023
Government receivables		1,230,978,839	1,230,978,839
Foreign receivables		513,164,441	243,451,530
Other receivables		3,485,687,873	3,744,150,037
Staff loans – prepayments		3,452,940,840	2,251,291,596
		8,682,771,993	7,469,872,003
Less: Staff loan contra account		(3,452,940,840)	(2,251,291,596)
Less: Allowance for doubtful debts		(2,269,975,752)	(1,783,505,031)
		2,959,855,401	3,435,075,376

(13) RECEIVABLES - continued

Allowance for doubtful debts:	
	ETB
	2024/23
Balance as at 30 June 2022	411,042,353
Addition (Reduction) during the year	1,372,462,678
Balance as at 30 June 2023	1,783,505,031
Addition (Reduction) during the year	486,470,721
Balance as at 30 June 2024	<u>2,269,975,752</u>

(14) INVESTMENT ASSOCIATES

Investments in associates as of 30 June, 2024 and 2023 are as follows:

Ethiopia Re-insurance Company			
	ETB	30 June 2024	30 June 2023
Opening balance		410,773,292	363,720,878
Group's share of total comprehensive income		94,939,993	47,052,414
Additional investment during the year			
Group's investment in associate as at 30 June 2024		<u>505,713,285</u>	<u>410,773,292</u>

	ETB	30 June 2024	30 June 2023
Percentage ownership interest		20%	20%
Revenue (100%)		1,789,660,756	1,443,132,830
Total comprehensive income (100%)		474,699,965	235,262,069
Share of total comprehensive income (20%)		<u>94,939,993</u>	<u>47,052,414</u>

(15) NON-CURRENT ASSETS HELD FOR SALE

Costs:		2023/24		
		Building	Movable property	Total
At 1 July 2023	ETB	90,312,578	24,739,451	115,052,029
Acquisition		870,294	7,775,152	8,645,446
Transfer to property, plant and equipment				
Sale/Disposal		(47,819,486)	(807,578)	(48,627,065)
Total 30 June 2024		43,363,386	31,707,025	75,070,410
Less Provisions:				
Impairment loss on acquired assets		(24,099)	(88,013,761)	(88,037,860)
Movement for the year		24,099	88,013,761	88,037,860
Closing balance		-	-	-
Non-current assets held for sale				
As at 30 June 2024		<u>43,363,386</u>	<u>31,707,025</u>	<u>75,070,410</u>

(15) NON-CURRENT ASSETS HELD FOR SALE - continued

Costs:	2022/23		
	Building	Movable property	Total
At 1 July 2022 ETB	785,463,886	250,708,767	1,036,172,653
Acquisition	130,105,245	25,784,358	155,889,602
Transfer to property, plant and equipment			
Sale/Disposal	(825,256,553)	(251,753,704)	(1,077,010,256)
Total 30 June 2023	90,312,578	24,739,421	115,051,999
Less Provisions:			
Impairment loss on acquired assets	(24,099)	(176,285,134)	(176,309,233)
Movement for the year	-	88,271,373	88,271,373
Closing balance	(24,099)	(88,013,761)	(88,037,860)
Non-current assets held for sale As at 30 June 2023	<u>90,288,478</u>	<u>(63,274,340)</u>	<u>27,014,138</u>

The Group's management committed to plan to sell some assets kept under this category for more than a year. The Group sold non current assets held for sale during the year ETB 48,627,065 and the remaining assets in this group are presented for auction at least once a year.

(16) INVESTMENT PROPERTY

Investment Property comprises office buildings that are leased to third parties under operating leases. The leases of investment properties contain initial non-cancellable lease terms of between one and five years. Some leases provide the lessees options to extend at the end of the term. Subsequent renewals are negotiated with the lessees.

For all investment property, the rental income is fixed under the contracts.

	ETB	30 June 2024	30 June 2023
Balance as at 1 July		544,592	563,187
Reclassification			
Depreciation		(21,072)	(18,595)
Balance as at 30 June 2024		<u>523,519</u>	<u>544,592</u>

The above items of investment property are depreciated on a straight-line basis at the rate of 5% per annum.

The Group measures its investment property at cost. The carrying amount of the investment property as of June 30, 2024, is ETB 523,519.

For informational purposes, the Group has determined the fair value of the investment property. In 2024, the revalued market value of Investment property is ETB 35,975,425. This value was determined using a comparable sales approach based on recent sales of similar properties in the same area.

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(17) PROPERTY, PLANT AND EQUIPMENT

ETB	Balance at 1 July 2023	Additions	Disposals	Reclassifications	Translation difference	Balance at 30 June 2024
Cost						
Building	10,958,481,470	2,420,171,821		(99,047,504)	(17,292,967)	13,262,312,820
Computer and software	5,487,319,827	981,047,786	(766,866)	131,066,802	(536,663)	6,598,130,885
Fixtures, fittings and equipment	7,762,086,090	1,563,700,746	(32,331,391)	269,019,704	(2,108,857)	9,560,366,292
Motor vehicles	3,349,213,190	535,537,489	(8,098,243)		(306,030)	3,876,346,405
Work in progress	1,775,607,123	327,162,920		(301,039,002)		1,801,731,041
	29,332,707,699	5,827,620,762	(41,196,501)		(20,244,517)	35,098,887,443
Depreciation						
Building	(927,729,813)	(537,436,565)		13,693,542	8,008,485	(1,443,464,351)
Computer and software	(3,187,004,250)	(912,430,913)		662,380	132,099	(4,098,640,684)
Fixtures, fittings and equipment	(4,466,146,456)	(1,094,937,899)	30,726,364	(81,120)	3,336,042	(5,527,103,069)
Motor vehicles	(1,587,953,838)	(331,269,180)	6,073,682		563,888	(1,912,585,448)
	(10,168,834,357)	(2,876,074,558)	36,800,047	14,274,802	12,040,514	(12,981,793,553)
Net carrying amount	19,163,873,342	2,951,546,204	(4,396,454)	14,274,802	(8,204,003)	22,117,093,890

During the year 2024, property, plant, and equipment with an accumulated depreciation worth ETB 7,875,094,444 were fully depreciated. However, these assets continue to provide economic benefits to the Group.

COMMERCIAL BANK OF ETHIOPIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(17) PROPERTY, PLANT AND EQUIPMENT - continued

ETB	Balance at 1 July 2022	Additions	Disposals	Reclassifications	Translation difference	Balance at 30 June 2023
Cost						
Building	4,254,612,077	13,893,743	-	6,689,975,645		10,958,481,470
Computer and software	3,667,753,879	1,819,738,058	(180,693)	(68,226)	76,814	5,487,319,827
Fixtures, fittings and equipment	5,382,367,708	2,403,664,934	(41,042,359)	16,916,368	179,438	7,762,086,090
Motor vehicles	2,451,790,828	905,362,650	(8,150,913)	-	210,625	3,349,213,190
Work in progress	7,318,834,204	1,163,596,705	-	(6,706,823,787)	-	1,775,607,123
	23,075,358,695	6,306,256,091	(49,373,965)	-	466,877	29,332,707,699
Depreciation						
Building	(762,388,637)	(164,710,534)	-	18,595	(649,237)	(927,729,813)
Computer and software	(2,679,300,221)	(507,873,679)	178,886	67,544	(76,779)	(3,187,004,250)
Fixtures, fittings and equipment	(3,818,325,962)	(687,235,899)	40,288,665	(67,544)	(805,715)	(4,466,146,456)
Motor vehicles	(1,289,709,423)	(304,152,595)	6,113,185	-	(205,005)	(1,587,953,838)
	(8,549,724,243)	(1,663,972,707)	46,580,735	18,595	(1,736,736)	(10,168,834,357)
Net carrying amount	14,525,634,452	4,642,283,384	(2,793,230)	18,595	(1,269,859)	19,163,873,342

The Group has freehold land amounting total areas of 691,108.23 Meter square. Freehold land is not depreciated and the recognition of freehold land occurs at the date when control passes to the Group.

There were no capitalized borrowing costs related to the acquisition of property, plant and equipment during the year (2023: Nil).

(18) INTANGIBLE ASSETS

2023/24		Software
Cost	ETB	
Balance at 1 July 2023		1,531,823,700
Additions		384,039,825
Balance at 30 June 2024		1,915,863,525
Amortization and impairment		
Balance at 1 July 2023		766,021,329
Additions		264,603,657
Balance at 30 June 2024		1,030,624,986
Net carrying value		885,238,539

2022/23		Software
Cost	ETB	
Balance at 1 July 2022		1,053,723,672
Additions		478,100,029
Balance at 30 June 2023		1,531,823,700
Amortization and impairment		
Balance at 1 July 2022		606,298,746
Additions		159,722,582
Balance at 30 June 2023		766,021,329
Net carrying value		765,802,372

Intangible assets relate to software that includes banking and other related softwares.

The amortization expense recognized within non-interest expense for the year ended 30 June 2024 was ETB 264,603,657 (**2023:** ETB 159,722,582). The Group has intangible asset which are fully amortised worth of ETB 447,740,921 but providing economic benefit to the entity.

(19) OTHER ASSETS

	ETB	30 June 2024	30 June 2023
Purchase in progress		1,706,076,703	2,658,189,332
Stationary and other supplies		2,658,714,886	1,111,961,163
IT expansion project		1,779,824,102	958,741,533
Prepaid		4,729,658,518	5,534,369,432
Others		1,841,751,575	1,926,158,215
		12,716,025,783	12,189,419,675

(20) RIGHT OF USE ASSETS AND FINANCE LEASE OBLIGATIONS

The Group leases a number of assets including land and buildings. Information about leases for which the Group is a lessee is presented below:

a. Right-of-use assets:

2023/24	ETB	Land	Building	Total
Cost				
Balance at 01 July 2023		100,782,018	10,525,770,881	10,626,552,899
Adjustment		4,821,436	2,202,612,394	2,207,433,830
Additions			1,854,451,043	1,854,451,043
Expired ROUA			(3,515,280,931)	(3,515,280,931)
Balance at 30 June 2024		105,603,454	11,067,553,388	11,173,156,842
Depreciation				
Balance at 01 July 2023		17,015,205	6,002,523,530	6,019,538,735
Adjustment		155,267	1,792,228,338	1,792,383,605
Additions		2,101,077	1,926,605,864	1,928,706,940
Expired			(3,539,711,905)	(3,539,711,905)
Balance at 30 June 2024		19,271,548.44	6,181,645,827	6,200,917,375
Net carrying value		<u>86,331,906</u>	<u>4,885,907,561</u>	<u>4,972,239,466</u>

2022/23	Land	Building	Total
Cost			
Balance at 01 July 2022	101,923,616	8,622,513,857	8,724,437,473
Adjustment	(1,141,598)	32,528,338	31,386,741
Additions		1,870,728,685	1,870,728,685
Balance at 30 June 2023	100,782,018	10,525,770,881	10,626,552,899
Depreciation			
Balance at 01 July 2022	15,041,539	4,379,403,615	4,394,445,154
Adjustment	(86,200)	15,740,528	15,654,329
Additions	2,059,865	1,607,379,387	1,609,439,252
Balance at 30 June 2023	17,015,205	6,002,523,530	6,019,538,735
Net carrying value	<u>83,766,813</u>	<u>4,523,247,351</u>	<u>4,607,014,164</u>

(20) RIGHT OF USE ASSETS AND FINANCE LEASE OBLIGATIONS - continued
b. Finance Lease Obligation

2023/24	ETB	Land	Building	Total
Cost				
Balance at 1 July 2023		(19,374,536)	522,520,051	503,145,515
Adjustment		3,420,537	(7,390,906)	(3,970,369)
Addition			352,113,814	352,113,814
Payment		(529,203)	(177,354,430)	(177,883,632)
Balance at 30 June 2024		(16,483,202)	689,888,529	673,405,327
Interest expense				
Balance at 1 July 2023		24,941,090	69,899,427	94,840,517
Adjustment		(495,661)	7,531,767	7,036,106
Additions		568,122	29,584,043	30,152,165
Balance at 30 June 2024		25,013,550	107,015,238	132,028,788
Net carrying value		8,530,349	796,903,766	805,434,113

2022/23	Land	Building	Total
Cost			
Balance at 1 July 2022	(18,360,154)	508,509,314	490,149,160
Adjustment	(503,708)	5,308,278	4,804,570
Addition	-	183,657,616	183,657,616
Payment	(510,674)	(174,955,157)	(175,465,831)
Balance at 30 June 2023	(19,374,536)	522,520,051	503,145,515
Interest expense			
Balance at 1 July 2022	24,834,052	32,029,161	56,863,213
Adjustment	(399,953)	13,497,308	13,097,356
Additions	506,990	24,372,958	24,879,948
Balance at 30 June 2023	24,941,090	69,899,427	94,840,517
Net carrying value	5,566,554	592,419,478	597,986,030

The Group recognizes a lease liability at the present value of the lease payments that are not paid at that date. The Group uses an incremental borrowing rate that is based on the weighted average cost of deposits across the years. The rates used to compute the present values of buildings lease liabilities as at 30 June 2024 was 4.73%. The rates used to compute the land lease liabilities as at 30 June 2024 was 9.0%.

The Group leases buildings for its office space and branches. The building leases typically run for a period of between 2 and 10 years with majority of the contracts running for a period of 5 and 6 years. Some leases include an option to renew the lease for an additional period at the end of the contract term. The renewal term and lease rentals cannot be reliably estimated before the end of a contract. The Group leases land for construction of its own office buildings. The land leases typically run for a period of between 40 years and 99 years with majority of the contracts running for a period of 50 and 60 years. These leases include an option to renew the lease.

(21) CUSTOMERS' DEPOSITS AND DEPOSITS DUE TO OTHER BANKS

Customers' deposits as of the reporting dates are as follows:

a) Customers' Deposits:

	ETB	30 June 2024	30 June 2023
Payable on demand			
Local and Central Government		125,702,104,651	128,725,252,012
Private sector and retail customers		139,447,743,062	128,840,680,110
Public enterprises and agencies		166,270,152,845	114,055,743,596
		431,420,000,558	371,621,675,718
Savings deposits			
Local and Central Government		2,338,263,148	861,370,262
Private sector and retail customers		586,727,891,678	556,237,256,582
Public enterprises and agencies		32,480,825,519	25,390,144,282
		621,546,980,345	582,488,771,126
Term deposits			
Local and Central Government		7,068,458	
Private sector and retail customers		2,590,295,523	2,438,255,404
Public enterprises and agencies		3,205,555,294	5,637,539,390
Accrued interest on deposits		126,714,543	165,342,939
		5,929,633,818	8,241,137,734
CBE NOOR		116,558,985,459	90,430,887,055
All sectors		1,175,455,600,180	1,052,782,471,633

b) Deposit Due to Other Banks:

Deposits due to other domestic and foreign banks at CBE, in both local currency (LCY) and foreign currency (FCY), is as follows:

	ETB	30 June 2024	30 June 2023
Domestic Banks		8,425	92,350
Foreign Banks - LCY		104,075,206	157,223,947
Foreign Banks - FCY		476,292,950	1,551,587,129
Total Deposit due to other Banks		580,376,582	1,708,903,425

Payable on demand accounts represents deposits that are non-interest bearing. The weighted average effective interest rate on Savings deposits as at 30 June 2024 was 7% (**2023:** 7%). The weighted average effective interest rate on Term deposits as at 30 June 2024 was 7.2% (**2023:** 7.2%).

Blocked accounts represent blocked current accounts and blocked savings accounts whose average effective interest rates as at 30 June 2024 were 0% and 7% respectively (**2023:** 0% and 7% respectively). CBE NOOR represents deposits that are non-interest bearing.

(22) PROVISIONS

	Bonuses	Cash Prize Award	Legal	Unutilized O/D, LC and Guarantee	Total
Balances at 30 June 2022	2,048,712,154	211,987,449	227,106,942	160,681,640	2,648,488,185
Increases (decrease) recorded in income	1,896,746,412	264,683,735	(67,187,510)	(9,809,846)	2,084,432,791
Provision used during the year	(1,974,559,994)	(211,987,449)	(23,399,861)		(2,209,947,304)
Balances at 30 June 2023	1,970,898,572	264,683,735	136,519,571	150,871,794	2,522,973,672
Increases (decrease) recorded in income	2,265,841,632	252,226,548	68,914,685	(31,779,255)	2,555,203,610
Provision used during the year	(1,958,782,154)	(264,683,735)	(9,309,046)	-	(2,232,774,936)
Balances at 30 June 2024	2,277,958,049	252,226,548	196,125,210	119,092,539	2,845,402,347

Bonus represent short-term benefits arising from past services provided by clerical and non clerical employees of the bank and are expected to pay within the next 12 months.

Legal provisions represent various claims that are pending outcome at the courts. These amounts are estimates of the likely legal claims that may not be ruled in the Group's favor. And Unutilized O/D, LC, and Guarantee represent provisions held for the off-balance sheet items.

(23) EMPLOYEE BENEFITS
i. Movements in the present value of defined benefit liability

ETB	30 June 2024	30 June 2023
Balance at 01 July	12,236,608,600	9,585,045,546
Current service costs	1,351,775,786	1,169,341,776
Interest cost	1,843,859,212	1,441,495,255
Payments for the year	(756,111,723)	(641,232,332)
Expense charged to income	14,676,131,875	11,554,650,245
Actuarial gains (losses) recognized in other comprehensive income	(476,082,547)	681,958,355
Balances at 30 June	14,200,049,328	12,236,608,600

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

A Liability recognised in the financial position as at 30 June 2024 was ETB 14,200,049,328 and (2023: ETB 12,236,608,600).

ii. Actuarial losses recognized in other comprehensive income

ETB	30 June 2024	30 June 2023
Cumulative amount at 1 July	(2,033,057,068)	(1,903,569,409)
Recognized during the year	966,783,174	(184,982,370)
Deferred income taxes	(290,034,952)	55,494,711
Actuarial losses, net of taxes at June 30	(1,356,308,846)	(2,033,057,068)

(23) EMPLOYEE BENEFITS - continued
iii. Actuarial assumptions

Assumptions which reflect the economic relationships between factors such as inflation levels on which the entity operates. Rates shown below are determined in nominal terms

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

	30 June 2024	30 June 2023
Discount rate	15.78%	14.97%
Salary increase rate	17.03%	16.75%
Gold increase rate	21.00%	18.00%
Long term medical inflation rate	14.00%	13.75%
Long term inflation rate	19.34%	12.75%

The assumed discount rates are derived from rates available on government bonds for which the timing and amounts of payments match the timing and the amounts of our projected pension payments.

iv. Sensitivity analysis

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

	2024		2023	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% variance)	(605,419,409)	665,560,038	(529,423,655)	624,662,413
Salary increase rate (1.0% variance)	692,492,883	(582,395,692)	801,237,145	(668,045,722)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

(24) OTHER LIABILITIES

Other liabilities as of the reporting dates are as follows:

	ETB	30 June 2024	30 June 2023
National Bank of Ethiopia		100,583,421,765	104,574,708,536
Margin accounts and deposits for guarantees		17,773,865,059	24,501,317,198
Certified Payment Order's and Fund transfers		3,412,299,421	5,472,976,748
Payable to other banks		8,244,323,790	3,982,342,305
Blocked amounts		674,454,310	735,275,413
Other taxes		1,025,664,419	1,002,262,170
CBE Noor Investment Risk Reserve (IRR)		4,585,897	-
Unearned income		5,614,915,832	3,152,979,826
Pension contributions		203,040,220	171,892,358
Miscellaneous		10,779,435,784	11,410,534,844
Total		148,316,006,497	155,004,289,398

(24) OTHER LIABILITIES - continued

The Group entered into term loan agreements with the National Bank of Ethiopia at a minimum saving deposit rate.

The Investment risk reserve (IRR) is the amount appropriated by the Group out of the income of Investment account holder (IAH), after allocating the mudarib share, in order to cater against future losses for the Investment Account Holder.

Unearned income relates to Bank Guarantee commissions while National Bank of Ethiopia relates to a certificate of deposit.

(25) INCOME TAXES

The Group is subject to income taxes in Ethiopia, the Republic of South Sudan and the Republic of Djibouti. In Ethiopia the rate of business income tax applicable to a business is 30%. In accordance to the tax proclamation, the tax payer is allowed a number of deductible expenditures in determining the taxable revenue for a tax year.

In the Republic of South Sudan, a business profit tax shall be charged on the taxable profit of a tax payer at the rate of 10% for small businesses, 15% for medium-size businesses and 20% for large businesses. CBE-South Sudan is charged a business profit tax on its taxable profit at a rate of 20%.

In the Republic of Djibouti, a business profit tax shall be charged on the taxable profit of a tax payer at the rate of 25%.

a) Reconciliation of effective tax rate

ETB	30 June 2024	30 June 2023
Profit before tax	26,664,914,028	22,110,064,145
Blended statutory tax rate	30%	30%
"Expected" tax expense	7,999,474,208	6,633,019,243
Non-deductible expenses	5,908,572,564	4,704,995,357
Allowed expenses	(3,819,899,496)	(2,494,672,483)
Tax-exempt income	(3,950,777,681)	(2,579,010,627)
Tax effect of Consolidation	112,622,758	125,433,592
Income tax Payable	6,249,992,353	6,389,765,083

For the year ended 30 June 2024 the Group had an effective income tax rate of 23.44% (28.90% in 2023).

b) Income tax expense.

ETB	30 June 2024	30 June 2023
CBE's Income tax	4,290,333,839	4,501,837,873
Subsidiaries Income tax expense	351,256,876	171,594,473
Income tax	4,641,590,715	4,673,432,346

c) Income tax recognized directly in other comprehensive income

	30 June 2024			30 June 2023		
	Income tax	Before taxes	Net of taxes	Income tax	Before taxes	Net of taxes
Remeasurement of defined benefit liability	(290,034,952)	966,783,174	676,748,222	55,494,711	(184,982,370)	(129,487,659)
Financial assets – fair valuation	(24,027,397)	80,091,323	56,063,926	(46,450,920)	154,836,399	108,385,479
Total Income tax - (OCI)			732,812,147			(21,102,180)

(25) INCOME TAXES - continued

At 30 June 2024 and 2023, the tax effects of temporary differences that give rise to significant portions of the deferred income tax assets are Cash and cash equivalents, Loans & advances, Receivables, PPE, Intangible, Provisions and Employees' Benefit.

d) Recognized deferred tax assets

	30 June 2024	30 June 2023
Balance as of July	7,931,001,271	6,199,098,365
Recognized in Profit & Loss	1,752,443,907	2,460,220,991
Recognized in Other Comprehensive Income	(314,062,349)	(728,318,086)
Balance as of June 30	9,369,382,828	7,931,001,271

(26) EQUITY
(a) Capital

Commercial Bank of Ethiopia is owned by the government of the Federal Democratic Republic of Ethiopia, there are no shares. As of 30 June 2024, the Bank's capital was ETB 40,000,000,000 (**2023**: ETB 40,000,000,000).

(b) Legal reserve account

For CBE, the Legal reserve in accordance with the Directive No. SBB/4/95 issued by the National Bank of Ethiopia, every bank shall transfer annually 25% of its annual net profit as a legal reserve until such account equals its capital. For Commercial Nominees PLC, 5% of the net profit until the accumulated legal reserve balance amounts to 10% of the issued share capital according to commercial code of Ethiopia Article 454.

(c) Statutory Reserve

This account represents the excess amount in allowance for uncollectable suspense accounts as per the National Bank of Ethiopia's requirement compared to the IFRS requirement.

(d) CBE NOOR reserve

The Profit equalization reserve (PER) is the amount appropriated by the Group out of the Mudarabah income before allocating the mudarib share in order to maintain a certain level of return on investment for the Investment Account Holder.

(e) Accumulated Profit/Loss

The profits or losses that the bank has earned to date, accumulated profit is 75% of net profit not yet paid to the government.

(f) Retained Earnings

Retained earnings represent the cumulative profit after dividends paid to the government that has been retained by the Group's for future use.

(g) Fair Value Reserve, Remeasurement of defined benefit liabilities and Foreign currency translation reserve

Represent the accumulated amount, net of deferred income taxes, arising from changes in actuarial assumptions used in the calculation of labor obligations, the effect of the change in foreign currency translation reserve and the change in fair value of equity investments.

(27) COMMITMENTS AND CONTINGENT LIABILITIES

In the ordinary course of business, the Bank conducts business involving guarantees and letter of credit. These facilities are offset by corresponding obligations of third parties. At the year end the contingencies were as follows:

Commitments		
	ETB	
	30 June 2024	30 June 2023
Term Loans committed but not disbursed	38,677,473,517	34,727,836,042
Bond commitment	6,500,000,000	3,721,200,108
Construction Commitment	6,588,655,782	6,306,129,344
	51,766,129,299	44,755,165,494

Contingent liabilities-

	ETB	
	30 June 2024	30 June 2023
Letter of credit	186,993,756,435	210,932,254,909
Guarantees	4,643,673,733	6,309,493,394
	191,637,430,168	217,241,748,303

Nature of contingent liabilities

Letters of credit commit the Bank to make payment to third parties, on production of documents which are subsequently reimbursed by customers.

Guarantees are generally written by a bank to support the performance by a customer to third parties. The Group will only be required to meet these obligations in the event of the customer's default.

(28) RELATED PARTIES
(a) Remuneration of key management personnel

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

	ETB	
	30 June 2024	30 June 2023
Short-term employee benefits	56,031,344	49,461,890
Other long-term benefits	7,491,618	
Post-employment benefits	38,514,321	2,897,150
Board fees	1,610,336	3,549,196
	103,647,619	55,908,236

The employees whose benefits are include the Board of Directors, the President, and Vice Presidents.

Compensation for the Bank's key management personnel includes the Board members' fees, along with the Short-term employee benefits include salaries, housing allowance, fuel allowance, representation allowances, and bonuses; Other long-term benefits include leave payments and Post-employment benefits include retirement payments, severance payments, and Post-Retirement Medical Benefits.

(28) RELATED PARTIES - continued
(b) Transactions with key management personnel-

Key management members entered into the following transaction:

	ETB	30 June 2024	30 June 2023
Loans granted		<u>68,293,745</u>	<u>55,505,777</u>

The loans issued to Executive Management members granted are secured against the property being acquired by the borrower.

At the end of each reporting period the Group performs an impairment assessment on the outstanding balances and provides an allowance for impairment losses at the reporting date.

No impairment losses have been recorded against loan balances with key management personnel as at 30 June 2024 (2023: Nil).

(c) Related party transactions-

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions. These transactions include loans, deposits and foreign currency transactions.

Ethiopian Re-insurance Share Company is the only associate of Commercial Bank of Ethiopia. The Group has significant influence, with a shareholding of 20 percent of the voting rights and/or ownership interest.

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

	ETB	30 June 2024	30 June 2023
a. Expense:			
Interest expense paid to associates		3,570,609	3,709,860
b. Income:			
Income received from associates		94,939,993	47,052,414
Balances due to group companies		<u>91,369,384</u>	<u>43,342,554</u>

COMMERCIAL BANK OF ETHIOPIA

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2024 (IN ETHIOPIAN BIRR)

	Notes	30 June 2024	30 June 2023
Interest Income	4(r), 31	101,018,080,647	87,809,414,594
Interest Expense	4(r), 31	(44,494,781,220)	(45,721,592,196)
Net interest income		56,554,299,261	42,149,480,446
Impairment losses on financial instruments	4(c), 34& 35	(9,512,588,141)	(7,995,398,404)
Net interest income after provisions		47,010,711,287	34,092,423,994
Gain/loss on foreign currency transactions	4(b)	2,115,772,039	3,272,869,289
Gain/loss on Equity inv in subsidiaries and associates	4(a), 38	1,048,954,949	615,125,320
Non-interest income	4(s), 32	33,037,282,886	28,226,663,596
Non-interest expense	4(s), 32	(56,908,787,105)	(44,254,513,834)
Profit before tax		26,303,934,055	21,952,568,366
Income tax	4(u), 49	(4,290,333,839)	(4,501,837,873)
Profit for the year		22,013,600,216	17,450,730,492
Other comprehensive income:			
<i>Items that will never be reclassified to profit or loss:</i>			
Remeasurement of defined benefit liability	4(p), 47	962,087,580	(172,626,713)
Related tax	49	(288,626,274)	51,788,014
Unrealized (loss)/gain arising from measurement at fair value	49	80,091,323	154,836,399
Related tax - available for sale	49	(24,027,397)	(46,450,920)
		729,525,232	(12,453,220)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Other comprehensive income (Loss), net of tax		729,525,232	(12,453,220)
Total comprehensive income		22,743,125,448	17,438,277,273

The accompanying notes are an integral part of this separate financial statement.

COMMERCIAL BANK OF ETHIOPIA
SEPARATE STATEMENT OF FINANCIAL POSITION AS
AT 30 JUNE 2024 (IN ETHIOPIAN BIRR)

	Notes	30 June 2024	30 June 2023
Assets			
Cash and cash equivalent, net	4(d), 33	190,997,911,004	182,623,541,592
Debt & Equity securities, net	4(f), 34	765,916,530,636	742,252,592,299
Loans and advances to customers, net	4(e), 35	421,476,996,538	329,266,772,207
Loans to micro-finance institutions, net	4(e), 36	1,830,164,440	1,157,509,155
Receivables, net	37	2,129,668,268	1,750,432,669
Investments in subsidiaries and associates	4(a), 38	5,094,215,276	4,045,260,327
Investment property	4(j), 40	523,519	544,592
Property, plant and equipment, net	4(g), 41	20,045,670,960	18,778,369,954
Intangible assets, net	4(l), 42	878,268,517	758,724,318
Non-current assets held for sale	4(k), 39	75,070,410	27,014,139
Other assets	43	11,674,433,703	10,902,474,434
Right of use asset, net	4(i), 44	4,919,494,149	4,579,623,481
Deferred tax asset	4(u), 49	9,357,089,363	7,931,001,270
Total assets		1,434,396,036,783	1,304,073,860,438
Liabilities			
Deposits due to other banks	4(n), 45	1,319,658,436	2,235,708,435
Customers' deposits	4(n), 45	1,173,581,046,661	1,051,729,653,771
Current tax liabilities	4(u), 49	6,029,075,603	6,217,082,758
Provisions	46	2,845,402,347	2,522,973,672
Finance lease obligations	4(i), 44	786,486,540	573,694,383
Employee benefits	4(p), 47	14,144,760,630	12,150,813,602
Other liabilities	48	146,894,901,690	153,341,713,033
Total Liabilities		1,345,601,331,907	1,228,771,639,654
Equity			
Capital	50	40,000,000,000	40,000,000,000
Legal reserve	4(q), 50	29,191,551,703	23,688,151,649
Statutory Reserve	50		90,827,390
CBE NOOR reserve	50	25,924,887	24,105,344
Remeasurement of defined benefit liability	50	(1,204,840,842)	(1,878,302,148)
Accumulated Profit or Loss	50	16,510,200,162	13,088,047,869
Retained earning		3,926,414,361	
Fair value reserve	50	345,454,605	289,390,679
Total equity		88,794,704,876	75,302,220,784
Total liabilities and equity		1,434,396,036,783	1,304,073,860,438

The accompanying notes are an integral part of this separate financial statement.

COMMERCIAL BANK OF ETHIOPIA

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024

(IN ETHIOPIAN BIRR)

	Capital	Legal reserve	Statutory reserve	CBE NOOR reserve	Accumulated profit or loss	Retained earning	Remeasurement of defined benefit liability	Fair value reserve	Total Equity
Balance as of 30 June 2022	40,000,000,000	19,325,469,027	1,756,847,303	19,412,058	12,378,732,197		(1,757,463,449)	181,005,199	71,904,002,336
Opening adjustment									
Total comprehensive income									
Profit for the year					17,450,730,492		(120,838,699)		17,329,891,793
Other comprehensive income								108,385,479	108,385,479
Transfer to/(from) CBE NOOR reserve				4,693,286					4,693,286
Transfer to/(from) Statutory reserve			(1,666,019,914)						(1,666,019,914)
Transfer to/(from) legal reserve		4,362,682,623			(4,362,682,623)				
Accumulated profit or loss					(12,378,732,197)				(12,378,732,197)
Balance as of 30 June 2023	40,000,000,000	23,688,151,650	90,827,389	24,105,344	13,088,047,869	=	(1,878,302,148)	289,390,679	75,302,220,783
Opening Adjustment									
Total comprehensive income									
Profit for the year					22,013,600,216		673,461,306		22,687,061,522
Other comprehensive income								56,063,926	56,063,926
Transfer to/(from) CBE NOOR reserve				1,819,543					1,819,543
Transfer to/(from) Statutory reserve			(90,827,389)						(90,827,390)
Transfer to/(from) legal reserve		5,503,400,054			(5,503,400,054)				
Accumulated profit or loss					(13,088,047,869)				(13,088,047,869)
Retained earning						3,926,414,361			3,926,414,361
Balance as of 30 June 2024	40,000,000,000	29,191,551,704	=	25,924,887	16,510,200,162	3,926,414,361	(1,204,840,842)	345,454,605	88,794,704,876

The accompanying notes are an integral part of this separate financial statement.

COMMERCIAL BANK OF ETHIOPIA

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

(IN ETHIOPIAN BIRR)

	30 June 2024	30 June 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	26,303,934,055	21,952,568,366
Adjustment		
Impairment of loans and advance and Debt Securities	45,464,850,967	40,815,157,658
Provision for unutilized OD,LC and Guarantee	(31,779,255)	(9,809,846)
Reduction (Allowance) for Placement with other Banks	(242,648,327)	133,480,534
Provision against Non current asset held for sale		(155,889,602)
Depreciation and amortization	1,356,355,307	3,362,740,533
Income from subsidiary and associate recognized in profit or loss	(1,048,954,949)	(615,125,320)
Loss (Gain) on Disposal of Property, Plant and Equipment	(41,419,792)	(10,831,330)
Loss (Gain) on Disposal of NCA held for sale	(541,810,561)	(91,152,663)
Finance lease charge	30,490,069	24,714,701
	71,249,017,514	65,441,853,030
Movement in working capital		
Change in debt and equity security	(33,172,711,929)	(50,151,342,938)
Change in Loans and advances	(128,758,865,667)	(72,558,312,424)
Change in receivables	(470,062,988)	(396,830,898)
Change in Non Current Asset Held for Sale		(88,271,374)
Change in other assets	(744,945,130)	(1,262,554,248)
Change in Restricted cash	(4,011,208,679)	(5,619,302,474)
Change in customers' deposits	121,853,212,433	162,292,374,958
Change in provisions	354,207,929	(115,704,667)
Change in employee benefits	2,956,034,608	2,450,265,421
Change in other liabilities	(6,446,811,344)	(20,318,244,997)
	22,807,866,747	79,673,929,389
Cash generated from operations		
Income taxes paid	(6,217,082,758)	(7,126,814,110)
Net cash generated by operating activities	16,590,783,989	72,547,115,280
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property ,plant and equipment	(3,965,004,093)	(6,159,753,109)
Proceeds from disposal of property, plant and equipment	45,816,246	13,624,560
Proceeds from disposal of NCA held for sale	466,740,151	1,168,162,919
Payments for Investments	-	(135,197,501)
Payment for intangibles	(384,147,856)	(473,025,549)
Payment right of use assets	1,621,891,107	(1,711,028,764)
Net cash used in investing activities	(2,214,704,444)	(7,297,217,445)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash included in assets acquired		
Dividend paid	(9,161,633,508)	(12,378,732,197)
Finance lease obligation paid	(177,883,632)	(175,465,831)
Net cash outflow from financing activities	(9,339,517,141)	(12,554,198,028)

COMMERCIAL BANK OF ETHIOPIA**SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024**

(IN ETHIOPIAN BIRR) -- continued

	30 June 2024	30 June 2023
Increased (decrease) in cash and cash equivalents	5,036,562,404	52,695,699,806
Cash and cash equivalents at the beginning of the year	117,185,124,675	64,489,424,867
Cash and cash equivalents at the end of the year	<u>122,221,687,080</u>	<u>117,185,124,675</u>
Cash and cash equivalents comprise		
Cash in hand	15,331,715,661	15,666,003,079
Balance with National Bank of Ethiopia	33,668,097,222	73,000,355,995
Placement with other banks	26,600,242,688	23,840,874,036
Treasury Bills	47,941,289,945	6,913,600,000
Deposit due to other banks	(1,319,658,436)	(2,235,708,435)
Cash and cash equivalents	<u>122,221,687,080</u>	<u>117,185,124,675</u>

The accompanying notes are an integral part of this separate financial statement.

(29) FINANCIAL RISK REVIEW

The Bank is exposed to the following financial risks from financial instruments, for which it conducts regular risk management efforts:

- ➡ Credit risk
- ➡ Liquidity risk
- ➡ Market risk
- ➡ Capital management
- ➡ Operational risk

This note presents information about the Bank's exposure to each of the above risks, and the Bank's objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout separate financial statement.

Risk management framework

The Board of Directors of the Bank has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Loan and Risk Review Committee (LRRC) through the Loan and Risk Review Committee charter, which is responsible for providing the standards and minimum parameters to be followed in managing the bank's exposure to risk. Besides, it is also responsible for developing and monitoring effectiveness of the Bank's risk management policies and the degree of compliance to national and international regulatory standards. The LRRC reports regularly to the Board of Directors on its activities.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to those limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank through its training management standards and procedures aims to develop a disciplined and constructive control environment in which all the employees understand their roles and obligations.

The Bank's Board Audit Committee oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk faced by the Bank. The Bank's Board Audit Committee is assisted in its oversight role by Internal Audit function. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Bank's Audit Committee.

In addition, the Bank is subject to the regulations of the National Bank of Ethiopia with respect to, among others matters, comprehensive risk management, liquidity and capitalization.

(a) Credit Risk

Refer page number (45-60)

(b) Liquidity risk

Liquidity risk is the risk that the Bank either does not have sufficient resources available to meet all its obligations and commitments as and when they fall due, or can only access these financial resources at excessive cost. The Bank's approach to managing liquidity risk is to ensure, as far as possible, that it will

(29) FINANCIAL RISK REVIEW continued
(b) Liquidity risk- continued

always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation and security.

The Bank manages liquidity risk both a short-term and medium-term basis. In short-term, the focus is on ensuring that the cash flow demands can be met through asset maturities, customer deposits and wholesale funding where required. In the medium-term, the focus is on ensuring the statement of financial position remains structurally sound.

The Asset and Liability Management Committee (ALCO) and the Risk Management Committee regularly monitor the liquidity position by analyzing the maturity structure of assets and liabilities, the stability of deposits by customer type and the compliance to minimum standards set forth by the regulations and corporate policies.

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. Net liquid assets are cash and cash equivalents and negotiable financial instruments that mature in less than 186 days from the date of issue.

The Bank also monitors on a regular basis the advances to deposits ratio. This is defined as the ratio of total loans and advances to customers relative to total customer deposits. A low advance to deposit ratio demonstrates that customer deposits are in excess of customer loans due to the emphasis placed on generating a high level of stable funding from customers.

ETB	30 June 2024	30 June 2023
Loans and advances, net	423,307,160,977	330,424,281,362
Deposits from customers	1,174,900,705,098	1,053,965,362,206
Loans & Advances to deposits ratio	<u>36.03%</u>	<u>31.35%</u>

(29) Financial Risk Review (continued)**(b) Liquidity risk- continued**

The table below summarizes the Bank's liquidity risk as at 30 June 2024 and 30 June 2023 categorized into relevant maturity groupings based on the earlier of the remaining contractual maturities.

Total Financial Assets and Financial Liabilities (Amounts in Million Birr)

30 June 2024	Upto 1 month	1-3 months	3-month upto 1 year	1-3 years	Over 3 years	Non-Maturity Items	Total
I. Assets							
On balance sheet							
Cash and balances with NBE	95,054	59,923	240	1	26,837	8,944	190,998
Loans and advances to banks	-	-	-	-	1,830	-	1,830
Loans and advances to customers	25,965	63,682	37,978	28,876	253,934	11,041	421,477
Receivables				-		2,130	2,130
Investment in associates and Subsidiaries						5,094	5,094
Equity securities and Debt Securities	3,332	114,803	124,242	29,321	487,649	6,569	765,917
Other Assets						46,951	46,951
A. Total Assets	124,351	238,408	162,460	58,198	770,250	80,729	1,434,396
II. Liabilities							
On balance sheet							
Deposits due to other banks	1,320	-	-	-	-		1,320
Customers' deposits	52,534	2,434	3,426	11	1,115,177		1,173,581
Borrowing From NBE				-	100,583		100,583
Current Tax Liability		6,029					6,029
Dividend		16,510					16,510
Other liabilities	1,171	1,264			61,654		64,088
B. Total liabilities	55,024	26,237	3,426	11	1,277,415	-	1,362,112
C. Net liquidity Gap (A-B) as at 30 June 2024	69,327	212,172	159,035	58,187	(507,165)	80,729	72,285
Cumulative Gap as at 30 June 2024	69,327	281,499	440,534	498,721	(8,444)	72,285	144,569

(29) Financial Risk Review (continued)**(b) Liquidity risk- continued****Total Financial Assets and Financial Liabilities (Amounts in Million Birr)**

30 June 2023	Upto 1 month	1-3 months	3-month upto 1 year	1-3 years	Over 3 years	Non-Maturity Items	Total
I. Assets							
On balance sheet							
Cash and balances with NBE	125,576	7,008	216	2	-	49,821	182,624
Loans and advances to banks	7	46	283	442	381	-	1,158
Loans and advances to customers	21,568	11,536	55,267	39,952	200,944	-	329,267
Receivables						1,750	1,750
Investment in associates and Subsidiaries						4,045	4,045
Equity securities and Debt Securities	2,869	66,145	125,686	168,002	378,582	969	742,253
Other Assets						42,978	42,978
A. Total Assets	150,020	84,734	181,451	208,397	579,907	99,564	1,304,074
II. Liabilities							
On balance sheet							
Deposits due to other banks	304				1,932		2,236
Customers' deposits	49,584	1,912	2,447	2	997,784		1,051,730
Borrowing From NBE					104,575		104,575
Current Tax Liability		6,217					6,217
Dividend		13,088					13,088
Other liabilities	573	11,413			52,029		64,014
B. Total liabilities	50,460	32,630	2,447	2	1,156,319		1,241,860
C. Net liquidity Gap (A-B) as at 30 June 2023	99,559	52,104	179,004	208,395	(576,412)	99,564	62,214
Cumulative Gap as at 30 June 2023	99,559	151,663	330,667	539,062	(37,350)	62,214	124,428

(29) Financial Risk Review (continued)

(b) Liquidity risk- continued

It is assumed that the fair value of the liquid assets is equivalent to the carrying amount since no discounting is involved to realize these assets into cash.

Customer deposits up to three months represent current, savings and call deposit account balances, which past experience has shown to be stable and of a long-term nature.

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates, and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits and other liabilities. This enhances flexibility, limits dependence on any source of funds and generally lowers the cost of funds.

The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall Bank strategy.

(c) Market risk

The Bank recognizes market risk as the risk of loss arising from changes in market prices and rates. The Bank's exposure to market risk arises principally from customer-driven transactions and recognizes that the value of on and off-balance sheet positions of the bank are adversely affected by the movement in the market prices or rates such as interest rate, exchange rate, equity prices and commodity price that may result in loss for the bank. The objective of the Bank's market risk policies and processes is to obtain the best balance between risk and return whilst meeting customers' requirements.

The Bank's exposure to potential market risk arises mainly due to the open interest rate and exchange rate positions. All these elements are exposed to general and specific market movements and may result in the reduction of the value of a financial asset. The Asset and Liability Management Committee (ALCO) authorize the established limits and monitor results.

(a) Interest rate risk:

The interest rate risk is the exposure of the financial position of the Bank to any losses arising from adverse movements in interest rates.

The Bank monitors the sensitivity of changes in interest rates, and determines the balance structure, different item terms and investment strategies.

The table below summarizes the exposure to interest rate risks. Included in the table below are the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

(29) Financial Risk Review -continued

(c) Market risk -continued

Exposure to interest rate risk (Amounts in Millions Birr)

30 June 2024	Upto 1 month	1-3 months	3-month upto 1 year	1-3 years	Over 3 years	Non -interest Sensitive Items	Total
I. Assets							
A. Interest Rate Sensitive Assets							
Cash & Balances with NBE						190,998	190,998
Loans and Advances to Banks	-	-	-	-	1,830	-	1,830
Loans and Advances to Customers	18,951	46,478	27,718	21,075	187,275	119,980	421,477
Debt Securities	2,780	95,789	103,665	24,465	455,923	82,003	764,625
Total Rate Sensitive Assets	21,730	142,267	131,383	45,540	645,029	392,981	1,378,930
II. Liabilities							
B. Rate Sensitive Liabilities							
Deposits Due to other Banks	1,320	-	-	-	-	-	1,320
Customers' Deposits	47,116	2,119	2,982	11	574,857	546,496	1,173,581
Borrowings from NBE					-	-	-
Total Rate sensitive liabilities	48,436	2,119	2,982	11	574,857	546,496	1,174,901
C. Rate Sensitive Gap	(26,706)	140,149	128,401	45,529	70,171	(153,515)	204,029
Cumulative Rate Sensitive Gap	(26,706)	113,443	241,844	287,373	357,544	204,029	408,059
Adjusted Interest Rate Change	0.14	0.25	1.50	1.00	1.00		
Relative Gap Ratio (RSG to Total Asset)	-21%	59%	79%	78%	9%		14%
Total Asset	124,351	238,408	162,460	58,198	770,250	80,729	1,434,396

(29) Financial Risk Review -continued

(c) Market risk -continued

Exposure to interest rate risk (Amounts in Millions Birr)

30 June 2023	Upto 1 month	1-3 months	3-month upto 1 year	1-3 years	Over 3 years	Non -interest Sensitive Items	Total
I. Assets							
A. Interest Rate Sensitive Assets							
Cash & Balances with NBE						182,624	182,624
Loans and Advances to Banks	7	46	283	442	381		1,158
Loans and Advances to Customers	21,568	11,536	55,267	39,952	200,944		329,267
Debt Securities	2,869	66,145	125,686	168,002	377,615	967	741,283
Total Rate Sensitive Assets	24,444	77,726	181,236	208,395	578,940	183,590	1,254,331
II. Liabilities							
B. Rate Sensitive Liabilities							
Deposits Due to other Banks	304				1,932		2,236
Customers' Deposits	49,584	1,912	2,447	2	536,547	461,237	1,051,730
Borrowings from NBE							
Total Rate sensitive liabilities	49,888	1,912	2,447	2	538,479	461,237	1,053,965
C. Rate Sensitive Gap	(25,444)	75,814	178,788	208,393	40,462	(277,647)	200,366
Cumulative Rate Sensitive Gap	(25,444)	50,370	229,158	437,551	478,013	200,366	400,732
Adjusted Interest Rate Change	0.14	0.25	1.5	1	1		
Relative Gap Ratio (RSG to Total Asset)	(17%)	89%	99%	100%	7%		15%
Total Asset	150,020	84,734	181,451	208,397	579,907	99,564	1,304,074

(29) Financial Risk Review (continued)

(c) Market risk - continued

(b) Exchange rate risk:

Exchange rate risk is the risk a financial instrument's value fluctuates as a result of changes in the exchange rates of foreign currencies and other financial variables. Foreign exchange rate risks arise from financial instruments denominated in currencies other than the Bank's functional currency.

The Bank's foreign currency denominated assets and liability accounts may result in translational gain/loss depending on the net open position and direction of the exchange rate movement. To control the risk, the net position in each foreign currency is managed on a daily basis.

The various foreign currencies to which the Bank is exposed to are summarized below:

Currency Type	30 June 24	30 June 23
	Amount in Thousands of Foreign Currency	Amount in Thousands of Foreign Currency
1. On B/S FCY Assets		
AED	1,069	1,450
CAD	701	481
CHF	1,554	1,204
DJF	64,331	89,967
DKK	645	2,661
EUR	11,604	17,383
GBP	1,211	4,531
INR	180,128	176,371
JPY	63,067	33,922
KES	12,831	19,546
KWD	33	18
AUD	38	8
SAR	2,455	1,564
SEK	9,247	7,556
USD	645,593	636,481
NOK	7,019	1,917
CNY	215	3,708
2. On B/S FCY Liabilities		
DJF	36	36
EUR	62,864	96,698
GBP	6,600	6,034
USD	1,057,879	975,976
JPY	760	760

(29) Financial Risk Review (continued)

(c) Market risk - continued

Sensitivity analysis

As can be witnessed in the exchange rate movement during the year, the tendency of further depreciation of Birr is expected. Hence, we have considered two scenarios of Birr devaluation by 15% and 20%.

In order to see the impact on the financial performance of CBE, the sensitivity is applied to the open position in USD, GBP and other currencies.

Stressed by 15% Birr Devaluation
Amounts in Millions Birr

S.No.	Descriptions	Multiplying Factor	Actual Position	Stressed by 15% Birr Devaluation	Change
1	Overall Open Position		(224,473)	(257,730)	(33,257)
1.1	Net Short Open Position – USD		(209,674)	(241,126)	(31,452)
1.2	Net Short Open Position – EUR		(12,038)	(13,843)	(1,805)
1.3	Net Short Open Position - Other Currencies		(2,761)	(2,761)	-
2	Total, Capital		72,285	72,285	-
2.1	Capital Charge (8%)	8%*1	17,958	19,779	1,821
2.2	Forex risk Capital Charge to total Capital Ratio	2.1/2	238	274	36
3	Overall Open Position to Capital Ratio		-311%	-342%	-31%
4	Profit before tax Projection				27,037
5	Total, Gain/Loss due to depreciation of Birr against USD				(3,575)
6	Total, Gain/Loss due to depreciation of Birr against EUR				(476)
7	Total, Gain/Loss due to depreciation of Birr against USD and EUR (5+6)				(4,051)
8	Post Shock Profit/Loss				22,986
9	Impact on capital				-
10	Post-shock capital				-

(29) Financial Risk Review (continued)

(c) Market risk - continued

Stressed by 20% Birr Devaluation
Amounts in Millions Birr

S.No.	Descriptions	Multiplying Factor	Actual Position	Stressed by 15% Birr Devaluation	Change
1	Overall Open Position		(224,473)	(268,815)	(44,342)
1.1	Net Short Open Position – USD		(209,674)	(251,609)	(41,935)
1.2	Net Short Open Position – EUR		(12,038)	(14,445)	(2,407)
1.3	Net Short Open Position - Other Currencies		(2,761)	(2,761)	-
2	Total, Capital		72,285	72,285	-
2.1	Capital Charge (8%)	8%*1	17,958	19,779	1,821
2.2	Forex risk Capital Charge to total Capital Ratio	2.1/2	238	274	36
3	Overall Open Position to Capital Ratio		-311%	-342%	-31%
4	Profit before tax Projection		27,037		
5	Total, Gain/Loss due to depreciation of Birr against USD		(4,767)		
6	Total, Gain/Loss due to depreciation of Birr against EUR		(635)		
7	Total, Gain/Loss due to depreciation of Birr against USD and EUR (5+6)		(5,402)		
8	Post Shock Profit/Loss		21,635		
9	Impact on capital		-		
10	Post-shock capital		-		

(29) Financial Risk Review (continued)

(d) Operational Risk Management

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Bank seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

Operational risks arise from all of the Bank's operations and are faced by all business units. As such, the Bank seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, control and report such risks.

The scope of operational risk assessment of any process shall be determined based on various factors among them:

- The level of perceived risks;
- Previous operational risk assessment risks;
- Business criticality of the activities, process or product under consideration;
- The presence of overarching regulatory requirement; and
- Management's need for further examination of ongoing operations (such as lines of business, product, service and processes individually or in combinations).

Every risk assessment unit shall perform a risk assessment on its respective processes/units, at least on an annual basis. The Risk and Compliance Management process may request for more frequent risk assessment, if the need arises, primarily based on the perceived level of risk of the respective risk assessment unit/process.

(e) Capital management

The National Bank of Ethiopia, has issued directive number SBB/4/95 that dictates every bank transfer on an annual basis, 25% of its annual net profit to its legal reserve account until such account equals its capital. When the legal reserve account equals the Bank's capital, the amount to be transferred to the legal reserve account shall be 10% of the annual net profit.

The Bank's capital is therefore managed in accordance with NBE directives and proclamation on banking business and those of subsidiaries capital is managed in accordance with the commercial code and other related laws.

In addition to regulatory requirements, CBE conducts objective analysis on the adequacy of its capitalization on a regular basis. Based on the result of rigorous analysis made on capital management and adequacy, CBE injects additional capital after proposing the required amount of additional capital to the Ministry of Finance and upon approval by the house of peoples' representatives of the Federal Democratic Republic of Ethiopia.

The National Bank of Ethiopia requires a bank to maintain at all times:

- Primary or Tier 1 capital: state capital/paid-up capital, declared reserves and Accumulated Profit or loss.
- Secondary or Tier 2 capital: Includes qualified equity instruments. However, CBE does not have any tier-2 capital account in its statement of financial position.

The Bank and its individually regulated subsidiaries have met with all of the external capital requirements to which they are subject. As of 30 June 2024, and 30 June 2023 respectively, the Bank's regulatory capital position was as follows:

(29) Financial Risk Review - continued

(e) Capital management - continued

	30 June 2024	30 June 2023
Capital - Level 1		
State Capital	40,000,000,000	40,000,000,000
Legal Reserves	29,191,551,703	23,688,151,649
CBE NOOR Reserve	25,924,887	24,105,344
Accumulated Profit or loss	16,510,200,162	13,088,047,869
Retained Earning	3,926,414,361	
Statutory Reserve		90,827,390
Total	89,654,091,114	76,891,132,252
Capital- Level 2		
Fair value reserve	345,454,605	289,390,679
Re-measurement of Defined benefit liability	(1,204,840,842)	(1,878,302,148)
Total	(859,386,237)	(1,588,911,469)
Total regulatory capital	<u>88,794,704,876</u>	<u>75,302,220,784</u>
Total assets and weighted contingencies	300,260,011,378	288,527,900,671
Total regulatory capital / risk weighted assets	<u>29.57%</u>	<u>26.10%</u>

Accumulated profit or loss is the portion of the Bank's net profit that has not yet been distributed to the government as dividends, after accounting for the required legal reserve during the current year.

Retained earning represents the profits from previous years that the Bank has retained for future use, after paying dividends to the government as per the Ethiopian Investment Holdings Dividend Policy.

The Statutory Reserve for 2024 has not been maintained due to the NBE's allowance for uncollectable suspense accounts being lower than IFRS requirements.

(30) FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Accounting classifications

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

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

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

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

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

During the current year, there was sufficient information available to measure the fair value of financial instruments based on observable market inputs. In the previous year, the available-for-sale equity instruments were measured at cost because the fair value was not considered to be reliably measurable.

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

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. Estimated fair value of fixed interest-bearing deposits without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with similar maturities and interest rates, hence their fair value approximates their carrying amounts.

(30) Fair Value of Financial Instruments- continued**(a) Accounting classifications - continued**

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

					Fair value			
	Amortized Cost	FVOCI	FVTPL	Total carrying amounts	Level 1	Level 2	Level 3	Fair value
30 June 2024	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
Financial Instruments								
Financial Assets:								
Cash and Balances with NBE	93,089,748,842			93,089,748,842				
Treasure Bill	107,693,610,802			107,693,610,802				
Placement with other Banks	35,544,055,206			35,544,055,206				
Loans and advances to customers	421,476,996,538			421,476,996,538				
Loans to micro-finance institutions	1,830,164,440			1,830,164,440				
Debt Securities	704,872,665,055			704,872,665,055				
Equity Securities		1,291,544,725		1,291,544,725		1,291,544,725		1,291,544,725
Receivables	2,129,668,268			2,129,668,268				
Investment in subsidiaries	4,588,501,991			4,588,501,991				
Investment in Associates		505,713,285		505,713,285		505,713,285		505,713,285
Total financial assets	1,371,225,411,141	1,797,258,010		1,373,022,669,151		1,797,258,010		1,797,258,010
Financial liabilities:								
Deposits due to other banks	1,319,658,436			1,319,658,436				
Customers' deposits	1,173,581,046,661			1,173,581,046,661				
Current tax liability	6,029,075,603			6,029,075,603				
Other liabilities	100,583,421,765			100,583,421,765				
Total financial liabilities	1,281,513,202,465			1,281,513,202,465				

COMMERCIAL BANK OF ETHIOPIA

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(30) Fair Value of Financial Instruments- continued

(a) Accounting classifications - continued

		Fair value							
		Amortized Cost	FVOCI	FVTPL	Total carrying amounts	Level 1	Level 2	Level 3	Fair value
30 June 2023		ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
Financial Instruments									
Financial Assets:									
Cash and Balances with NBE		127,522,007,614			127,522,007,614				
Treasure Bill		97,592,960,098			97,592,960,098				
Placement with other Banks		33,673,477,875			33,673,477,875				
Loans and advances to customers		329,266,772,207			329,266,772,207				
Loans to micro-finance institutions		1,157,509,155			1,157,509,155				
Debt Securities		650,604,066,580			650,604,066,580				
Equity Securities			969,165,622		969,165,622		969,165,622		969,165,622
Receivables		1,750,432,669			1,750,432,669				
Investment in subsidiaries		3,634,487,035			3,634,487,035				
Investment in Associates			410,773,292		410,773,292		410,773,292		410,773,292
Total financial assets		1,245,201,713,233	1,379,938,914		1,246,581,652,147		1,379,938,914		1,379,938,914
Financial liabilities:									
Deposits due to other banks		2,235,708,435			2,235,708,435				
Customers' deposits		1,051,729,653,771			1,051,729,653,771				
Current tax liability		6,217,082,758			6,217,082,758				
Other liabilities		104,574,708,536			104,574,708,536				
Total financial liabilities		1,164,757,153,500			1,164,757,153,500				

COMMERCIAL BANK OF ETHIOPIA

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(30) Fair Value of Financial Instruments- continued

(b) Valuation hierarchy:

The Bank uses the following hierarchy for determining and disclosing the fair value of available-for-sale financial assets by valuation technique:

	Level 1	Level 2	Level 3
Fair value determined using:	Unadjusted quoted prices in an active market for identical assets and liabilities.	Valuation models with directly or indirectly market observable inputs.	Valuation using significant non-market observable inputs
Types of financial assets:	Actively traded government and other agency securities. Listed derivative instruments. Listed equities.	Corporate and other government bonds and loans. Over-the-counter (OTC) derivatives.	Corporate bonds in illiquid markets. Highly structured OTC derivatives with unobservable parameters.
Types of financial liabilities:	Listed derivative instruments.	Over-the-counter (OTC) derivatives.	Highly structured OTC derivatives with unobservable parameters.

(31) INTEREST INCOME AND EXPENSE

Interest income and expense are analyzed as follows:

ETB	30 June 2024	30 June 2023
INTEREST INCOME		
Loans and advances to customers	39,350,403,532	33,000,951,842
Debt securities & Bank Balances	61,667,677,115	54,808,462,753
Total interest income	101,018,080,647	87,809,414,594

The Bank assessed whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. For credit impaired financial assets, the bank has applied effective interest rate to amortised cost of the financial asset in subsequent reporting periods.

ETB	30 June 2024	30 June 2023
INTEREST EXPENSE		
Depositary obligations	44,494,781,220	45,721,592,196
Total interest expense	44,494,781,220	45,721,592,196

(32) NON-INTEREST INCOME AND EXPENSES

ETB	30 June 2024	30 June 2023
NON-INTEREST INCOME		
Commissions	20,715,098,633	20,530,256,700
Bank services and transaction fees	7,167,689,077	4,278,128,498
Discount Earned on Securities	388,260,012	432,598,541
Other income	4,766,235,164	2,985,679,857
Total Non-Interest Income	33,037,282,886	28,226,663,596

COMMERCIAL BANK OF ETHIOPIA

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(32) NON-INTEREST INCOME AND EXPENSES - continued

The Bank recognises revenue when satisfy its performance obligation. The bank has determined that its revenue from contracts with customer does not contain a significant financing component but deal with a significant number of contracts with customers. It is disclosed aggregating with non-interest income. Information about the Bank's significant accounting policies relating to revenue from contratcts with customer is provided in note 4(r).

ETB	30 June 2024	30 June 2023
NON-INTEREST EXPENSE		
Salaries and Employee Benefits	35,084,137,215	28,031,521,630
Outsourcing Service Expense	4,642,825,118	3,528,197,713
LicenseFee	781,931,766	734,755,102
Depreciation and Amortization	2,968,255,808	1,745,752,218
Deprecation Right of Use Asset	1,938,135,850	1,620,154,353
Advertising and publicity	517,009,763	322,400,153
Repairs and maintenance	912,888,559	755,417,865
Electronic data process	1,074,193,973	656,662,586
Stationery and office supplies	1,118,587,794	817,938,094
Discount Loss	388,250,155	432,598,541
Donation and Contribution expe	30,415,240	1,576,976,405
Deposit Insurance Fund Contribution	3,167,321,567	
Other expenses	4,284,834,298	4,032,139,172
Total non- interest expenses	56,908,787,105	44,254,513,834

(33) CASH AND CASH EQUIVALENTS

ETB	30 June 2024	30 June 2023
Cash on hand	15,331,715,661	15,666,003,079
Cash reserve with National Bank of Ethiopia	59,421,651,619	54,521,651,619
Treasury Bills	47,941,289,945	6,913,600,000
Placements with other banks	35,544,055,206	33,673,477,875
Payment and settlement accounts:		
- With National Bank of Ethiopia	33,668,097,222	73,000,355,995
	191,906,809,654	183,775,088,569
Allowance for impairment losses	(908,898,650)	(1,151,546,977)
	190,997,911,004	182,623,541,592

COMMERCIAL BANK OF ETHIOPIA

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(33) CASH AND CASH EQUIVALENTS - continued

Loss allowances for cash and cash equivalents are comprised as follows:

	ETB	30 June 2024	30 June 2023
Cash reserve with NBE		59,421,651,619	54,521,651,619
Payment and settlement accounts with NBE		33,668,097,222	73,000,355,995
		93,089,748,841	127,522,007,614
Allowance for Loss		(596,751,205)	(565,330,780)
Domestic Bank Account Balances, net		<u>92,492,997,636</u>	<u>126,956,676,834</u>
Placements with other banks		35,544,055,206	33,673,477,875
Allowance for Loss		(4,843,776)	(4,961,498)
Correspondent Account Balances, net		<u>35,539,211,430</u>	<u>33,668,516,377</u>
Treasury Bills - cash equivalent		47,941,289,945	6,913,600,000
Allowance for Loss		(307,303,669)	(581,254,698)
Treasury Bills/ cash, net		<u>47,633,986,277</u>	<u>6,332,345,302</u>

The cash reserves are non-interest earning and is based on the value of deposits as adjusted for National Bank of Ethiopia requirements. At 30 June 2024 and 30 June 2023, the cash reserve requirement was 7%, on average in every calander month.

Out of the total placement with other Banks ETB8,943,812,518.17 as at 30 June 2024 and ETB9,832,603,838.96 as at 30 June 2023 represent the debt service reserve account in relation to the master loan agreement made at EXIM Bank of China on behalf of State Owned Enterprises. These funds are not available to finance the Bank's day-to-day operations.

The Bank reclassified Treasury bills maturing within 90 days as cash and cash equivalents, while those with longer maturities were categorized as investments in securities.

(34) DEBT AND EQUITY SECURITIES

	ETB	30 June 2024	30 June 2023
Debt Securities		764,624,985,912	741,283,426,678
Equity Securities		1,291,544,725	969,165,622
Debt and Equity Securities		<u>765,916,530,637</u>	<u>742,252,592,299</u>

COMMERCIAL BANK OF ETHIOPIA

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(34) DEBT AND EQUITY SECURITIES - continued

i. Debt Securities

This account is comprised as follows:

ETB	30 June 2024	30 June 2023
Held to maturity	785,295,333,929	752,445,001,102
Allowance for Impairment Losses	(20,670,348,017)	(11,161,574,425)
Total	764,624,985,912	741,283,426,678

ETB	30 June 2024	30 June 2023
Coupon bonds	35,812,069,235	44,618,342,385
Corporate bonds	633,844,077,480	583,357,777,088
Treasury & DBE Bonds	35,886,090,226	11,519,557,572
Government securities	20,000,776,130	22,269,963,959
Treasury bills	59,752,320,857	90,679,360,098
Total	785,295,333,929	752,445,001,102

The interest receivables on these investment securities are detailed as follows:

ETB	30 June 2024	30 June 2023
Interest receivable		
Coupon bonds	1,403,428,976	715,405,134
Corporate bonds	113,120,857,292	69,622,463,403
Treasury & DBE bonds	1,511,334,226	407,625,572
Total	116,035,620,494	70,745,494,108

The allowances for impairment losses on each debt security are detailed as follows:

ETB	30 June 2024	30 June 2023
Allowance for impairment losses		
Corporate and Coupon bonds	19,931,589,513	10,944,983,592
Government securities	125,716,289	142,750,469
Treasury Bonds	207,250,476	59,932,649
DBE bonds	22,779,362	13,907,716
Treasury bills - Investment class	383,012,377	-
	20,670,348,017	11,161,574,425

Allowance amounts recognized (reduced) for impairment on debt security during the year:

ETB	30 June 2024	30 June 2023
At 1 July 2023	11,161,574,425	6,233,867,941
Amounts recognized (reduced)	9,508,773,592	4,927,706,484
As at 30 June 2024	20,670,348,017	11,161,574,425

COMMERCIAL BANK OF ETHIOPIA

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(34) DEBT AND EQUITY SECURITIES - continued

ii. Equity securities

ETB	30 June 2024	30 June 2023
Ethswitch Share Company	355,475,866	312,497,331
African Export Import Bank	723,885,131	637,100,000
S.W.I.F.T. SCRL	13,723,892	10,568,291
AAI Convention & Exhibition Center	150,000,000	-
Capital Finance Excellence Center	3,159,836	-
ESX S.CO	45,300,000	-
	<u>1,291,544,725</u>	<u>969,165,622</u>

The change in the carrying amount of equity securities comprises:

ETB	30 June 2024	30 June 2023
Ethswitch Share Company		
At 1 July at cost	321,497,331	164,170,000
Additions	21,174,698	11,735,751
Changes in fair value	12,803,837	145,591,580
	<u>355,475,866</u>	<u>321,497,331</u>

30 June 2024	30 June 2023
637,100,000	350,210,000
23,313,083	278,959,542
63,472,048	7,930,458
<u>723,885,131</u>	<u>637,100,000</u>

30 June 2024	30 June 2023
10,568,291	9,253,929
3,155,602	1,314,361
<u>13,723,892</u>	<u>10,568,291</u>

30 June 2024	30 June 2023
<u>150,000,000</u>	
2,500,000	-
659,836	-
<u>3,159,836</u>	-
<u>45,300,000</u>	-

S.W.I.F.T. SCRL

At 1 July at cost
Changes in fair value

AAI Convention & Exhibition Center

Capital Finance Excellence Center

At 1 July at cost
Changes in fair value

Ethiopian Security Exchange Sh. Co

Current year unrealized loss/gain arising from measurement at fair value was ETB 80,091,323 and related tax 30% ETB 24,027,397, (2023: ETB 154,836,399 and tax ETB 46,450,920)

Information about the fair value measurement of the Bank's equity securities is provided in note 10 (ii).

(35) LOANS AND ADVANCES TO CUSTOMERS
(a) Classification

Below is the composition of loans and advances to customers divided by category as well as its provision for impairment as of the reporting dates:

	30 June 2024	30 June 2024	30 June 2024
LOANS AND ADVANCES	Gross Amount	Allowance for loan losses	Book value
Agriculture			
Term loan	34,880,141,524	(1,386,489,026)	33,493,652,498
Overdraft	46,564,929	(2,180,092)	44,384,836
	34,926,706,453	(1,388,669,118)	33,538,037,334
Manufacturing			
Term loan	222,167,034,238	(21,643,068,175)	200,523,966,063
Overdraft	11,598,360,054	(485,193,102)	11,113,166,952
	233,765,394,292	(22,128,261,277)	211,637,133,015
Domestic & Trade services			
Term loan	26,029,190,092	(1,939,191,260)	24,089,998,833
Overdraft	6,046,076,956	(173,709,001)	5,872,367,956
	32,075,267,049	(2,112,900,260)	29,962,366,788
International trade			
Term loan	11,019,540,507	(3,474,090,601)	7,545,449,906
Overdraft	6,233,620,258	(311,042,347)	5,922,577,910
	17,253,160,765	(3,785,132,949)	13,468,027,816
Building and construction			
Term loan	28,359,230,156	(4,955,210,567)	23,404,019,589
Overdraft	1,826,991,628	(272,948,904)	1,554,042,723
	30,186,221,784	(5,228,159,471)	24,958,062,313
Consumer Loan			
Term loan	65,065,824,130	(363,721,085)	64,702,103,044
	65,065,824,130	(363,721,085)	64,702,103,044
CBE NOOR FINANCING			
Murabaha finance	44,074,323,133	(863,056,906)	43,211,266,227
	44,074,323,133	(863,056,906)	43,211,266,227
Total Loans to Customers	<u>457,346,897,605</u>	<u>(35,869,901,067)</u>	<u>421,476,996,538</u>

COMMERCIAL BANK OF ETHIOPIA
NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024
(35) LOANS AND ADVANCES TO CUSTOMERS - continued
(a) Classification- continued

	30 June 2023	30 June 2023	30 June 2023
LOANS AND ADVANCES	Gross Amount	Allowance for loan losses	Book value
Agriculture			
Term loan	29,355,814,306	(1,087,391,646)	28,268,422,660
Overdraft	63,441,825	(2,927,805)	60,514,020
	29,419,256,131	(1,090,319,451)	28,328,936,680
Manufacturing			
Term loan	194,553,029,878	(21,033,242,304)	173,519,787,574
Overdraft	7,941,371,340	(810,205,065)	7,131,166,275
	202,494,401,219	(21,843,447,370)	180,650,953,849
Domestic & Trade services			
Term loan	34,356,711,043	(4,943,338,368)	29,413,372,674
Overdraft	3,315,666,555	(214,952,352)	3,100,714,203
	37,672,377,597	(5,158,290,720)	32,514,086,878
International trade			
Term loan	9,015,225,299	(3,614,117,625)	5,401,107,674
Overdraft	1,550,219,454	(235,641,335)	1,314,578,119
	10,565,444,753	(3,849,758,959)	6,715,685,794
Building and construction			
Term loan	11,513,486,547	(3,074,608,872)	8,438,877,675
Overdraft	456,784,343	(111,230,881)	345,553,461
	11,970,270,890	(3,185,839,753)	8,784,431,136
Consumer Loan			
Term loan	42,226,389,018	(241,092,388)	41,985,296,630
	42,226,389,018	(241,092,388)	41,985,296,630
Loan & Advance for Employee			
Term loan	9,821,562,576	(1,940,356)	9,819,622,220
	9,821,562,576	(1,940,356)	9,819,622,220
CBE NOOR FINANCING			
Murabaha finance	20,861,036,169	(393,277,148)	20,467,759,022
Total Loans to Customers	365,030,738,352	(35,763,966,145)	329,266,772,207

COMMERCIAL BANK OF ETHIOPIA

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(35) LOANS AND ADVANCES TO CUSTOMERS - continued

(b) Allowance for expected credit losses is as shown below:

	ETB	30 June 2024	30 June 2023
At 1 July 2023		35,768,614,776	32,788,647,408
Allowance amounts recognized (reduced) during the year		107,371,276	2,979,967,368
As at 30 June 2024		<u>35,875,986,052</u>	<u>35,768,614,776</u>

(36) LOANS TO MICRO-FINANCE INSTITUTIONS

(a) Classification

Below is the composition of loans to financial institutions divided by category as well as its provision for impairment as of the reporting dates:

	ETB	30 June 2024	30 June 2023
Conventional Loan and Advances			
Terms loans		1,272,086,544	802,726,687
Overdraft		502,939,849	281,881,922
Allowance for expected credit losses		(5,916,469)	(4,338,434)
		<u>1,769,109,924</u>	<u>1,080,270,174</u>
CBE Noor Financing			
Terms loans		61,223,032	77,549,176
Allowance for expected credit losses		(168,516)	(310,197)
		61,054,516	77,238,979
Total		<u>1,830,164,440</u>	<u>1,157,509,154</u>

(b) Impairment losses on loans and advances to financial institutions

	ETB	30 June 2024	30 June 2023
At 1 July 2023		4,648,631	16,397
Amounts recognized (reduced) during the year		1,436,354	4,632,234
As at 30 June 2024		<u>6,084,985</u>	<u>4,648,631</u>

(37) RECEIVABLES

	ETB	30 June 2024	30 June 2023
Government receivables		1,230,978,839	1,230,978,839
Foreign receivables		513,164,441	243,451,530
Other receivables		2,655,500,739	2,059,507,331
Staff loans – prepayments		3,452,940,840	2,251,291,596
		<u>7,852,584,860</u>	<u>5,785,229,296</u>
Less: Staff loan contra account		(3,452,940,840)	(2,251,291,596)
Allowance for expected losses		(2,269,975,752)	(1,783,505,031)
		<u>2,129,668,268</u>	<u>1,750,432,669</u>

COMMERCIAL BANK OF ETHIOPIA

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(37) RECEIVABLES - continued

Provisions for doubtful debts:		
	ETB	
	30 June 2024	30 June 2023
Balance as at 1 July	(1,783,505,031)	(411,042,353)
Additional Provision during the year	(486,470,721)	(1,372,462,678)
Doubtful debts written off during the year	-	-
Impairment Reduction During the year	-	-
Balance as at 30 June 2024	<u>(2,269,975,752)</u>	<u>(1,783,505,031)</u>

(38) INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries and associates as of 30 June 2024 and 2023 are as follows:

Subsidiaries		
	ETB	
	30 June 2024	30 June 2023
Commercial Nominees PLC (100% participation)	3,936,964,587	3,111,505,425
Commercial Bank of Ethiopia(CBE) South Sudan Limited (100% ownership)	532,399,724	454,754,909
Commercial Bank of Ethiopia (CBE) Djibouti Limited (100% ownership)	119,137,680	68,226,701
	<u>4,588,501,991</u>	<u>3,634,487,035</u>

Associates:		
	ETB	
	30 June 2024	30 June 2023
Ethiopian Reinsurance S.C	505,713,285	410,773,292
Total investment in associates	<u>505,713,285</u>	<u>410,773,292</u>
Total investment in Subsidiaries and associates	<u>5,094,215,276</u>	<u>4,045,260,327</u>

Details of the Bank's investments in subsidiaries as of 30 June 2024 and 2023 are as follows:

(a) Commercial Nominees PLC

	ETB	
	30 June 2024	30 June 2023
Percentage ownership interest	100%	100%
Revenue (100%)	5,642,458,547	2,981,147,856
Total comprehensive income (100%)	825,459,163	534,346,033
CBE's share of total comprehensive income (100%)	<u>825,459,163</u>	<u>534,346,033</u>

(b) Commercial Bank of Ethiopia (CBE) South Sudan Limited

	ETB	
	30 June 2024	30 June 2023
Percentage ownership interest	100%	100%
Revenue (100%)	121,874,344	69,434,000
Total comprehensive income (100%)	77,644,815	26,889,175
CBE's share of total comprehensive income (100%)	<u>77,644,815</u>	<u>26,889,175</u>

COMMERCIAL BANK OF ETHIOPIA

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(38) INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES - continued

(c) Commercial Bank of Ethiopia (CBE) - Djibouti Limited

	ETB	30 June 2024	30 June 2023
Percentage ownership interest		100%	100%
Revenue (100%)		104,210,000	44,710,278
Total comprehensive income (100%)		50,910,978	6,837,698
CBE's share of total comprehensive income (100%)		50,910,978	6,837,698

(d) Ethiopian Re-insurance Share Company

	ETB	30 June 2024	30 June 2023
Percentage ownership interest		20.00%	20.00%
Revenue (100%)		1,789,660,756	1,443,132,830
Total comprehensive income (100%)		474,699,965	235,262,069
CBE's share of total comprehensive income (20%)		94,939,993	47,052,414

(39) NON-CURRENT ASSETS HELD FOR SALE

		2023/24		
Costs:	ETB	Building	Movable property	Total
At 1 July 2023		90,312,578	24,739,451	115,052,029
Acquisition		870,294	7,775,152	8,645,446
Transfer to property, plant and equipment		-	-	-
Sale/Disposal		(47,819,486)	(807,578)	(48,627,065)
Total 30 June 2024		43,363,386	31,707,025	75,070,410
Less Provisions:				
Impairment loss on acquired assets		(24,099)	(88,013,761)	(88,037,860)
Movement for the year		24,099	88,013,761	88,037,860
Closing balance		-	-	-
Non-current assets held for sale As at 30 June 2024		<u>43,363,386</u>	<u>31,707,025</u>	<u>75,070,410</u>

COMMERCIAL BANK OF ETHIOPIA**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024****(39) NON-CURRENT ASSETS HELD FOR SALE - continued**

	2022/23		
Costs:	Building	Movable property	Total
At 1 July 2022	785,463,886	250,708,767	1,036,172,653
Acquisition	130,105,245	25,784,358	155,889,602
Transfer to property, plant and equipment			
Sale/Disposal	(825,256,553)	(251,753,704)	(1,077,010,256)
Total 30 June 2023	90,312,578	24,739,421	115,051,999
Less Provisions:			
Impairment loss on acquired assets	(24,099)	(176,285,134)	(176,309,233)
Movement for the year	-	88,271,373	88,271,373
Closing balance	(24,099)	(88,013,761)	(88,037,860)
Non-current assets held for sale As at 30 June 2023	<u>90,288,478</u>	<u>(63,274,340)</u>	<u>27,014,138</u>

The Bank's management committed to plan to sell some assets kept under this category for more than a year. The Bank sold non current assets held for sale during the year ETB 48,627,065 and the remaining assets in this group are presented for auction at least once a year.

(40) INVESTMENT PROPERTY

Investment Property comprises office buildings that are leased to third parties under operating leases. The leases of investment properties contain initial non-cancellable lease terms of between one and five years. Some leases provide the lessees options to extend at the end of the term. Subsequent renewals are negotiated with the lessees.

	ETB	30 June 2024	30 June 2023
Balance as at 1 July		544,592	563,187
Reclassification		-	-
Depreciation		(21,072)	(18,595)
Balance as at June 30		<u>523,519</u>	<u>544,592</u>

The above items of investment property are depreciated on a straight line basis at the rate of 5% per annum.

The carrying amount of the investment property as of June 30, 2024, is ETB 523,519. The Bank measures its investment property at cost.

For informational purposes, the Bank has determined the fair value of the investment property. In 2024, the revalued market value of Investment property is ETB 35,975,425. This value was determined using a comparable sales approach based on recent sales of similar properties in the same area.

COMMERCIAL BANK OF ETHIOPIA

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(41) PROPERTY, PLANT AND EQUIPMENT

ETB	Balance at 01 July 2023	Additions	Disposal	Transfer/ Reclassifications	Balance at 30 June 2024
Cost					
Building	10,629,742,655	688,654,959	-	(99,047,504)	11,219,350,109
Computer and software	5,452,931,769	972,953,882	(766,866)	131,066,802	6,556,185,587
Fixtures, fittings and equipment	7,625,955,827	1,483,192,244	(32,331,391)	269,019,704	9,345,836,385
Motor vehicles	3,180,678,609	493,040,087	(8,098,243)	-	3,665,620,453
Work in progress	1,775,607,123	327,162,920	-	(301,039,002)	1,801,731,041
	28,664,915,982	3,965,004,093	(41,196,501)	-	2,588,723,574
Depreciation					
Building	(848,559,465)	(436,350,443)	-	13,693,542	(1,271,216,366)
Computer and software	(3,168,276,596)	(905,475,430)	-	662,380	(4,073,089,646)
Fixtures, fittings and equipment	(4,373,896,899)	(1,066,225,415)	30,726,364	(81,120)	(5,409,477,071)
Motor vehicles	(1,495,813,068)	(299,530,146)	6,073,682	-	(1,789,269,531)
	(9,886,546,028)	(2,707,581,434)	36,800,047	14,274,802	(12,543,052,614)
Net carrying amount	18,778,369,954	1,257,422,659	(4,396,454)	14,274,802	20,045,670,960

Property, plant, and equipment worth ETB 7,875,094,443.95 were fully depreciated during the year (2024) but continue to provide economic benefit to the bank.

The Bank has freehold land amounting total areas of 691,108.23 Meter square. Freehold land is not depreciated and the recognition of freehold land occurs at the date when control passes to the bank.

There were no capitalized borrowing costs related to the acquisition of property, plant and equipment during the year (2023: Nil).

(41) PROPERTY, PLANT AND EQUIPMENT - continued

ETB	Balance at 01 July 2022	Additions	Disposal	Transfer/ Reclassifications	Balance at 30 June 2023
Cost					
Building	3,939,767,010	-	-	6,689,975,645	10,629,742,655
Computer and software	3,644,115,291	1,809,065,397	(180,693)	(68,226)	5,452,931,769
Fixtures, fittings and equipment	5,288,878,288	2,361,203,530	(41,042,359)	16,916,368	7,625,955,827
Motor vehicles	2,353,492,457	835,337,065	(8,150,913)	-	3,180,678,609
Work in progress	7,328,283,791	1,154,147,118	-	(6,706,823,787)	1,775,607,123
	22,554,536,838	6,159,753,109	(49,373,965)	-	28,664,915,982
Depreciation					
Building	(693,589,849)	(154,988,211)	-	18,595	(848,559,465)
Computer and software	(2,666,312,327)	(502,210,700)	178,886	67,544	(3,168,276,596)
Fixtures, fittings and equipment	(3,742,392,345)	(671,725,675)	40,288,665	(67,544)	(4,373,896,899)
Motor vehicles	(1,245,576,348)	(256,349,905)	6,113,185		(1,495,813,068)
	(8,347,870,868)	(1,585,274,491)	46,580,735	18,595	(9,886,546,028)
Net carrying amount	14,206,665,970	4,574,478,618	(2,793,230)	18,595	18,778,369,954

(42) INTANGIBLE ASSETS

2024		Software
Cost	ETB	
Balance at 1 July 2023		1,524,562,612
Additions		384,147,856
Balance at 30 June 2024		1,908,710,468
Amortization and impairment		
Balance at 1 July 2023		765,838,294
Additions		264,603,657
Balance at 30 June 2024		1,030,441,951
Net carrying value		878,268,517

2023		Software
Cost	ETB	
Balance at 1 July 2023		1,051,537,063
Additions		473,025,549
Balance at 30 June 2024		1,524,562,612
Amortization and impairment		
Balance at 1 July 2023		606,115,711
Additions		159,722,582
Balance at 30 June 2024		765,838,294
Net carrying value		758,724,318

Intangible assets relate to software that includes banking and other related softwares.

The amortization expense recognized within non-interest expense for the year ended 30 June **2024** was ETB 264,603,657 (**2023**: ETB 159,722,582). The Bank has intangible asset which are fully amortised worth of ETB 447,740,921 but providing economic benefit to the entity.

COMMERCIAL BANK OF ETHIOPIA NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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(43) OTHER ASSETS

	ETB	30 June 2024	30 June 2023
Purchase in progress		1,706,076,703	2,658,189,332
Stationery and other supplies		2,099,287,853	900,510,482
IT expansion project		1,779,824,102	958,741,533
Prepaid		4,415,855,898	4,523,085,660
Others		1,673,389,147	1,861,947,427
Total		11,674,433,703	10,902,474,434

(44) RIGHT OF USE ASSETS AND FINANCE LEASE OBLIGATIONS

The Bank leases a number of assets including land and buildings. Information about leases for which the Bank is a lessee is presented below:

(a) Right-of-use assets:

2023/24	Land	Building	Total
Cost			
Balance at 01 July 2023	97,970,491	12,230,466,663	12,328,437,154
Adjustment	4,821,436	428,187,582	433,009,018
Expired ROUA		(3,549,165,449)	(3,549,165,449)
Additions	-	1,854,451,043	1,854,451,043
Balance at 30 June 2024	102,791,927	10,963,939,840	11,066,731,767
Depreciation			
Balance at 01 July 2023	16,746,722	7,732,066,951	7,748,813,673
Adjustment	155,267	24,705,186	24,860,453
Expired ROUA		(3,539,711,905)	(3,539,711,905)
Additions	2,044,886	1,911,230,511	1,913,275,397
Balance at 30 June 2024	18,946,875	6,128,290,743	6,147,237,618
Net carrying value	83,845,052	4,835,649,097	4,919,494,149

2022/23	Land	Building	Total
Cost			
Balance at 01 July 2022	97,970,491	10,359,169,651	10,457,140,142
Adjustment		32,528,338	32,528,338
Additions		1,838,768,673	1,838,768,673
Balance at 30 June 2023	97,970,491	12,230,466,663	12,328,437,154
Depreciation			
Balance at 01 July 2022	14,743,047	6,116,327,167	6,131,070,214
Adjustment		15,740,528	15,740,528
Additions	2,003,675	1,599,999,256	1,602,002,931
Balance at 30 June 2023	16,746,722	7,732,066,951	7,748,813,673
Net carrying value	81,223,768	4,498,399,712	4,579,623,481

(44) RIGHT OF USE ASSETS AND FINANCE LEASE OBLIGATIONS - continued

(b) Finance Lease Obligation

2023/24	Land	Building	Total
Liability			
Balance at 1 July 2023	(20,059,763)	492,215,427	472,155,664
Adjustment	3,240,537	4,651,369	8,071,907
Addition		352,113,814	352,113,814
Payment	(529,203)	(177,354,430)	(177,883,632)
Balance at 30 June 2024	(17,168,429)	671,626,181	654,457,752
Interest expense			
Balance at 1 July 2023	24,445,428	77,093,291	101,538,719
Adjustment		337,904	337,904
Additions	568,122	29,584,043	30,152,165
Balance at 30 June 2024	25,013,550	107,015,238	132,028,788
Net carrying value	7,845,121	778,641,418	786,486,540

2022/23	Land	Building	Total
Liability			
Balance at 1 July 2022	(19,549,089)	506,902,336	487,353,247
Adjustment		(278,608)	(278,608)
Addition		160,546,856	160,546,856
Payment	(510,674)	(174,955,157)	(175,465,831)
Balance at 30 June 2023	(20,059,763)	492,215,427	472,155,664
Interest expense			
Balance at 1 July 2022	24,060,234	52,763,784	76,824,018
Adjustment		(43,451)	(43,451)
Additions	385,194	24,372,958	24,758,152
Balance at 30 June 2023	24,445,428	77,093,291	101,538,719
Net carrying value	4,385,665	569,308,718	573,694,383

The Bank recognizes a lease liability at the present value of the lease payments that are not paid at that date. The Bank uses an incremental borrowing rate that is based on the weighted average cost of deposits across the years. The rates used to compute the present values of buildings lease liabilities as at 30 June 2024 was 4.73%. The rates used to compute the land lease liabilities as at 30 June 2024 was 9.50%.

The Bank leases buildings for its office space and branches. The building leases typically run for a period of between 2 and 10 years with majority of the contracts running for a period of 5 and 6 years. Some leases include an option to renew the lease for an additional period at the end of the contract term. The renewal term and lease rentals cannot be reliably estimated before the end of a contract.

The Bank leases land for construction of its own office buildings. The land leases typically run for a period of between 40 years and 99 years with majority of the contracts running for a period of 50 and 60 years. These leases include an option to renew the lease.

(45) CUSTOMERS' DEPOSITS AND DEPOSITS DUE TO OTHER BANKS

(a) Customers' Deposits:

	ETB	30 June 2024	30 June 2023
Payable on demand			
Local and Central Government		125,702,104,651	128,725,252,012
Private sector and retail customers		137,509,348,619	127,434,919,850
Public enterprises and agencies		166,725,213,214	114,646,379,406
		429,936,666,485	370,806,551,269
Savings deposits			
Private sector and retail customers		586,298,292,305	555,853,936,153
Local and Central Government		2,338,263,148	861,370,262
Public enterprises and agencies		32,519,205,447	25,535,771,299
		621,155,760,900	582,251,077,714
Term deposits			
Public enterprises and agencies		3,205,555,294	5,637,539,390
Private sector and retail customers		2,590,295,523	2,438,255,404
Local and Central Government		7,068,458	-
Accrued interest on deposits		126,714,543	165,342,939
		5,929,633,818	8,241,137,734
CBE NOOR		116,558,985,459	90,430,887,055
All sectors		<u>1,173,581,046,661</u>	<u>1,051,729,653,771</u>

(b) Deposit Due to Other Banks:

Deposits due to other domestic and foreign banks at CBE, in LCY and FCY, are as follows:

	ETB	30 June 2024	30 June 2023
Domestic Banks		8,425	92,350
Foreign Banks - LCY		104,075,206	157,223,947
Foreign Banks - FCY		1,215,574,805	2,078,392,138
Total Deposit due to other Banks		<u>1,319,658,436</u>	<u>2,235,708,435</u>

Payable on demand accounts represents deposits that are non-interest bearing. The weighted average effective interest rate on Savings deposits as at 30 June 2024 was 7% (2023: 7%). The weighted average effective interest rate on Term deposits as at 30 June 2024 was 7.2% (2023: 7.2%).

Blocked accounts represent blocked current accounts and blocked savings accounts whose average effective interest rates as at 30 June 2024 were 0% and 7% respectively (2023: 0% and 7% respectively). CBE NOOR represents deposits that are non-interest bearing.

(46) PROVISIONS

ETB	Bonuses	Cash Prize Award	Legal	Unutilized O/D, LC and Guarantee	Total
Balances at 30 June 2022	2,048,712,154	211,987,449	227,106,942	160,681,640	2,648,488,185
Increases (decrease) recorded in income	1,896,746,412	264,683,735	(67,187,510)	(9,809,846)	2,084,432,791
Provision used during the year	(1,974,559,994)	(211,987,449)	(23,399,861)		(2,209,947,304)
Balances at 30 June 2023	1,970,898,572	264,683,735	136,519,571	150,871,794	2,522,973,672
Increases (decrease) recorded in income	2,265,841,632	252,226,548	68,914,685	(31,779,255)	2,555,203,610
Provision used during the year	(1,958,782,154)	(264,683,735)	(9,309,046)	-	(2,232,774,936)
Balances at 30 June 2024	2,277,958,049	252,226,548	196,125,210	119,092,539	2,845,402,347

Bonus and Cash Prize Award represent short-term benefits arising from past services provided by clerical and non clerical employees of the bank and are expected to pay within the next 12 months.

Legal provisions represent various claims that are pending outcome at the courts. These amounts are estimates of the likely legal claims that may not be ruled in the Bank's favor.

(47) EMPLOYEE BENEFITS

i. Movements in the present value of defined benefit liability

ETB	2023/24	2023/23
Balance at 01 July	12,198,394,348	9,527,921,468
Current service costs	1,344,672,514	1,163,218,966
Interest cost	1,826,099,635	1,426,329,843
Actuarial losses (gains) recognized in Profit & Loss	489,016,971	543,322,580
Payments for the year	(751,335,258)	635,025,222
Actuarial losses (gains) recognized in other comprehensive income	(962,087,580)	172,626,713
Balance at June 30	14,144,760,630	12,198,394,348

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

A Liability recognised in the financial position as at 30 June 2024 was ETB 14,144,760,630 and (2023: ETB 12,198,394,348).

COMMERCIAL BANK OF ETHIOPIA NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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(47) EMPLOYEE BENEFITS - continued

ii. Actuarial losses recognized in other comprehensive income

	ETB	2023/24	2023/23
Cumulative amount at 1 July		(1,878,302,148)	(1,757,463,449)
Recognized during the year		962,087,580	(172,626,713)
Deferred income taxes		(288,626,274)	51,788,014
Actuarial gains, net of taxes at June 30		(1,204,840,842)	(1,878,302,148)

iii. Actuarial assumptions

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

	ETB	2023/24	2023/23
Discount rate		15.78%	14.97%
Salary increase rate		17.03%	16.75%
Gold increase rate		21.00%	18.00%
Long term medical inflation rate		14.00%	13.75%
Long term inflation rate		19.34%	12.75%

The assumed discount rates are derived from rates available on government bonds for which the timing and amounts of payments match the timing and the amounts of our projected pension payments.

iv. Sensitivity analysis

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

	2024		2023	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% variance)	(605,419,409)	665,560,038	(529,423,655)	624,662,413
Salary increase rate (1.0% variance)	692,492,883	(582,395,692)	801,237,145	(668,045,722)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

(48) OTHER LIABILITIES

Other liabilities as of the reporting dates are as follows:

Other Liabilities	ETB	30 June 2024	30 June 2023
National Bank of Ethiopia		100,583,421,765	104,574,708,536
Margin accounts and deposits for guarantees		17,773,865,059	24,501,317,198
Payable to other banks		8,244,323,790	3,982,342,305
CPO's, telegraphic transfers and money transfers		3,412,299,421	5,472,976,748
Blocked accounts		674,454,310	735,275,413
Other taxes		1,025,664,419	1,002,262,170
CBE Noor Investment Risk Reserve (IRR)		4,585,897	-
Unearned income		5,614,915,832	3,152,979,826
Pension contributions		203,040,220	171,892,358
Miscellaneous		9,358,330,976	9,747,958,480
Total		146,894,901,690	153,341,713,033

The Investment risk reserve (IRR) is the amount appropriated by the Bank out of the income of Investment account holder (IAH), after allocating the mudarib share, in order to cater against future losses for the Investment Account Holder.

Unearned income relates to Bank Guarantee commissions while National Bank of Ethiopia relates to a certificate of deposit.

(49) INCOME TAXES

In Ethiopia the rate of business income tax applicable to a business is 30%. In accordance to the tax proclamation, the tax payer is allowed a number of deductible expenditures in determining the taxable revenue for a tax year.

a. Income tax expense

	ETB	30 June 2024	30 June 2023
Current Tax Payable		6,029,075,603	6,217,082,758
Deferred Tax Expense		(1,426,088,094)	(1,720,581,979)
Related Tax –OCI		(312,653,671)	5,337,094
		4,290,333,839	4,501,837,873

b. Reconciliation of effective tax rate

Profit before tax	26,303,934,055	21,952,568,366
Blended statutory tax rate*	30%	30%
"Expected" tax expense	7,891,180,217	6,585,770,510
Non-deductible expenses	5,908,572,564	4,704,995,357
Allowed expenses	(3,819,899,496)	(2,494,672,483)
Tax-exempt income	(3,950,777,681)	(2,579,010,627)
Income tax Payable	6,029,075,603	6,217,082,758

For the year ended 30 June 2024 the Bank had an effective income tax rate of 22.92% (2023:28.32%).

COMMERCIAL BANK OF ETHIOPIA NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

(49) INCOME TAXES - continued

b. Reconciliation of effective tax rate continued

ETB	30-Jun-24	30-Jun-23
Profit before tax	26,303,934,055	21,952,568,366
Statutory tax rate	30%	30%
Expected tax based on 30% computation	7,891,180,217	6,585,770,510
Non-deductible expenses		
Impairment losses	2,853,776,442	2,438,663,681
Depreciation & Amortisation	1,471,203,289	509,524,901
Staff benefit and bonus	1,310,635,649	1,009,022,788
Entertainment	6,738,177	6,189,757
Donations	1,638,322	472,629,010
Other non-deductible expenses	264,580,685	268,965,220
Total non-deductible expenses	5,908,572,564	4,704,995,357
Allowed expenses		
Depreciation and amortisation	(1,448,145,567)	(517,051,362)
Employee benefits	(88,369,628)	(83,467,300)
Impairment losses	(2,283,021,154)	(1,894,153,821)
Staff bonus	(363,148)	-
Total Allowed expenses	(3,819,899,496)	(2,494,672,483)
Tax - exempt income		
Interest Income taxed at source	(3,298,151,734)	(2,249,525,787)
Dividend	(13,346,334)	(3,520,725)
Equity investments	(314,686,485)	(184,537,596)
Impairment Loss	(319,312,909)	(117,491,536)
Other Tax exempt income	(5,280,220)	(23,934,982)
Total tax exempt income	(3,950,777,681)	(2,579,010,627)
Current tax liability at 30%	6,029,075,603	6,217,082,758

c. Current Income tax Liability

ETB	30 June 2024	30 June 2023
Income Tax expense	6,029,075,603	6,217,082,758
Withholding Tax	(1,313)	(294,866)
Rental income Tax	(2,790,986)	(1,707,520)
Withholding Tax Receivable	-	(76,847)
Payment during the year	6,026,283,304	6,215,003,526

COMMERCIAL BANK OF ETHIOPIA NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

(49) INCOME TAXES - continued

d. Income tax recognized directly in other comprehensive income

	ETB	30 June 2024		
		Income tax	Before taxes	Net of taxes
Remeasurement of defined benefit liability		(288,626,274)	962,087,580	673,461,306
Unrealized (loss) gain arising from measurement at fair value		<u>(24,027,397)</u>	<u>80,091,323</u>	<u>56,063,926</u>

	ETB	30 June 2023		
		Income tax	Before taxes	Net of taxes
Remeasurement of defined benefit liability		51,788,014	(172,626,713)	(120,838,699)
Unrealized (loss) gain arising from measurement at fair value		<u>(46,450,920)</u>	<u>80,091,323</u>	<u>108,385,479</u>

e. Recognized deferred tax assets and liabilities

At 30 June 2024 and 2023, the tax effects of temporary differences that give rise to significant portions of the deferred income tax assets are Loans & Advances, Receivables, PPE, Intangible & Other Assets, Provisions and Employees' Benefit.

Balance as of June 2023	7,931,001,271
Recognized in Profit & Loss	1,738,741,765
Recognized in Other Comprehensive Income	(312,653,671)
Balance as of June 2024	<u>9,357,089,365</u>

Balance as of June 2023	6,210,419,292
Recognized in Profit & Loss	1,715,244,885
Recognized in Other Comprehensive Income	5,337,094
Balance as of June 2024	<u>7,931,001,271</u>

(50) EQUITY

a) Capital

The Bank is owned by the government of the Federal Democratic Republic of Ethiopia, there are no shares. As of 30 June 2024, the Bank's capital was ETB 40,000,000,000 (2023: ETB 40,000,000,000).

b) Legal reserve account

The Legal reserve in accordance with the Directive No SBB/4/95 issued by the National Bank of Ethiopia, every bank shall transfer annually 25% of its annual net profit as a legal reserve until such account equals its capital.

c) Statutory Reserve

This account represents the excess amount in allowance for uncollectable suspense accounts as per the National Bank of Ethiopia's requirement compared to the IFRS requirement.

d) CBE NOOR reserve

The CBE NOOR Reserve relates to the Mudarabah contract. The Profit equalization reserve (PER) is the amount appropriated by the Bank out of the Mudarabah income before allocating the mudarib share in order to maintain a certain level of return on investment for the Investment Account Holder.

COMMERCIAL BANK OF ETHIOPIA NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

(50) EQUITY - continued

e) Accumulated Profit/Loss

The profits or losses that the bank has earned to date, accumulated profit is 75% of net profit not yet paid to the government.

Future dividends payable: 75% of CBE's profit is prorated to dividends to the government and booked as an accumulated profit/loss in the Bank's books.

➔ During 2023, 75% of net profit not yet distributed was **ETB 13,088,047,869**

➔ During 2024, 75% of net profit not yet distributed was **ETB 16,510,200,162**

f) Fair Value Reserve, Remeasurement of defined benefit liabilities and Foreign currency translation reserve

Represent the accumulated amount, net of deferred income taxes arising from changes in actuarial assumptions used in the calculation of labor obligations, the effect of the change in foreign currency translation reserve and the change in fair value of equity investments.

(51) COMMITMENTS AND CONTINGENT LIABILITIES

In the ordinary course of business, the Bank conducts business involving guarantees and letter of credit. These facilities are offset by corresponding obligations of third parties. At the year end the contingencies were as follows:

Commitments-			
	ETB	30 June 2024	30 June 2023
Term Loans committed but not disbursed		38,677,473,517	34,727,836,042
Bond commitment		6,500,000,000	3,721,200,108
Construction Commitment		6,588,655,782	6,306,129,344
		51,766,129,299	44,755,165,494

Contingent liabilities-			
	ETB	30 June 2024	30 June 2023
Letter of credit		186,993,756,435	210,932,254,909
Guarantees		4,643,673,733	6,309,493,394
		191,637,430,168	217,241,748,303

Nature of contingent liabilities

Letters of credit commit the Bank to make payment to third parties, on production of documents which are subsequently reimbursed by customers.

Guarantees are generally written by a bank to support the performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

(52) RELATED PARTIES

a) Remuneration of key management personnel-

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

	ETB	30 June 2024	30 June 2023
Short-term employee benefits		56,031,344	49,461,890
Other long-term benefits		7,491,618	-
Post-employment benefits		38,514,321	2,897,150
Board fees		1,610,336	3,549,196
		<u>103,647,619</u>	<u>55,908,236</u>

The employees whose benefits are summarized above include the Board of Directors, the President, and Vice Presidents of the Bank.

Compensation for the Bank's key management personnel includes Board members' fees and:

- Short-term employee benefits include basic salaries, housing allowance, fuel allowance, representation allowances, and bonuses
- Other long-term benefit includes long-term service award and leave payments provided to the executive management members of the Bank.
- Post-employment benefits are key management member benefits that are payable after the completion of employment i.e., retirement payments, severance payments, and post-employment medical expenses.

b) Transactions with key management personnel-

Key management members entered into the following transactions:

	ETB	30 June 2024	30 June 2023
Loans granted		<u>68,293,745</u>	<u>55,505,777</u>

The loans issued to Executive Management members granted are secured against the property being acquired by the borrower. At the end of each reporting period the Bank performs an impairment assessment on the outstanding balances and provides an allowance for impairment losses at the reporting date. No impairment losses have been recorded against loan balances with key management personnel as at 30 June 2024 (**2023**: Nil).

The loans to Executive Management members are at a lower rate compared to the prevailing market rates and bear annual interest of 7%.

(53) CBE NOOR
CBE NOOR STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2024 (IN ETHIOPIAN BIRR)

	30 June 2024	30 June 2023
REVENUE		
Income From CBE NOOR Financing	7,230,338,605	5,292,368,742
Profit Share From Transfer Pricing	4,606,712,626	4,165,748,029
Markup on Murabaha Financing	2,623,625,979	1,126,620,713
Commission And Charges	1,348,300,582	558,360,309
Other Income	22,814,386	101,621,486
TOTAL REVENUE	<u>8,601,453,574</u>	<u>5,952,350,537</u>
EXPENSE		
Profit Paid to CBE NOOR Deposit	417,329,815	176,373,159
Net Loss (Gain) on Foreign Exchange	(8,992,206)	(245,621,026)
Employees Salaries & Benefits	3,783,842,132	2,756,075,722
General Expenses	1,864,510,351	1,459,351,897
Impairment on Financial Assets	572,729,069	95,238,385
TOTAL EXPENSE	<u>6,629,419,161</u>	<u>4,241,418,137</u>
PROFIT (LOSS) BEFORE TAXATION	<u>1,972,034,412</u>	<u>1,710,932,400</u>

(53) CBE NOOR - continued

CBE NOOR
STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024 (IN ETHIOPIAN BIRR)

	Notes	30 June 2024	30 June 2023
ASSETS			
Cash and cash equivalent	a	17,597,641,395	13,622,361,949
CBE Noor Financing, net	b	43,272,323,332	20,693,784,702
Receivables from financing division	c	67,684,009,377	62,800,806,857
Property, plant and equipment, net		3,116,521,229	2,383,564,591
Right of use assets, net		766,689,890	1,185,707,925
Receivables		180,847,289	136,814,723
Other Assets		30,021,706	33,509,214
Total Assets		<u>132,648,054,218</u>	<u>101,141,801,942</u>
LIABILITIES			
Conventional Deposits		2,230,053	6,885,278
CBE Noor deposits	d	116,558,985,459	90,516,914,049
Other Liabilities		4,499,772,333	4,075,932,833
Investment Risk Reserve (IRR)	f	4,632,736	1,795,122
Total Liabilities		<u>121,065,620,582</u>	<u>94,601,527,282</u>
EQUITY			
Paid Up Capital		6,019,216,000	3,240,943,487
Legal Reserve		3,564,602,535	1,565,818,824
Statutory Reserve For Impair		655,802	-
Profit Equalization Reserve (PER)	e	25,924,887	22,579,948
Total capital		<u>9,610,399,224</u>	<u>4,829,342,259</u>
Provisional Profit/loss		1,972,034,412	1,710,932,400
Total Liabilities and Equity		<u>132,648,054,218</u>	<u>101,141,801,942</u>

(53) CBE NOOR - continued
(a) CASH AND CASH EQUIVALENTS

	ETB	30 June 2024	30 June 2023
Cash on hand		2,259,310,298	1,714,706,515
Payment & Settlement Account NBE		7,179,149,806	5,577,493,340
Statutory Reserve Account		8,159,128,982	6,330,162,094
Cash and Cash equivalents		17,597,589,086	13,622,361,949

(b) CBE NOOR FINANCING

	ETB	30 June 2024	30 June 2023
Murabaha – Corporate		41,011,994,338	19,625,868,709
IFB export pre-shipment Financing		3,123,554,416	1,312,716,636
Gross Financing		44,135,548,754	20,938,585,315
Less : CBE Noor Unearned Income		(5,282,695,463)	(2,912,882,358)
Allowance for Impairment Losses		(863,225,422)	(244,800,643)
Net Financing		37,989,627,869	17,780,902,344

As lending money with charging interest is prohibited in Islam and Islamic banks use trade contracts, the item 'loans' has been presented as 'financing' in the statement of financial position.

MURABAH FINANCING (Deferred sales) refers to a sale and purchase of an asset where the acquisition cost and the mark-up are disclosed to the purchaser. Usually, the sale price is payable by the purchaser on deferred terms. An asset to be traded in a Murabahah contract shall be one that is recognized by the Sharia's as valuable, identifiable and deliverable and that the asset is already in existence and owned by the seller.

IFB Export Pre-Shipment Facility: a loan is provided for exporter similar with pre-shipment finance, a principal amount which is lent and to be repaid in the future at the same amount without any increment obliged on it. As per approved by SAC (Sharia Advisory Committee) to encourage the exporter.

Unearned CBE Noor income: is recognized through the proportional allocation of profit to the future financial periods until the maturity date of the contract, regardless of whether the payment is settled or not.

(c) RECEIVABLES

	30 June 2024	30 June 2023
Receivable From Treasury Department	67,684,009,377	62,800,806,857
Foreign Receivable	425,272	377,383
Employees Salary Advance	157,968,527	120,287,386
Other Receivable	22,453,489	16,149,954
	67,864,856,665	62,937,621,580

Receivable from Treasury Department: fund kept at the treasury department for the purpose of purchase of foreign currency and other trade service activities so that IFB earns profit and commissions emanating from foreign currency holdings based on the Share of funds availed for that activity. Income from such activity is reported as Profit share from transfer pricing.

(53) CBE NOOR - continued
(d) CBE NOOR DEPOSIT

	30 June 2024	30 June 2023
Wadiah	89,031,896,627	74,855,393,150
Amanah	15,782,217,377	9,124,208,006
Mudarabah Saving	10,882,029,704	6,011,512,892
Mudarabah Fixed	862,841,750	525,800,000
	116,558,985,459	90,516,914,048

Waddia: a form of contract whereby the Bank acts as safe keeper and trustee of depositor's funds. The Bank guarantees to return the entire deposit, or any part of it, on the depositor's demand.

Amanaha: customers agree to provide funds in the form of a deposit to the Bank with the promise by the latter to pay on demand any amounts outstanding in the Amanah account in full as and when required by the depositor.

Mudarabah saving and fixed time deposit account: an investment account allows customers, depending on their risk appetite, to make placement in investment accounts that potentially offer higher rates of return but are not the principal guaranteed.

(e) PROFIT EQUALIZATION RESERVE (PER)

	30 June 2024	30 June 2023
Balance at 1 July	22,579,948	18,773,492
Additional PER for the period	3,344,939	3,806,457
Balance at 30 June	25,924,887	22,579,948

Profit Equalization Reserve: is a reserve periodically deducted and held by the bank from Net Income of the pool (NIP) for smoothening profit payouts of mudarabah investment deposit customers when it is below market rate/customer expectations.

(f) INVESTMENT RISK RESERVE (IRR)

	30 June 2024	30 June 2023
Balance at 1 July	1,795,122	549,804
Additional IRR during the Period	2,837,614	1,245,318
Balance at 30 June	4,632,736	1,795,122

Investment Risk Reserve: Is a reserve periodically deducted and held from mudarabah investment depositor's share to offset losses from possible write-offs and investment losses.

(54) EVENTS AFTER THE REPORTING PERIOD

There are no material facts or circumstances that have occurred between the accounting date and the issuance of this financial statement that require adjustments. However, it is important to note the following events that occurred after the reporting period:

(a) Increase in Paid-Up Capital

After the reporting period, the Bank has raised its paid-up capital by ETB 54,000,000,000. This increase in capital is a non-adjusting event as it occurred after the reporting date and did not affect the Bank's financial position as of 30 June 2024.

(b) Foreign Exchange Rate Regime Changes

The Ethiopian government introduced substantial changes to the foreign exchange rate regime, resulting in significant fluctuations in the exchange rate of the Ethiopian Birr against major foreign currencies. Although this event did not affect the conditions that existed as of the reporting date, the impact of the change is expected to materially affect the Bank's future financial results, particularly in relation to foreign currency transactions and the valuation of foreign-denominated assets and liabilities. The Bank is closely monitoring this development and will take appropriate measures to manage the impact on its operations.

(c) Issuance of New Government Bonds for Non-Performing Loans

The Ministry of Finance has issued new Government Bonds in an effort to address CBE's non-performing lending to state-owned enterprises. These bonds shall be used to replace non-performing loans to state-owned enterprises (SOEs) debts on the balance sheet while also improving asset quality by providing a suitable repayment schedule funded by the government budget. This event is a non-adjusting event as it occurred after the reporting date and did not affect the conditions that existed as of the reporting date.

No adjustments have been made to the financial statements for the year ended 30 June 2024 in respect of the above events. However, these events have been disclosed due to their potential impact on the Bank's future financial performance and strategic direction.

(55) DATE OF AUTHORIZATION

These financial statements are authorized for issue by the Board of Directors of the Bank on October 10, 2024.

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Commercial Bank of Ethiopia

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