Bank of Oromia

Annual Report 2022/23

Towards **Sustainable** and **Inclusive** Banking!

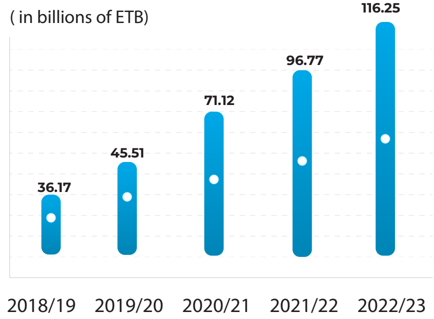
PERFORMANCE DASHBOARD
2022/23 FY

ASSET
ETB **140.3 B**
+22.4%

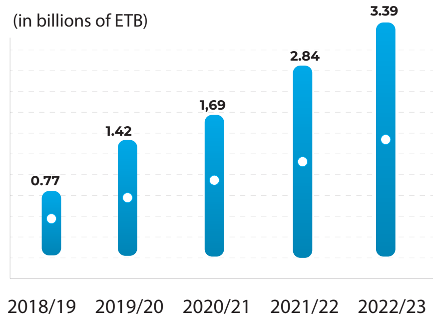
DEPOSIT ACCOUNTS
11.2M Accounts
+24.6%

TOTAL CAPITAL
ETB **14.8 B**
+30.9%

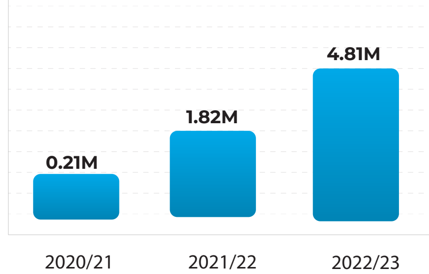
DEPOSITS
(in billions of ETB)



GROSS PROFIT (Before Tax)
(in billions of ETB)



COOPAY E-BIRR SUBSCRIBERS-Active Used



LOANS & ADVANCES
ETB **101.91 B**
+21.3%

EMPLOYEES
8,152
+24.5%

COOPAY E-BIRR MERCHANTS
81.16K
+171%

738
Branches

Debit Card Users

500,777

EARNING PER SHARE
30%


EMPOWERING
ENTREPRENEURS!
MICHU
Welcome to
Michu
DIGITAL
LOAN
MICHU
WABI
MICHU
GUYA
MICHU
DIGITAL LENDING
609
CONTACT CENTER
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IN THIS REPORT

Statement of the **Board Chairperson**

"A Year of Sustained Innovation"

Dear Valued Shareholders,

I am honored to present Coopbank's annual report for the fiscal year 2022/2023, a period marked by exceptional global challenges. The year witnessed a fragile global economy due to the lingering pandemic, the Russo-Ukrainian conflict, and measures aimed at curbing inflation. However, there were signs of hope as major economies displayed resilience in late 2022 and early 2023, resulting in an upgraded global growth outlook for 2023.

In Ethiopia, the economic landscape showed a mixed picture, with a GDP growth of 6.4 percent. The services sector performed well, expanding by 7.6 percent, driven by government spending and the recovery in tourism and transport. Agriculture also grew at 6.1 percent, while the construction sector faced challenges due to dysfunctional input markets.

The macro-economy also experienced prolonged inflation for two years. Factors contributing to inflation include the two-year war in the north, prolonged drought, and currency depreciation. Moreover, high global commodity prices, further added to the inflation. The country's export earnings declined by 22%, attributed to increased coffee production in Brazil, a global economic slowdown, price fluctuations, illegal trade, and trade bottlenecks.

These external challenges affected the Ethiopian banking industry in general and Coopbank in particular. Sluggish global growth, especially in advanced economies, impacted low-income countries. Domestically, policy measures to control inflation had its own impact on our operations and profitability.

Nevertheless, Coopbank exhibited adaptability and innovation, embracing an transformative mindset and introducing pioneering digital products to the Ethiopian market. Our performance during this period is encouraging, considering key metrices critical for the bank's long-term, sustainable growth.

Financial Milestones

Our remarkable financial performance in fiscal year 2022/23 attests to Coopbank's growth and commitment. Our aggregate balance sheet surged by an impressive 22.4%, reaching ETB 140.3 billion.

Bolstering this growth was a remarkable 31.5% increase in capital, adding ETB 3.56 billion to reach a total capital of ETB 14.87 billion as of June 30, 2023. During the fiscal year, we successfully mobilized ETB 2.3 billion in additional share capital, raising the total paid-up capital to ETB 10.02 billion, constituting 67.3% of total equity.

As regards to the earnings, we understand the importance of rewarding our valued shareholders for their trust and commitment to Coopbank.
Despite the challenges faced in the financial landscape during the fiscal year 2022/2023, the bank registered a commendable gross profit before tax of ETB 3.4 billion, showcasing our commitment to financial performance. Basic earnings per share (EPS) of the FY 2022/23 is 30 percent, indicating a modest financial accomplishment.

While external factors, such as the global economic situation and internal challenges, may have impacted the financial performance, we remain dedicated to delivering value to our shareholders. We aim to reward our shareholders for their unwavering support while ensuring that our financial position remains robust and resilient.

Sustaining Excellence

In the ever-evolving financial landscape, Coopbank's unwavering commitment to excellence remains the driving force behind our enduring success. Our journey isn't just about reaching milestones; it's about upholding the high standards we've set and delivering the best to our stakeholders.

Customer Trust: Our excellence is founded on the trust and loyalty of our customers, earned through consistent and reliable service. It's why customers choose us year after year to safeguard their financial future.

Innovative Products and Services: Excellence transcends numbers; it's about providing genuinely beneficial products and services.

We continually introduce innovative solutions like Michu Digital Lending, making financial services more accessible and efficient for our customers.

Towards Greener Banking: This year, we've taken significant steps towards greener banking operations. We've introduced renewable energy sources in over 50 Eco-branches, powered by solar and wind, crafted from upcycled shipping containers. We plan to open 50 more to reach a total of 100 eco-friendly branches. Additionally, we've replaced gasoline-powered generators with solar-powered sources in several branches across the country.

Through strategic planning, technological advancement, and unwavering dedication to our values, our pursuit of excellence extends beyond the present, shaping a brighter and sustainable future. Our commitment to sustained excellence is our promise to both customers and shareholders.

Board Matters

The decisions made by our board of directors are the cornerstone of Coopbank's success. Upholding values of transparency, accountability, and governance, they navigate the bank through an array of critical decisions, central to our progress. The fiscal year 2022/23 witnessed an assembly of deliberations that spanned the financial strategy, risk management , fixed asset formation, strategic projects and the expansion of our services.

Our pledge to transparency and accountability remains unshakable, with a commitment to provide our stakeholders with comprehensive, timely, and precise information.

On the foundation of rigorous risk oversight, the board ensures our stability in an ever-evolving financial landscape. Continuous evaluation and strategic risk management measures are our safeguards. Guiding the bank's strategic direction, the board, in collaboration with our executive team, sets the tone for our growth and excellence. In this dynamic financial landscape, our board of directors remains steadfast in its commitment to steering Coopbank towards a prosperous and sustainable future.

Looking ahead

In conclusion, as we reflect on the accomplishments and challenges of the fiscal year 2022/2023, we do so with a profound sense of purpose and a vision for an even more promising future. Coopbank remains steadfast in its commitment to delivering value to our shareholders, enhancing the banking experience for our customers, financial inclusion and fostering sustainability.

We recognize that our journey is not confined to this year alone but is an ongoing pursuit. With determination, innovation, and a commitment to excellence, we are excited to embark on the next chapter of growth and resilience. Thank you for your unwavering support, and we look forward to a future filled with new opportunities and achievements.

Thank you,

Fikru Deksisa (PhD)
Chairperson, Board of Directors

REFLECTIONS FROM THE PRESIDENT

Dear Respected Stakeholders,

I am honored to present the performance highlights and key accomplishments of Coopbank during the fiscal year 2022/23. This year was marked by multitude of challenges and significant achievements. Despite these challenges, we emerged stronger and more resilient by achieving modest growth in the fiscal year.

Coopbank's Performance in Key Metrices

Deposits

During FY 2022/23, Coopbank's total deposits grew by an impressive 20.13%, reaching a deposit position of ETB 116.25 billion as of June 30, 2023. Conventional deposits constituted the majority, representing 83.3% (ETB 96.83 billion), while the remaining 16.7% (ETB 19.42 billion) went to interest-free banking deposits.

Loans and Advances

As to the loans and advances, Coopbank's portfolio grew, reaching ETB 101.91 billion by June 30, 2023. We disbursed fresh loans amounting to ETB 31 billion to various sectors of the economy during the fiscal year.

Customer Base Expansion

Broadening our customer base is a key factor for the sustainable growth of our bank. During FY 2022/23, we successfully recruited an additional 2.24 million deposit accounts, bringing our total deposit accounts to 11.2 million as of June 30, 2023.

Profitability

Our bank earned a gross profit of ETB 4.36 billion before impairment loss and tax during FY 2022/23. The profit before tax and after impairment loss for the fiscal year amounted to ETB 3.39 billion.

Capital

During FY 2022/23, Coopbank successfully mobilized additional share capital of birr 2.28 billion, bringing the total paid-up capital of the bank to ETB 10.02 billion as of June 30, 2023. Over the last five years, Coopbank's paid-up capital has grown on average by 45%, and we remain committed to continued efforts and strategic approaches to reach the required paid-up capital commensurate with the asset growth of the bank.

Customer Convenience

Coopbank recognizes the evolving customer expectations and shifting sentiments. We are committed to leading the digital transformation by leveraging digital technology and customer engagement innovatively. To foster the transformation of banking operations and services, Coopbank has established a significant number of touchpoints at branches and other outlets.

As of June 30, 2023, we proudly operate 738 branches and a considerable number of digital outlets. This includes over 83,000 active Coopay-Ebirr merchants and 17,700 active Coopay-Ebirr agents throughout the country. The total number of active Coopay-ebirr mobile accounts reached over 4.8 million as of June 30, 2023. Coopbank's customers conducted a substantial volume of transactions through these digital platforms, with digital transactions accounting for 63.1% of the total.

Technology and Innovation

The role of technology in shaping the future of banking cannot be overstated. Coopbank has embraced this fact and has been proactive in enhancing the customer experience and addressing emerging risks. Information system upgrades, including Database, Temenos Transact System, and Endpoint Security Solution Upgrades, have been carried out. We employ data analytics to gain a 360-degree view of the customer journey, allowing us to customize need-based financial products and services.

Coopbank's flagship digital platform, Michu, provides cutting-edge digital services to retail and MSMEs customers. We have expanded our digital lending services with the Michu Digital Lending app, now available in various Ethiopian languages. The bank has also ventured into digital payments for transport, water services, entertainment services, and fuel transactions.

> With the launch of several projects in our belt that are going to be launched in the very near future, Coopbank’s commitment in becoming at the forefront of digital innovation will be further enhanced.

In line with this, the bank initiated several strategic projects to achieve long-term objectives. Fostering the Coopay Ebirr platform, including integration with 3rd party systems, ensuring Inter-operability, agent networking, enhancing transactions, and expanding our footprint in the country's Digital Transformation.

Dx Valley

So as to proactively navigate the digital era, offer enhanced services and remain competitive in the industry, the bank has instituted the innovation hub dubbed “Dx Valley”. With the launch of several projects in our belt that are going to be launched in the very near future, Coopbank’s commitment in becoming at the forefront of digital innovation will be further enhanced.

Outlook for the Future

Looking ahead, to succeed in an ever changing operating environment, our focus will be on innovation, digital transformation, improved efficiency, and the capabilities of executing our strategies.

The achievements of Coopbank in FY 2022/23 were the result of the dedication and hard work of our employees and, the strong support and direction of our board of directors, unwavering support of all our customers, NBE, partners and stakeholders. I extend my sincere gratitude to all for the boundless efforts throughout the year.

Thank you,

Deribie Asfaw
President

Board of Directors

Fikru Deksisa (PhD)
Chairperson, Board of Directors

Fekadu Dugasa
Deputy Chairperson

Amb. Girma Temesgen
Board Director

Girma Delessa
Board Director

Eshetu Wakene
Board Director

Tadele Abdi
Board Director

Wegayehu Tsige
Board Director

Kebede Ejeta
Board Director

Muktar Adem
Board Director

Terefe Senbaba
Board Director

Debelo Jebesa
Board Director

Teshome Argeta
Company Secretariat

Executive Management

Deribie Asfaw
President

Gadissa Mamo
VP, Banking Operations

Ahmed Hassen
VP, Corporate Banking

Aman Semir
VP, Technologies and Digital Banking

Godana Kabeto
VP, Interest Free Banking

Gutema Dibaba
VP, Cooperative and Agricultural Banking

Desalegn Tadesse
VP, Retail and MSMEs Banking

Giragn Garo
VP, Finance and Facilities Management

Shimelis Legesse
VP, Information System

Liko Tolesa
VP, Human Capital and Projects Management

Tadele Tilahun
VP, Strategy and Marketing

Muluneh Aboye
Chief Risk & Compliance Management Officer

Tafesse Fana
Chief Internal Auditor

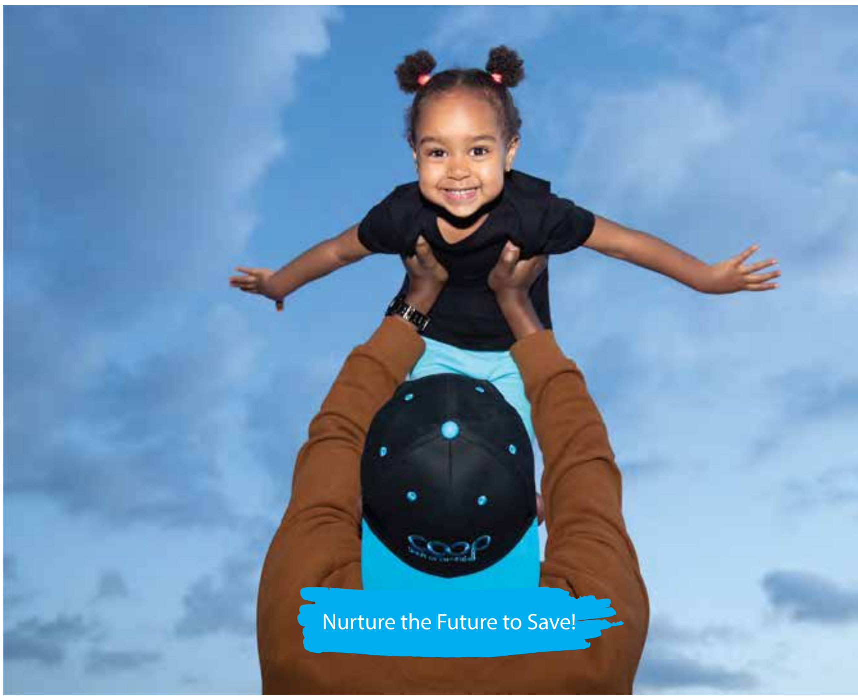
Deposits

Deposit is profoundly one of the key resources for the sustainable growth of banking business. By strengthening the wide ranges of customer segments, capitalizing on wallet share from existing deposit customers, expanding accessibility channels, promoting digital ecosystems and employing other resource mobilization tactics among others, the bank disclosed remarkable growth during the budget year.

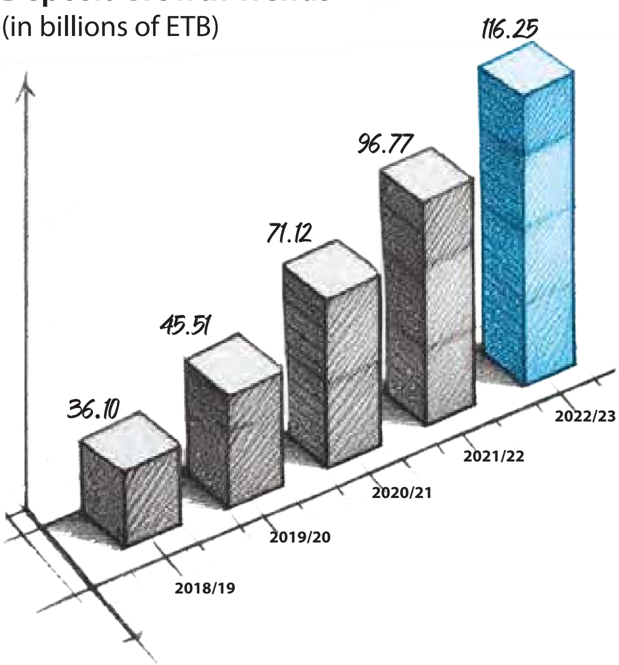
During the fiscal year 2022/23, the bank managed to mobilize an incremental deposit volume of ETB 19.48 billion, soared by 20.13% from the end of last year. By the end of 30th June 2023, the bank's total deposit position stood at ETB 116.25 billion.

Composition wise, with due emphasis given to mobilizing resources from mass and retail customers, saving deposit makes up sizable share of 62% from the aggregate deposit of the bank followed by demand deposit with share of 29% and the remaining 9% goes to fixed time deposits.


Deposit Mobilization Campaign


Nurture the Future to Save!

Deposit Growth Trends
(in billions of ETB)



Deposit Position Trend by Type
(in millions of ETB)

	2020/21	2021/22	2022/23
Demand	23,789.97	32,791.88	33,251.05
Saving	42,576.49	56,678.31	72,447.40
Fixed Time	4,751.95	7,298.93	10,549.62
Total	71,118.77	96,769.12	116,248.07

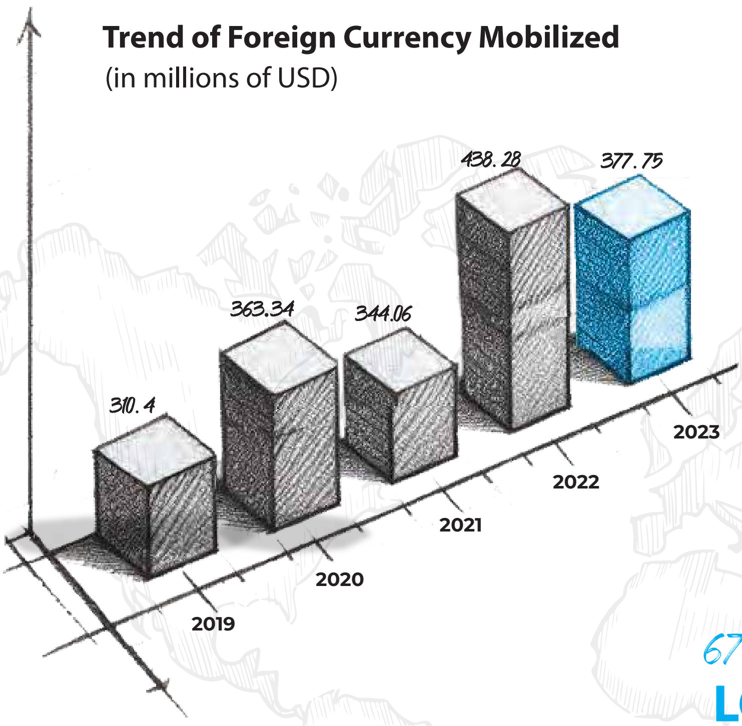
International Trade

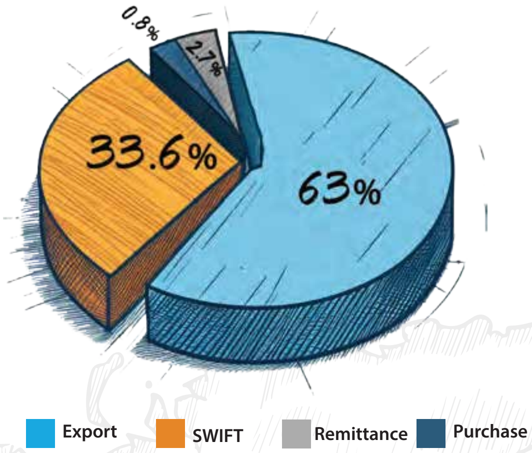
Foreign currency inflow is one of the basic focus areas of the bank over the years as it is the defining factor for facilitating international businesses. As a result, the bank offered an utmost efforts to maximize the foreign currency inflow during the financial year under consideration. Nevertheless, the fiscal year had showed declining in export earnings at the country level that was attributed to the fluctuation of commodity prices, particularly that of coffee, on global market.

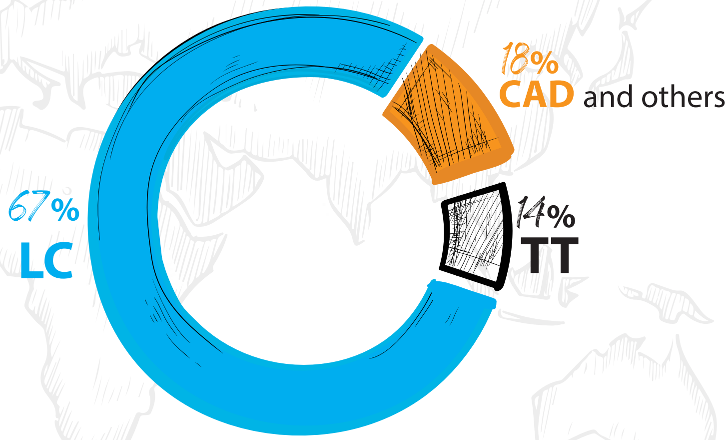
Accordingly, the total amount of foreign currency earned by the bank during the fiscal year was USD 377.75 million, a decrease from previous year by 13.8% as a result of waning in export earnings and remittances transfers. On the contrary, foreign currency earnings from SWIFT transfer surged by 12% from the prior year.

Structure wise, export contributed about 63% of the bank's foreign currency inflow followed by SWIFT which make up of 33.6% of the total forex inflow during the period. Remittance inflow and purchase, together contributed about 3.5% of the total foreign currency earnings of the bank.

The bank utilized the foreign currency earnings for conducting various international business transactions. The majority of foreign currency earning (67%) was made to facilitate import LC, followed by CAD and others (18%), and the remaining goes to Outgoing TT (14%). In the periods to come, we will create pertinent relationships with important stakeholders so as to boost foreign currency inflows and hereby stimulate international trade activities.







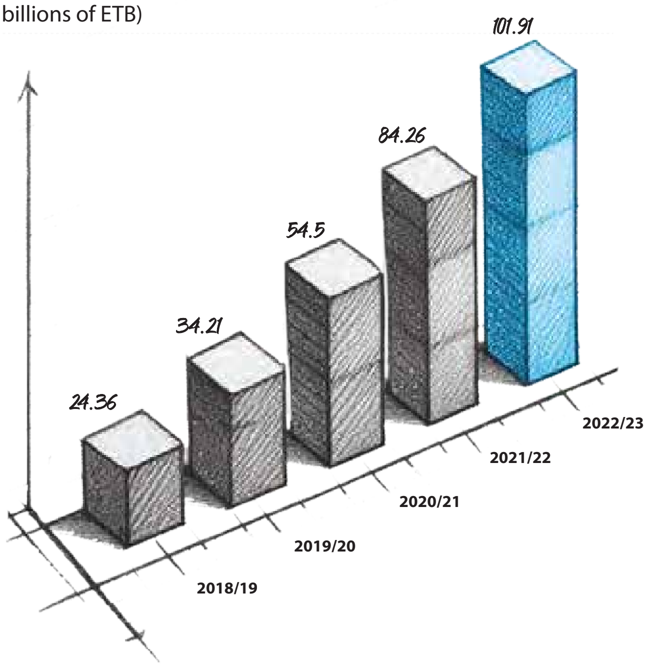
Loans and Advances

In an effort to meet the growing demand of our customers and thereby fostering the macroeconomic activities, the bank has injected fresh loans and funds to the economy. During the concluded fiscal year, our bank allocated new loans amounting to ETB 31 billion to reinforce a variety of economic sectors. Accordingly, at the end of 30th June 2023 our aggregate loan book reached ETB 101.91 billion, up by 21 percent vis-à-vis the same period of the preceding year.

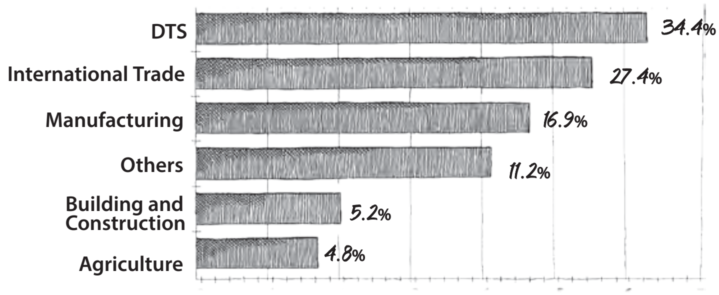
Concentration wise, the largest share of funds were allocated to finance domestic trade and services, which accounted for 34.4% at the end of June 30, 2023. Subsequently, international trade makes up of 27.4%, followed by manufacturing with the share of 16.9%.

While the outstanding loans and advances of the bank has been boosting overtime, we were able to maintain the non-performing loans below the regulatory authorities' requirement. At the end of budget year, the bank's NPL stood at 3.34 percent which is lower than the regulatory threshold of 5 percent, nonetheless it was higher than that of last year's 2.03 percent. In the forthcoming periods, the bank will provide the required emphasis to ensure the quality of its earning assets.

Loans and Advances Trend
(in billions of ETB)



Outstanding Loans and Advances
(in billions of ETB)



Projects Financed by Coopbank

Profit

Realizing to meet the demand of our shareholders, the bank has given pertinent attention to boosting revenue from various sources and managing expenses reasonably. During the financial year, our bank generated total revenue of ETB 17.71 billion, surged by 46.94 percent from the preceding similar period, largely driven by the growth in earning assets.

Hence, interest income contributed considerable share of ETB 12.22 billion, up by 51.2% from the preceding year same period and contributed about 69% to the aggregate income of the bank. Consequently, the income earned from commission and fees were ETB 1.94 billion that registered a growth of 20.6% as compared to the previous year and shared about 11% to the total income earned by the bank. Moreover, soared by 50.4% from the previous year corresponding period and comprising a share of 20% from the total income, we were able to generate an aggregate of ETB 3.55 billion from other operating income during the fiscal year.

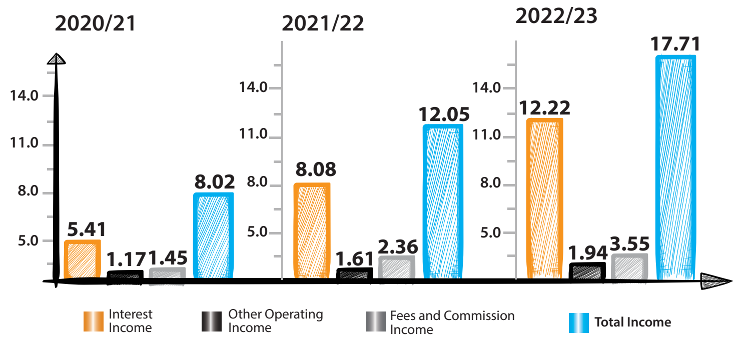
On the expenses front, the bank's expense had increased by 55.5% and stood at ETB 14.32 billion for the year ended June 30, 2023. The rise in expenses was attributed to the upsurge in interest due to customers on saving and fixed time deposits, operating expenses and personnel expenses.

In terms of composition, interest expenses accounts for 28.1 percent while personnel expenses accounts about 23.2 percent and the remaining 48.8 percent went to general and other operating expenses.

At the end of June 2023, Coopbank earned a gross profit before tax of ETB 3.39 billion, surged by 19.2% as compared to last year equivalent period of ETB 2.84 billion. As a result, earnings per share of Coopbank for the concluded year was 30 percent.

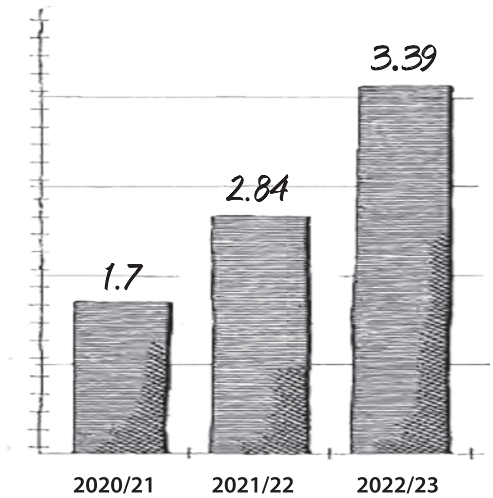
Income trend by category

(in billions of ETB)



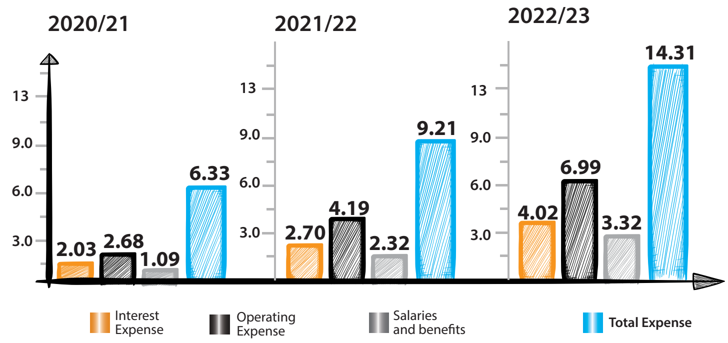
Profit (before tax)

(in billions of ETB)



Expense trend by category

(in billions of ETB)



Deposit Accounts

We take pride in holding the distinction of having the highest number of customers, establishing ourselves as the preferred banking institution for the masses. This position not only reflects our commitment to excellence but also highlights our success in being the bank of choice for a diverse and extensive customer base. Our unwavering dedication to our mission is evident in our continuous efforts to serve and cater to the financial needs of the broader community.

Amidst our leadership in customer numbers, we are acutely aware of the significant unbanked population that persists. Recognizing this gap, our mission extends beyond mere numerical achievements, driving us to bridge the financial inclusion divide. We view our leadership status not only as a testament to our past accomplishments but as a responsibility to extend our reach further.

The existence of a substantial unbanked population reinforces the importance of our mission to make banking accessible to all, ensuring that no segment of the community is left underserved.

Expanding our customer base stands as a pivotal strategic pursuit, propelling the sustainable growth of our bank. In line with this commitment, significant emphasis has been placed on onboarding new customers throughout the fiscal year. Resultantly, we have successfully welcomed an additional 2.3 million deposit accounts during this period. This achievement culminated in a substantial growth of 24.6%, bringing the total deposit accounts to an impressive 11.2 million by the end of the fiscal year. This robust expansion attests to our unwavering dedication to fostering enduring relationships and ensuring the accessibility of our banking services to a wider community.

Proudly Serving

Million Customers!

Eco branch
Banking Sustainably

Market Expansion

In the relentless pursuit of expanding our markets, Coopbank has strategically extended its branch networks to solidify its market presence, seize untapped opportunities, and bring essential services to underserved communities, aligning seamlessly with our commitment to community engagement. The unique challenges posed by Ethiopia's expansive and dispersed geography, coupled with the imperative to enhance financial access, led to the strategic decision to establish new branches, with a particular focus on locations that are traditionally hard to reach. Beyond our robust digital outreach efforts, the operational year marked a significant milestone in physical accessibility, with the addition of 145 branches, bringing the total branch network to an impressive 738.

This expansion isn't just about increasing our reach; it's a testament to our dedication to serving diverse communities and fostering financial inclusion where it's needed most. By strategically positioning our branches, we aim not only to strengthen our market presence but also to contribute meaningfully to the economic empowerment of communities across the country.

Towards Sustainable & Inclusive Banking: Eco-branches

In our commitment to environmentally sustainable practices, Coopbank has embarked on a transformative journey towards greener banking. Recognizing the ecological impact of our operations, we are dedicated to reducing our carbon footprint and adopting eco-friendly initiatives.

A significant leap in this direction is the introduction of eco-branches. Among the 145 new branches established in the fiscal year, 49 are eco-branches, utilizing renewable energy sources such as solar and wind power, and constructed from upcycled shipping containers. This innovative approach not only minimizes our reliance on traditional energy but also underscores our dedication to environmentally conscious banking.

Our dedication to greener banking extends beyond infrastructure. We are actively exploring avenues to incorporate sustainable practices in our day-to-day operations.
As part of our broader initiatives, we're transitioning from gasoline-powered generators to solar in numerous branches, contributing to a significant reduction in our carbon footprint.

Coopbank's journey towards greener banking is not merely a response to global environmental challenges but a proactive stance to contribute positively to the communities we serve. We believe that responsible banking involves safeguarding not only financial interests but also the well-being of the planet we all share.

Our People

Human Capital is a key to any business organization as it builds true and lasting competitive edge in the marketplace. Understanding this, our bank has continued investing on competency enhancing human resource development interventions such as technical training, developmental training, workshops, online learning, and other appropriate mechanisms so that employees can contribute towards realization of the bank's vision. Accordingly, during the year, the bank offered various developmental and technical trainings to 16,032 employees.

Furthermore, with the expansion of number of branches and organizational structure of the bank, additional staffs were onboarded during the year. Accordingly, a total of 2,199 new employees were recruited during the budget year. This increased the total permanent staff of the bank to 8,152 as of June 30, 2023, representing a growth of 24.5% from the base year. Moreover, the Bank's total outsourced staff reached 7,243 at the end of the period under consideration. Hence, the total staff strength of the Bank has increased to 15,395 at the end of the fiscal year 2022/23.


Our employees Serving Customers


Our agri banking professionals at poultry farming


Annual management workshop

Technologies and Digital Banking

In the rapidly evolving digital landscape, technology has become a critical component for delivering effective services to customers in the banking industry. Digitalization, automation, and data-driven insights have become key focus areas for banks looking to enhance customer experiences, streamline operations, and gain a competitive edge. To stay competitive, our bank must leverage the power of innovative technologies to enhance customer experiences, optimize operations, and drive growth. Cognizant of this fact, we have been investing on finalizing the different projects started previously and launched different technology solutions during the year, which will be instrumental in transforming the Bank's technological and digital banking capabilities. In addition, our Bank has established strategic partnership with the major technology players in the digital ecosystems which empowers customers to conduct a wide range of business transactions at their conveniences in reliable and secure manner.

Moreover, we gave further prominence to Michu, the first un-collateralized digital lending in Ethiopia, to ease access to finance for MSMEs and enhance the financial inclusion of the country. The system enables the Bank to address many of the perceived challenges and actual challenges of lending to Micro, Small and Medium Enterprises in Ethiopia. During the ended operational year, a total loan of more than ETB 1 billion has been disbursed to the customers via this platform. Moreover, our Bank has launched a digital fuel payment system that enables customers to fuel-up using Coopay E-birr platform. SAP ERP project and Contact Center have also been implemented during the year.

MICHU
DIGITAL LENDING

Looking at the performance of Coopay-Ebirr in new customer onboarding, the Bank has managed to recruit about 12,235 agents, 52,133 merchants, and 2.82 million Coopy-Ebirr subscribers in the year under consideration. This heightened the total number of active agents, and active merchants to 17,716 and 83,163 respectively while the total number of Coopay-Ebirr subscribers of the Bank reached 4.8 million. Meanwhile, by the close of the reporting period, 98.6 million transactions with a total value of ETB 516.5 billion were effected via digital Banking platform. Furthermore, at the close of the reporting period, the number of card holders of the Bank reached 500,777, which exhibited 24.6% year-on-year growth.

63% of the banks transactions processed via our digital platforms

4.81M
Coopy-ebirr Subscribers

83.16K
Total Coopay Merchants

ETB 516.5B
TRANSACTION via Digital Channels Volume

17.7K
Total Coopay Agents

Strategic Achievements

Grounded in the bank's strategic vision, the fiscal year 2022/23 witnessed the attainment of pivotal milestones, shaping a transformative trajectory for the bank's future. These achievements are instrumental in aligning with the bank's overarching mission, solidifying its position in the financial landscape. A noteworthy strategic alliance was forged with Rabobank, delineating a collaborative endeavor to position Coopbank as a leader in food and agribusiness. This partnership encompasses multifaceted collaborations and exposures poised to augment the bank's overall business capabilities significantly.

In tandem with this strategic partnership, the establishment of the bank's innovation hub emerged as another cornerstone. This innovation hub is pivotal for fostering the development of cutting-edge digital products, marking a significant leap forward in the bank's technological landscape. With a strategic focus on digital innovation, the bank's foray into the digital frontier is underscored by this commendable achievement.

Additionally, the bank made substantial progress in asset formation, exemplified by the inauguration of its building in Woliso town. This endeavor is emblematic of the bank's commitment to acquiring fixed assets, fortifying its financial infrastructure. On the auspicious occasion of the bank's 18th anniversary, a monumental agreement was inked with Engineering Consulting Group (ECG) to construct a striking 65-storey building in the heart of the capital.

Anticipated to redefine the city's skyline, this architectural marvel is poised to set new standards, symbolizing the bank's commitment to innovation and growth.

The bank has also signed an agreement with international consulting firm DAR Al-Handasah Consultants for the construction of the Financial District Tower, representing the first phase of its broader construction plan. The tower is designed as a 4B+G+40 structure with 2 utility floors. Notably, the design phase for the Financial District Tower has been successfully completed.

MoU Agreement with Rabobank

Consultancy Service agreement with DAR Al-Handasah

Consultancy Service agreement with Engineering Consulting Group (ECG)

Coopbank financial district design

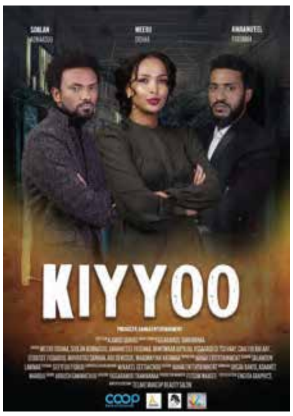
Embracing Social Responsibility

At our bank, we have a strong belief in the principles of social responsibility. This symbolizes for us an unwavering ethical practice and a deep understanding of social, cultural, economic and environmental aspects. This commitment is enshrined as one of our core values and forms the foundation of our company. Even in unfavourable and challenging times, our commitment to meeting the needs of our community and actively participating in socially responsible initiatives has remained unwavering.

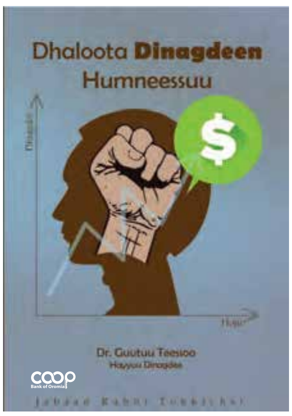
To foster sustainable growth and positive change within our community, this year, we have continued to establish enduring partnerships in key areas of growth and transformation. These areas encompass agriculture, environmental protection and conservation, social development and welfare, education, social services, as well as cultural and literary activities. Notably, we have fostered significant collaborations to support the endeavours of various institutions dedicated to community well-being.

Furthermore, in our unwavering commitment to supporting culture and literature, we have continued our efforts this year to back projects dedicated to the advancement of culture, language, and the arts within our community.

Additionally, we have remained actively engaged in various humanitarian initiatives, including voluntary activities aimed at contributing to diverse social service objectives.



Kiyyo TV Series Sponsored by Coopbank



'Dhaloota Diinagdeen Humneessuu', a book sponsored by Coopbank

Our employees have also played an integral role in fulfilling our company's social responsibility by contributing to the donation of ETB 100 million to aid famine-affected communities in Borana this fiscal year.

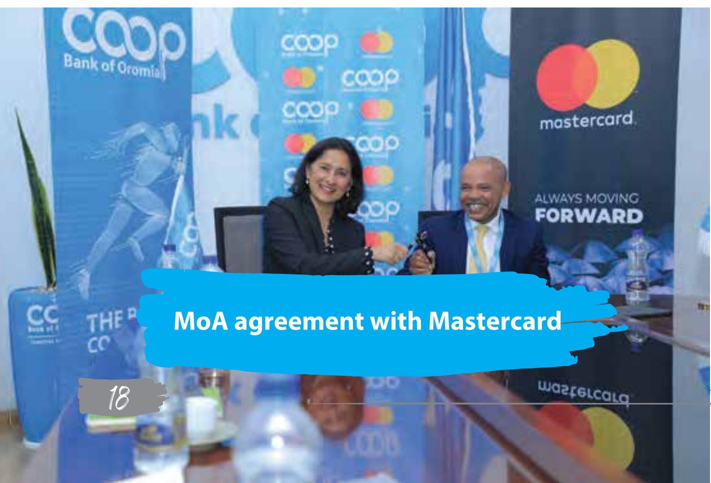
Guided by our far-reaching vision and steadfast mission, our organization upholds a strong commitment to the tradition of social responsibility. In both times of success and challenge, we have consistently fulfilled our social responsibilities and duties. This year, we have continued to be supporters of development, demonstrating our unwavering commitment to our community.

Moving forward, we would like to express our commitment to furthering our support for arts and cultural initiatives, environmental responsibility efforts, critical humanitarian objectives, and diverse socio-economic goals.

Donation of ETB 100 million report

Support for special boarding students of the Oromia Development Association

Dx Valley, where
technological breakthroughs happen.



MoA agreement with Mastercard

Waliso building inauguration ceremony

Call center inauguration

Launching the Fuel Digital Payment System

18th-anniversary celebration.

INTEREST FREE BANKING REPORT

Shaikh Salih Nur Ahmed
SAC CHAIRPERSON

Ustaz Kamil Shemsu Siraj
SAC DEPUTY CHAIRPERSON

Dr Mohammed Salih Jamal
SAC Member

Dr Jibril Qamar Adam
SAC Member

To the Shareholders, Customers, and Other Stakeholders of Cooperative Bank of Oromia S.C

In adherence to the Sharia Advisory Committee charter and Terms of Reference, the Sharia Advisory Committee of Cooperative Bank of Oromia S.C is pleased to present its report for the financial year ending June 30, 2023.

The Committee's primary focus remains on establishing an autonomous Sharia perspective by evaluating the bank's operational aspects, business affairs, and activities related to interest-free banking services. The Core responsibilities include delivering Sharia advisory services, overseeing Sharia non-compliance risks, issuing opinions and fatwas, and conducting comprehensive Sharia reviews. The Committee dedicated substantial efforts to overseeing the bank's interest-free banking operations. Regular and extraordinary meetings were conducted, examining IFB documentation, including Terms and Conditions and financing contracts. This rigorous review ensured the proper application of Sharia principles, affirming the bank's commitment to Sharia compliance. During the fiscal year, the Committee actively engaged in ensuring Sharia compliance, convening 33 meetings. The Committee issued fatwas on various matters, including profit equalization ratio, investment risk reserve, use of marketing materials for IFB products, and the permissibility of buying shares or debt.

Beyond core responsibilities, the Committee undertook initiatives to promote financial awareness about interest-free banking services. Customer sessions and awareness campaigns were conducted in 22 towns, contributing to increased financial literacy.

The Committee also supported the introduction of Zakat products and trained local ambassadors for Coopbank Alhuda. Thorough reviews of financed files, certification of Wadiah deposit and Mudarabah accounts, scrutiny of Murabaha Contracts, and the establishment of a Penalty Fund Management framework showcased the Committee's dedication to operational Shariah compliance.

Based on information presented during discussions and meetings, the Committee confirms that the bank's operations for the financial year ending June 30, 2023, align with Sharia principles. Products, contracts, terms, and conditions of the bank's Interest-Free Banking Operations are affirmed to be fully compliant with relevant Sharia principles and rules.

In closing, the Committee expresses appreciation for the unwavering dedication of the Bank's Board of Directors, Executive Management, and all employees in strengthening Sharia compliance within the Bank's Interest-Free Banking Business domain. Their commitment to upholding these principles is commendable.

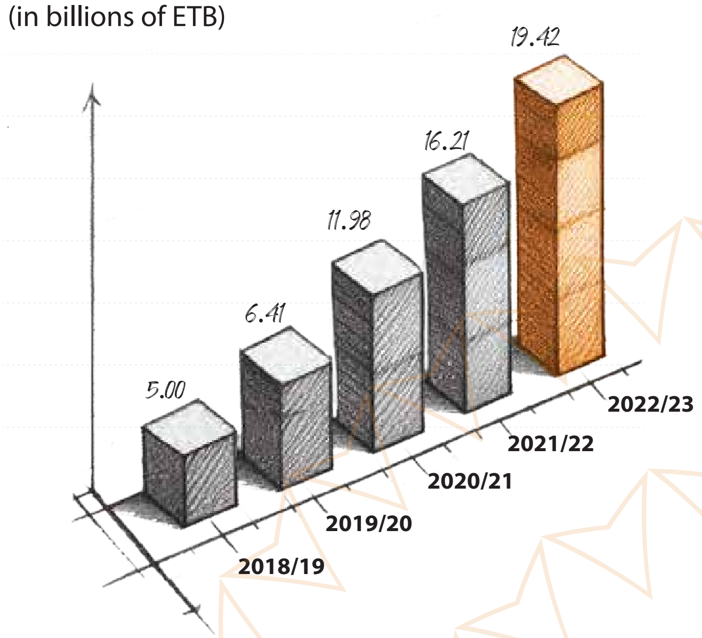
IFB Deposits

Similar to the previous years, we have continued to register commendable growth in Coopbank Alhuda segment during the year 2022/23. Backed by strengthening customer relationships management, below and above the line marketing, stakeholder's engagement, expanding touchpoints, and diversifying Shariah compliant products and services, we have maintained our leading position in deposit mobilization from private banks.

During the concluded fiscal year 2022/23, an additional deposit of ETB 3.21 billion was mobilized, depicting a 19.8 percent annual growth rate from the previous year's deposit position of the segment. Thus, the aggregate deposit of the segment stood at ETB 19.42 billion for the year ended June 30, 2023 and thus contributed about 16.7 percent to the total deposit collected by the bank.

In terms of deposit mix, the deposit mobilized during the fiscal year came from Wadia current, Wadia savings and Mudarabah investment accounts. Accordingly, the lion's share (83.87 percent) of deposit was mobilized from Wadia saving continued by Wadia current that make-up of 13.7 percent and the remaining 2.44 percent goes to Mudarabah investment.

IFB Deposit Growth Trends
(in billions of ETB)



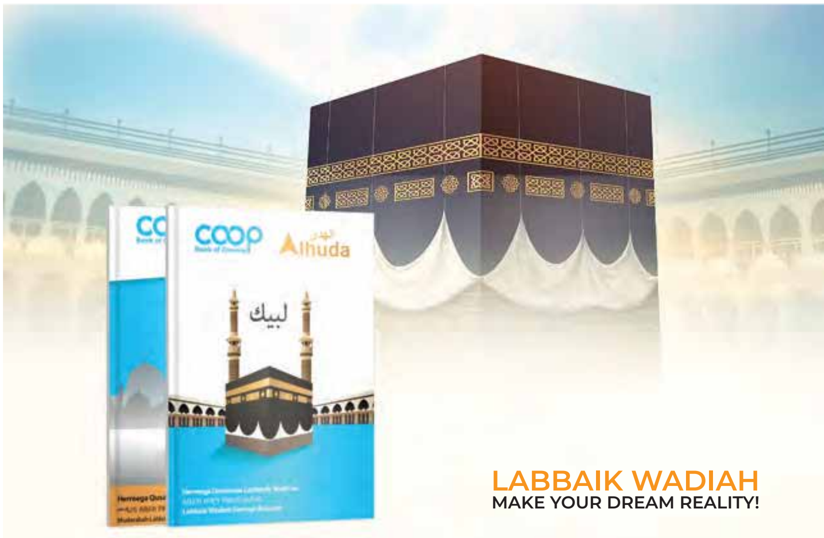
IFB Deposit Position Trend by Type
(in millions of ETB)

	2020/21	2021/22	2022/23
Wadia Current	2,394.38	3,282.68	2,659.36
Wadia Saving	9,429.27	12,755.10	16,284.61
Mudarabah Investment	154.98	168.39	473.015
Total	11,978.63	16,206.17	19,416.99

Nurturing awareness and new IFB account opening

IFB Deposit Accounts

Expanding customer base of the segment has taken remarkable move during the year under consideration. In the budget year 2022/23, 0.74 million new customers were recruited by IFB segment. As compared to the previous year, it registered growth of 32.3 percent. By the end of 30th June 2023, the bank's total deposit account holders of the segment reached 3.03 million that makes Coopbank the first among private commercial banks in the country. The total IFB deposit account held about 27% of the total deposit accounts of the bank.



IFB Dedicated branch inauguration

IFB Financing

Coopbank Alhuda segment is a leader from private banks in providing significant amounts of financing to various economic sectors. In the last three years, on average the financing amount has increased by 64 percent. During the reporting period, net financing of the segment grew by 22 percent as compared to last year corresponding period. As a result, ETB 2.97 billion new financing was invested in various sectors of the economy. At the end of the budget year, the segment's total financing volume stood at ETB 16.42 billion.

As to the sectoral distribution of the financing, the major share was financed for domestic trade and services (36.12 percent) followed by international trade (26.14 percent), manufacturing (19.32 percent) and building and construction (12.66%) and the remaining sectors together shares about 5.76 percent. On the other hand, the segment's non-performing financing (NPF) was maintained below the regulatory organ threshold and internal target at 2.38 percent due to a strong asset quality management practice.

The leading financer In Shariah Compliant businesses from private banks

Agricultural products refine Company, Financed by Coopbank Alhuda

Market Expansion

Along side the IFB-Window model accessed at all our branches, the aggregate dedicated branches of Alhuda have reached 43 through-out the country. In the coming years, we will stregthen our value propositions for the segment including accessibility channels, putting customers' needs at the center of our business operations.

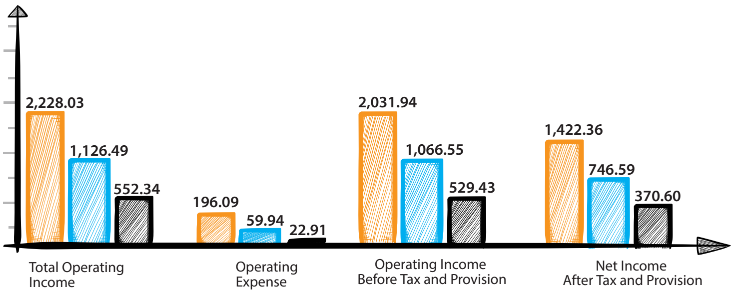
IFB Dedicated Branches

IFB Operating Income

The segment has started to contribute its fair share towards maximizing the stakeholders' value. The total asset of the segment reached ETB 20.9 billion, rising from last year's same period of ETB 17.12 billion, showing a growth rate of 22.1 percent. The segment's profit has therefore been progressively advancing as our operations and financing have been growing year over year.

Coopbank Alhuda earned ETB 2.23 billion in income during the reporting period, representing a 97.8 percent increase over the previous fiscal year. Income derived from Murabahah financing represent substantial share of 83.3 percent that resulted in amounting ETB 1.86 billion and the remaining 16.7 percent (ETB 0.372 billion) goes to commission and charges gained from the segment. On the other hand, operating expenses of ETB 0.2 billion has been expended during the financial year. As a result, the bank earned operating income before tax and provision of ETB 2.03 billion demonstrating growth of 90.5 percent from the prior year same period. Correspondingly, operating income of the segment after tax and provision has grown to ETB 1.42 billion, up by 90.5% from the prior year's ETB 746 million.

IFB Operating Income Trend
(in millions of ETB)



IFB Net Income After Tax and Provision
(in billions of ETB)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FINANCIAL REPORT

2023

Cooperative Bank of Oromia Share Company

CONTENTS

Cooperative Bank of Oromia S.C
Directors, professional advisers and registered office
For the year ended 30 June 2023

Company Registration Number LBB/008/2004

Directors

Dr Fikru Deksisa	Chairperson	11-Mar-2019
Ob. Fikadu Dhugasa	Deputy chairperson	11-Mar-2019
Amb. Girma Temesgen	Director	14-Feb-2023
Ob. Girma Delessa	Director	22-Mar-2022
Ob. Kebede Ejeta	Director	22-Mar-2022
Ob. Terefe Senbaba	Director	22-Mar-2022
Ob. Wegayehu Tsige	Director	22-Mar-2022
Ob. Tadele Abdi	Director	22-Mar-2022
Ob. Muktar Adem	Director	22-Mar-2022
Ob. Eshetu Wakene	Director	22-Mar-2022
Ob. Debelo Jabesa	Director	22-Mar-2022
Obbo Teshome Argeta	Board secretary	27-May-2016

Executive management

Obbo Deribie Asfaw	President	14-Dec-2015
Obbo Ahmed Hassen	V/P Corporate Banking	1-May-2016
Obbo Aman Semir	V/P Technology and Digital Banking	1-May-2016
Obbo Gadissa Mamo	VP, Banking Operations	17-Sep-2018
Obbo Liko Tolessa	VP-Human Capital and Projects Management	27-May-2016
Obbo Desalegn Tadesse	V/P Retail and MSMEs Banking	1-May-2016
Obbo Tafesse Fana	Chief Internal Auditor	27-May-2016
Obbo Muluneh Aboye	Chief Risk and Compliance Management	16-Mar-2022
Obbo Tadele Tilahun	VP, Strategy and Marketing	16-May-2022
Obbo Gutema Dibaba	VP, Cooperative Banking	1-Jan-2021
Obbo Godana Kabato	VP, Interest Free Banking	1-Jan-2021
Obbo Giragn Garo	VP, Finance and Facilities Management	28-Dec-2021
Obbo Shimelis Legesse	VP, Information System	15-Dec-2022

Independent auditor
Tafesse,Shisema and Ayalew Certified Audit Partnership
Chartered Certified Accountants /UK/ and Authorized Auditors (Ethiopia)
P.O Box 110690
Fax:251 0116221270/60
tmsplus@ethionet.et/tafessef@hotmail.com
Addis Ababa
Ethiopia

Corporate Registered Office
Cooperative Bank of Oromia S.C
Bole Rwanda, Coop Transitional HQ Building
P.O Box 16936
E-Mail: coopbank@ethionet.et
Website: www.coopbankoromia.com.et
Addis Ababa, Ethiopia

Company Secretary
Obbo Teshome Argeta
Principal bankers
National Bank of Ethiopia

Cooperative Bank of Oromia S.C
Correspondent Banks
For the year ended 30 June 2023

Correspondent Banks

Name	Address
MashreqBank PSC	New York, USA
Bank of China Limited	Beijing, China
Commerzbank AG	Frankfurt am Main, Germany
DZ BANK AG Deutsche	Frankfurt am Main, Germany
UniCredit SPA	Rome, Italy
Bank of Beirut SAL	Beirut, Lebanon
Bank of Beirut (UK) Ltd	London, United Kingdom
Aktif Yatirim Bankasi AS	Istanbul, Turkey
Bank of Africa-Mer Rouge	Istanbul, Turkey
CAC International Bank	Djibouti, Djibouti
East Africa Bank	Djibouti, Djibouti
Ecobank Kenya Limited	Nairobi, Kenya
Equity Bank. (Kenya) Limited	Nairobi, Kenya
Exim Bank (Djibouti). S A	Djibouti, Djibouti
KCB Bank Kenya Limited	Nairobi, Kenya
SALAAM African Bank	Djibouti, Djibouti
HSBC Bank PLC	Johannesburg, South Africa

Cooperative Bank of Oromia S.C
The Directors' Report
For the year ended 30 June 2023

The Directors' Report

The Directors submit their report together with the financial statements for the period ended June 30, 2023, to the shareholders of Cooperative Bank of Oromia Share Company ("CBO or the Bank"). This report discloses the financial performance and the state of affairs of the bank.

Incorporation and Address

Cooperative Bank of Oromia share company herein after may be called CBO or the Bank was established in Ethiopia in 2004 in accordance with the Commercial Code of Ethiopia of 2021 and licensed by the National Bank of Ethiopia with the objective to engage in banking services in accordance with the Banking Business Proclamation No.592/2008 and Banking (Amendment) Proclamation No.1159/2019.The Bank commenced operations in 2005 and is domiciled in Ethiopia.

Principal activities

The mission of the Bank is to provide banking solutions that create greater customer experience with emphasis on cooperatives and agro-based businesses through proper use of human resources and up-to-date technologies to maximize stakeholders' value.

Operating Results

The Bank's results for the year ended June 30, 2023, are set out on the statement of profit or loss and other comprehensive income. The profit for the year has been transferred to Retained Earnings, Legal Reserve and Risk Reserve. The high-level summarized results are presented below.

Tefesse, Shiferaw & Aw Certified Audit Partnership TMS Plus
Baankii Hojii Gamtaa Oromiyaa coop Bank of Oromia Cooperative Bank of Oromia

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Revenue (Interest Income, Com. and operating income)	17,711,019	12,053,249
Profit before tax	3,388,598	2,843,250
Income tax expense	(784,429)	(797,922)
Profit for the year	2,604,169	2,045,328
Other comprehensive income / (loss) net of taxes	(518)	38,035
Total comprehensive income / (loss) for the year	**2,603,651**	**2,083,362**

Dr Fikru Deksisa
Chairperson of the Board of Directors
Addis Ababa, Ethiopia

Deribie Asfaw
President
14 October 2023

Cooperative Bank of Oromia S.C
The Directors' Report
For the year ended 30 June 2023

Statement of the Director's Responsibilities

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), The Commercial Code of Ethiopia 2021 the directives issued by the National Bank of Ethiopia and Internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Bank is required keep such records as are necessary to:

a) Exhibit clearly and correctly the state of its affairs;

b) Explain its transactions and financial position; and

c) Enable the Accounting and Audit Board of Ethiopia to determine whether the Bank has complied with the provisions of the financial reporting proclamation and directives issued for the implementation of the proclamation.

The Bank's directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards.

The directors believe the financial statements give a true and fair view of the state of the financial affairs of the bank and of its profit or loss for the reporting year.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:

Dr Fikru Deksisa
Chairperson of the Board of Directors
14 October 2023

Deribie Asfaw
President
14 October 2023

Tefesse, Shiferaw & Ayalew TMS Plus Certified Audit Partnership

Baankii Hojii Gamtaa Oromiyaa Cooperative Bank of Oromia

Tafesse, Shisema and Ayalew Certified Partnership
Chartered Certified Accountants /UK/ and Authorised Auditors (Ethiopia)

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENT OF THE COOPERATIVE BANK OF OROMIA SHARE COMPANY FOR THE YEAR ENDED JUNE 30, 2023

Opinion

We have audited the financial statements of the Cooperative Bank of Oromia Share Company specified on page 8-85, which comprise the statement of financial position as at June 30, 2023: the statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2023 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

As described in notes 14, 15 and 18 to the financial statements, the impairment losses have been determined in accordance with IFRS 9 Financial Instruments. This was considered a key audit matter as IFRS 9 is a complex accounting standard which requires significant judgment to determine the impairment losses.

IFRS 13 requires entities to measure fair value using observable inputs whenever possible, and unobservable inputs only when observable inputs are not available. In the case of the Bank's investment in other entities, the Bank has determined that there are no observable inputs available to measure fair value. Therefore, the Bank has used a valuation model that incorporates unobservable inputs, such as the discount rate and future cash flows.

The use of unobservable inputs in the valuation model poses a risk of material misstatement, as the Bank's judgment in determining these inputs could be biased or inaccurate. We have identified this as a key audit matter because of the following factors:

- The Bank's investment in other entities is significant, is material to the financial statements.
- The valuation of the investment is complex and requires the use of a number of unobservable inputs.

Tafesse, Shisema and Ayalew Certified Partnership
Chartered Certified Accountants /UK/ and Authorised Auditors (Ethiopia)

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENT OF THE COOPERATIVE BANK OF OROMIA SHARE COMPANY FOR THE YEAR ENDED JUNE 30, 2023

To address this key audit matter, we have performed the following audit procedures:
• We assessed the Bank's valuation methodology and evaluated the reasonableness of the key assumptions used in the valuation model.
• We compared the Bank's valuation results to those of independent market participants.

Based on our audit procedures, we believe that the Bank's valuation of its investment in other entities is reasonable and in accordance with IFRS 13. However, we recommend that the Bank consider the following actions to mitigate the risk of material misstatement in the future:

• Consider using a valuation methodology that incorporates more observable inputs.
• Regularly monitor the performance of the investment and update the valuation model as needed.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as Directors determine 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, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Report on other Legal and Regulatory requirement

We have no comment to make on the report of your Board of Directors so far as it relates to these financial statements in accordance with the Commercial Code of Ethiopia of 2021 (Proclamation No-1243/2021), recommend approval of the financial statements. In addition, we have no objection on the amount of dividend proposed by the directors and hence in accordance with article 349 (3) of the commercial code of Ethiopia of 2021 recommended approval of the proposed dividend distribution.

Taf. Shi. & Ay

Tafesse, Shisema and Ayalew Certified Audit Partnership
Chartered Certified Accountants (UK)
Authorized Auditors (ETH)

Addis Ababa
15 October 2023

Cooperative Bank of Oromia S.C

Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Interest income	5	12,218,961	8,083,608
Interest expense	6	(4,020,758)	(2,700,753)
Net interest income		**8,198,203**	**5,382,855**
Commission income	7	1,942,445	1,610,006
Commission expense	7	-	-
Net fees and commission income		**1,942,445**	**1,610,006**
Other operating income	8	3,549,612	2,359,636
Total operating income		**13,690,261**	**9,352,497**
Loan and other asset impairment	9	(969,275)	(631,367)
Impairment losses on PPE	9	(2,083)	(260)
Net Operating income		**12,718,903**	**8,720,870**
Personnel expenses	10	(3,316,363)	(2,320,581)
Amortization of intangible assets		(43,913)	(18,047)
Depreciation of property, plant and equipment	20	(336,245)	(199,734)
Other operating expenses	11	(5,633,784)	(3,339,258)
Total Operating Expense		**(9,330,305)**	**(5,877,620)**
Profit before tax		**3,388,598**	**2,843,250**
Income tax expense	12a	**(784,429)**	**(797,922)**
Profit for the year		**2,604,169**	**2,045,328**
Other comprehensive income (OCI) net on income tax			
Re-measurement gain/loss on retirement benefits obligations	25	(53,980)	(4,354)
Revaluation gain-equity investment	16	53,462	42,389
Net effect of gain/loss		(518)	38,035
Total comprehensive income for the period		**2,603,651**	**2,083,362**
Basic earnings per share (Birr)	28	**30**	**34**

The notes on pages [12] to [85] are an integral part of these financial statements.

Cooperative Bank of Oromia S.C
Statement of financial position
For the year ended 30 June 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
ASSETS			
Cash and balances with banks	13	15,750,205	16,488,220
Loans and advances to customers	14	83,484,631	69,336,114
Interest free Financing	15	16,188,854	13,362,820
Investment securities:			
▪ Financial asset at fair value through OCI	16	239,676	179,715
▪ Financial assets at Amortized cost	17	9,459,116	8,045,538
Other assets	18	8,182,853	2,780,254
Right-of-use assets	20b	2,297,529	1,499,745
Intangible assets	19	305,006	238,820
Property, plant and equipment	20	4,247,874	2,468,182
Non-Current Asset Held for Sale	20a	37,020	125,176
Deferred Asset	12e	133,604	81,217
Total assets		**140,326,367**	**114,605,803**
LIABILITIES			
Deposits from customers (Conv)	21	94,666,598	79,632,928
Interest free banking deposit	21	19,416,992	16,206,140
Due to other banks	22	2,168,686	929,933
Borrowing From NBE	23	3,183,000	-
Current tax liabilities	12c	792,988	773,825
Lease liabilities	20b	427,438	294,552
Other liabilities	24	4,470,460	5,268,344
Retirement benefit obligation	25	219,367	124,679
Deferred tax liability	12f	106,889	63,382
Total liabilities		**125,452,418**	**103,293,782**
EQUITY			
Share capital	26	10,016,082	7,731,771
Share premium	27	8,672	8,672
Retained earnings	29	1,295,485	1,378,523
Legal reserve	30	2,406,186	1,755,144
Risk reserve	31	1,143,592	433,980
Donated capital	32	3,932	3,932
Total equity		**14,873,949**	**11,312,021**
Total liabilities and equity		**140,326,367**	**114,605,803**

Talessa, Shiisema & Ayalew TMS Plus Certified Audit Partnership

Baankii Hojii Gamtaa Oromiyaa COOP Bank of Oromia Cooperative Bank of Oromia

The notes on pages [12] to [85] are an integral part of these financial statements.

The financial statements were approved and authorized for issue by the board of directors on October 14, 2023 and were signed on its behalf by:

Dr Fikru Deksisa
Chairperson of the Board of Directors

Deribie Asfaw
President

Cooperative Bank of Oromia S.C
Statement of changes in equity
For the year ended 30 June 2023

	Notes	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Donated capital. Birr'000	Risk Reserve Birr'000	Total Birr'000
As at 1 July 2021		**4,651,021**	**8,672**	**950,393**	**1,243,812**	**3,932**	**237,590**	**7,095,420**
Profit for the period	28			2,045,328				2,045,328
Suspended Interest Income	5			(110,863)	-	-	110,863	-
Reversal of RRR (Loan provision)				(43,138)			43,138	-
Fair value gain-Equity investment	16			-			42,389	42,389
Total comprehensive income for the period		**4,651,021**	**8,672**	**2,841,720**	**1,243,812**	**3,932**	**433,980**	**9,183,137**
Issue of shares	26	3,080,750	-	-	-	-	-	3,080,750
Dividend Paid		-		(950,393)	-	-	-	(950,393)
Director's share of profit	24	-	-	(1,472)	-	-	-	(1,472)
Transfer to legal reserve		-	-	(511,332)	511,332	-	-	-
		3,080,750	**-**	**(1,463,197)**	**511,332**	**-**	**-**	**2,128,885**
As at 30 June 2022		**7,731,771**	**8,672**	**1,378,523**	**1,755,144**	**3,932**	**433,980**	**11,312,022**
As at 01 July 2022		**7,731,771**	**8,672**	**1,378,523**	**1,755,144**	**3,932**	**433,980**	**11,312,022**
Profit for the period	28			2,604,169				2,604,169
Suspended Interest Income	5			(258,298)	-	-	258,298	-
Reversal of RRR (Loan provision)				(397,852)			397,852	-
Fair value gain-Equity investment	16						53,462	53,462
Total comprehensive income for the period		**7,731,771**	**8,672**	**3,326,541**	**1,755,144**	**3,932**	**1,143,592**	**13,969,652**
Issue of shares	26	2,284,311	-	-	-	-	-	2,284,311
Dividend Paid		-		(1,378,523)	-	-	-	(1,378,523)
Director's share of profit	24	-	-	(1,491)	-	-	-	(1,491)
Transfer to legal reserve		-	-	(651,042)	651,042	-	-	-
		2,284,311	**-**	**(2,031,056)**	**651,042**	**-**	**-**	**904,297**
As at 30 June 2023		**10,016,082**	**8,672**	**1,295,485**	**2,406,186**	**3,932**	**1,143,592**	**14,873,949**

The notes on pages [12] to [85] are an integral part of these financial statements.

Cooperative Bank of Oromia S.C
Statement of cash flows
For the year ended 30 June 2023

	Notes	30 June 2023 Birr'000	30 June 2022 Birr'000
Cash flows from operating activities			
Cash generated from operations	33	(646,099)	(808,358)
Directors allowance	34c	(1,472)	(1,453)
Profit Tax Paid		(773,825)	(396,833)
Defined benefit paid	25a	(10,862)	-
Net cash (outflow)/inflow from operating activities		**(1,432,257)**	**(1,206,644)**
Cash flows from investing activities			
Purchase/ collection of NBE bills and bonds		(1,413,578)	920,655
Purchase of equity investments	16	-	(25,000)
Purchase of property, plant and equipment	20	(1,627,177)	(866,720)
Proceeds from Disposal		-	18,843
Right-of-use assets	20b	(1,377,873)	(1,093,921)
Purchase of Intangible Asset	19	(110,099)	(174,367)
Net cash (outflow)/inflow from investing activities		**(4,528,726)**	**(1,220,510)**
Cash flows from financing activities			
Payment of Lease liabilities	20b	(13,044)	(46,376)
Proceeds from borrowings	23	3,183,000	(41,687)
Dividend Paid		(302,523)	(950,393)
Proceeds from issues of shares	26	1,208,311	3,080,750
Net cash (outflow)/inflow from financing activities		**4,075,744**	**2,042,293**
Net increase/(decrease) in cash and cash equivalents		**(1,885,240)**	**(384,861)**
Cash and cash equivalents at the beginning of the year	13a	9,728,232	10,369,880
Effects of exchange rate movement on cash and cash equivalents	8&11	72,225	(256,786)
Cash and cash equivalents at the end of the year	13a	**7,915,217**	**9,728,232**

The notes on pages [12] to [85] are an integral part of these financial statements.

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Cooperative Bank of Oromia S.C
Notes to the Financial Statements
For the year ended 30 June 2023

1. General Information

Cooperative Bank of Oromia SC ("CBO or the Bank") is a private commercial bank domiciled in Ethiopia. The Bank was established on 24 October 2004 in accordance with the provisions of the Commercial Code of Ethiopia 2021 and licensed by the National Bank of Ethiopia with the objective to engage in banking services in accordance with the Banking Business Proclamation No.592/2008 and Banking (Amendment) Proclamation No.1159/2019. The Bank's registered office is at Bole Rwanda, Coop Transitional Building, Addis Ababa, Ethiopia.

The Bank is principally engaged in providing banking solutions that create greater customer experience with emphasis on cooperatives and agro-based businesses through proper use of human resources and up-to-date technologies to maximize stakeholders' value.

2. Summary of Significant Accounting Policies

2.1 Introduction to summary of significant accounting policies

The principal accounting policies applied in preparing of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Basis of preparation

The financial statements for the year ended June 30, 2023 (the Financial Statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). Additional information required by the national regulations is included where appropriate.

The financial statements comprise;

- Statement of Profit or Loss and Other Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Financial Statements

2.2.1 Statement of compliance

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise their judgment in applying the bank's accounting policies. Changes in assumptions may significantly impact on the financial statements in the period the assumptions they changed. Directors believe that the underlying assumptions are appropriate and that the bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.2.2 Basis of measurement

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept, except for the following;

1. Fair value through other comprehensive income and fair value through profit and loss, financial assets, financial liabilities (including derivative instruments) and investment properties measured at fair value.
2. Assets held for sale - measured at fair value less cost of disposal; and
3. The liability for defined benefit obligations recognized at the present value of the defined benefit obligation less the fair value of the plan assets measured at fair value.

All values are rounded to the nearest thousands, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (Birr' 000).

2.2.3 Going concern

The bank has adequate resources to continue in operation for the near future. For this reason, the management continues to adopt going concern assumption in preparing the financial statements. The current credit facilities and adequate resources of the company provide sufficient funds to meet the present requirements of its existing businesses and operations.

2.3 Changes in accounting policies and disclosures

I. New standards, amendments, interpretations effective and adopted during the year

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2022 and earlier applications are permitted and have not been applied in preparing these financial statements.

New Standards or amendments	Effective Date
Insurance contract IFRS 17	1-Jan-2023
Definition of Accounting Estimates – Amendments to IAS 8	1-Jan-2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	1-Jan-2023
Amendment to IAS 12-Amendments regarding deferred tax on leases and decommissioning obligations	1-Jan-2023
Amendment to IAS 12 - International tax reform - pillar two model rules	1-Jan-2023

- **IFRS 17, 'Insurance contracts'**

This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8**

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

- **Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction**

  These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

- **Amendment to IAS 12-Amendments regarding deferred tax on leases and decommissioning obligations**

  The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

- **Amendment to IAS 12 - International tax reform - pillar two model rules**

  These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

II. New Standards, amendments, interpretations issued but not yet effective.

New Standards or amendments	Effective Date
Amendment to IFRS 16 – Leases on sale and leaseback	1-Jan-2024
Amendment to IAS 1 – Non-current liabilities with covenants	1-Jan-2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	1-Jan-2024

- **Amendment to IFRS 16 – Leases on sale and leaseback**

  These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

- **Amendment to IAS 1 – Non-current liabilities with covenants**

  These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve the information an entity provides related to liabilities subject to these conditions.

- **Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements**

  These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

  These standards are not expected to have a material impact on the entity in the current or future reporting periods and on near future transactions.

2.4 Foreign Currency Translation

2.4.1 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the bank operates ('the functional currency'). The functional currency and presentation currency of the bank is the Ethiopian Birr (Birr).

2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the bank's functional currency are recognized in profit or loss. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measured at fair value, such as equities classified as available for sale, are included in other comprehensive income.

2.5 Recognition of Income and Expenses

The bank earns income from interest on loan and advances given to customers, service charges and commissions from customers, interest income from deposits with local and correspondent bank, investment in NBE (National Bank of Ethiopia) bills. Other income includes incomes like foreign currency transactions, dividend, rental and other miscellaneous incomes.

Interest income and expenses are recognized in the profit or loss to the extent that it is probable that the economic benefits will flow (outflow) to (from) the bank per the contractual terms and the income/expense can be reliably measured, regardless of when the receipt/payment is being made.

Commission and fees are measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment and excluding taxes or duty.

2.5.1 Interest Income and Expense

Interest income and expense are measured using the effective interest method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument to the gross carrying amount of the financial asset (before adjusting for expected credit losses) or to the amortized cost of the financial liability, including early redemption fees, and related penalties, and premiums and discounts that are an integral part of the overall return.

For all government bills, bonds and interest-bearing financial assets measured at amortized cost, interest income or expense is recorded using the Effective Interest Rate (EIR). The carrying amount of the government bills and bonds is adjusted if the bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest Income' for financial assets and 'Interest expense' for financial liabilities.

2.5.2 Fees and commission income and expense

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income (commission on foreign transactions, advising commission, extension commission) are recognized as the related services performed.

When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fees and commission expenses relates to transaction and service fees are expensed as the services are received.

2.5.3 Interest paid on borrowings and deposits

Interest paid on borrowings and deposits are calculated on 365 days' basis in a year and recognized on accrual basis. Interest on lease liabilities is accounted for as per IFRS 16 Leases.

2.5.4 Dividend income

This is recognized when the bank's right to receive the payment is established, which is generally when the shareholders approve and declare the dividend.

2.5.5 Foreign exchange revaluation gains or losses

These are gains and losses arising from settlement and translation of monetary assets and liabilities denominated in foreign currencies at the functional currency's spot rate of exchange at the reporting date. This amount is recognized in the Profit or Loss, and it is further broken down into realized and unrealized portions.

The monetary assets and liabilities include financial assets within cash and cash equivalent and foreign currency deposits.

2.6 Financial instruments - initial recognition and subsequent measurement

2.6.1 Financial assets

Initial recognition and measurement

On initial recognition, a financial asset shall be classified either as measured at either amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

I. Financial asset measured at amortized cost

The Bank shall measure a financial asset at amortized cost, if it meets both of the following conditions and is not designated at FVTPL:

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

II. Financial assets measured at fair value through other comprehensive income

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

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

On initial recognition, an equity investment held for trading shall be classified at FVTPL. However, for equity investment that is not held for trading, the bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

III. Financial instruments measured at fair value through profit or loss

All other financial assets that do not meet the classification criteria at amortized cost or FVOCI, above, shall be classified as measured at FVTPL.

Business model assessment

The Bank shall assess 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 realizing cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis shall be 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.

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

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

For the purposes of this assessment, 'principal' shall be defined as the fair value of the financial asset on initial recognition.

Interest shall be defined as the 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 SPPI, the bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the bank considers:

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

Reclassifications

If the business model under which the bank holds financial assets changes, the financial assets affected are reclassified.

The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the bank.

During the current financial year and previous accounting period there was no change in the business model under which the bank holds financial assets. Therefore, no reclassifications were made.

Derecognition of Financial assets

The bank shall derecognize a financial asset when:

- The contractual right to the cash flows from the financial asset expires, 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;
- Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI shall not be recognized in profit or loss on derecognition of such securities.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the bank shall be recognized as a separate asset or liability.

Impairment of financial assets

The impairment charge in the Profit or Loss Statement includes the change in expected credit losses and including those arising from fraud. Expected credit losses are recognized for loans and advances to customers, other financial assets held at amortized cost, financial assets measured at fair value through other comprehensive income, and certain loan commitments and financial guarantee contracts.

Expected credit losses are calculated as an unbiased and probability-weighted estimate using an appropriate probability of default, adjusted to consider a range of possible future economic scenarios, and applying this to the estimated exposure of the bank at the point of default after considering the value of any collateral held, repayments, or other mitigates of loss and including the impact of discounting using the effective interest rate.

At each reporting date, the bank shall assess whether there is objective evidence that financial assets (except equity investments), other than those carried at FVTPL, are impaired.

The bank shall recognize loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

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

No impairment loss shall be recognized on equity investments.

The bank shall measure loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

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

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

12-Month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as Stage 1 financial instruments.

Lifetime ECL is the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as Stage 2 financial instruments.

I. Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It shall be measured as follows:

- For financial assets that are not credit-impaired at the reporting date (stage 1 and 2): as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the bank in accordance with the contract and the cash flows that the bank expects to receive).
- For financial assets that are credit-impaired at the reporting date (stage 3): as the difference between the gross carrying amount and the present value of estimated future cash flows.
- For undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the bank, if the commitment is drawn down and the cash flows that the Bank expects to receive. and
- For financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

II. Restructured financial assets

Where 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 the bank shall assess whether the financial asset should be derecognized and ECL are measured as follows:

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

III. Credit-impaired financial assets

At each reporting date, the bank shall assess whether financial assets carried at amortized cost, debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as Stage 3 financial assets).

A financial asset shall be considered 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

A loan that has been renegotiated due to a deterioration in the borrower's condition shall be 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 shall be considered credit-impaired even when the regulatory definition of default is different.

IV. Presentation of allowance for ECL in the statement of financial position

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

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

V. Write-off

Loans and debt securities shall be written off (either partially or in full) when there is no reasonable expectation of recovering the amount in its entirety or a portion there of. This is generally the case when the bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment shall be carried out at the individual asset level.

Recoveries of amounts previously written off shall be included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

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.

VI. Financial guarantees

Financial guarantees are contracts that require the bank 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.

Types of Letter of Guarantees issued by the bank: -

- Bid bond
- Suppliers' Credit Guarantee
- Advance Payment Guarantee
- Performance Bond
- Retention Guarantee
- Customs Duty Guarantee

Initial accounting for financial guarantees

The bank initially measures financial guarantee contracts at fair value. If the financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, then its fair value at inception is likely to equal the premium received unless there is evidence to the contrary.

Subsequent measurement

Financial guarantees are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and
- The amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

VII. Non-integral financial guarantee contracts

The bank shall assess whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately.

Where the bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset shall be treated as a transaction cost of acquiring it. The bank shall consider the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

Where the bank determines that the guarantee is not an integral element of the debt instrument, then it shall recognize an asset representing any prepayment of guarantee premium and a right to compensation for credit losses.

Collateral valuation

The bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash via bank guarantees and real estate. The fair value of collateral is generally assessed, at a minimum, at inception and based on the bank's reporting schedule.

To the extent possible, the bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models.

Repossessed collateral

Repossessed collateral represents financial and non-financial assets acquired by the bank in settlement of overdue loans.

The bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold.

Assets determined to be used for internal operations are initially recognized at the lower of their repossessed value or the carrying value of the original secured asset and included in the relevant assets depending on the nature and the bank's intention in respect of recovery of these assets, and are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets.

Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the bank's policy.

2.6.2 Financial Liabilities

A. Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The bank's financial liabilities include customer's deposit, margin held on letters of credit and other liabilities. Interest expenditure is recognized in interest and similar expense.

B. Subsequent measurement

Financial instruments issued by the bank, that are not designated at fair value through profit or loss but are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in the bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest rate (EIR). Amortized cost is calculated by considering any discount or premium on the issue and costs that are an integral part of the EIR.

The bank's financial liabilities carried at amortized cost comprise of customer deposits, margin held on letter of credit and other liabilities.

C. Derecognition of Financial Liabilities

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished.

2.6.3 Offsetting Financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the bank has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The bank has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.7 Interest Free deposit, financing and investment products

Cooperative Bank of Oromia has started and operated interest free banking services since February 2015 focusing on deposits, financing as well as investment.

2.7.1 Interest Free Deposits

I. Wadiah Saving Account

Wadiah saving account is the account where the bank is authorized to keep the funds of the depositors in his or her or its safe custody for safety and convenience. The depositors can withdraw their money at any time without restriction. The bank, with the consent of customers, has the right to use the fund in any permissible business; however, the customer does not share profit or loss from business returns.

II. Wadiah Current Account

Wadiah current account is similar to the conventional current account, and it is a non-profit bearing account which is opened and operated by literate customers. The operation of the account can be performed through the use of Cheques provided by the Bank to Wadiah account holders. The bank can invest the collected deposits in permissible businesses and no return is paid out to customers on this account.

III. Labbaik Wadiah Saving Account

Labbaik Wadiah Saving Account is a type of forced and commitment saving account for Hajji & Umrah pilgrimage. The available tenure for the Umrah package ranges from one to three years and five to fifteen years for Hajji Package. Customers will have to monthly deposit in their account as per the proposed deposit plan.

IV. Gammee-Junior Wadiah Saving Account

Gammee Junior Wadiah saving account is a type of account designated for children (Junior) between 0-15. The account is opened in the children's name, but parent and/or guardians administer it until the child is old enough to operate the account by him/herself. This account shall be converted to an ordinary savings account when the account holder reaches 18.

V. Ordinary Mudarabah Account

Mudarabah is a form of partnership in profit/loss whereby one party or customer (Rab-al-maal) provides capital, and the bank (Mudarib) offers management, skill, or labor. The capital provider has granted the mudarib to undertake Shari'ah compliant business activities. Mudarabah can be in the form of a savings account or time deposit.

VI. Sinqe – Women Mudarabah Saving Account

Sinqe – Women Mudarabah accounts shall refer to a type of saving account specifically designed for women aged 30 and above. The main aim of accepting Sinqe – women Mudarabah is saving accounts is to increase the saving culture of the women.

VII. Dargago -Youth Mudarabah Saving Account

This account is designed for both male and female segments with the age of between 15 -29 years old, especially for the student. The bank, as an incentive, applies a better profit-sharing ratio.

VIII. Gammee – Junior Mudarabah Saving Account

This account is opened by individuals, both male and female, between the age of 0-15. However, the account will be in the name of the child. The account will be administered by the parents/guardian until the child becomes able to do so. This account shall be converted to Ordinary Mudarabah Saving Account, when the account holder reaches the age of 18.

IX. Cooperatives Mudarabah Saving Account

Cooperatives Mudarabah saving account is opened by an autonomous association of individuals for mutual benefits to engage in retail, wholesale, production, manufacturing, etc. business enterprises. The bank allots a higher profit-sharing ratio to cooperative Mudarabah saving account holders.

X. Labbaik Mudarabah Saving Account

Labbaik Mudarabah saving account is opened for Hajji and Umrah Pilgrimage; thus, the customer will share the profit as well as be forced to saving for the purpose. Customers will have to monthly deposit in their accounts as per the proposed deposit plan. Once the deposited amount reaches the proposed package amount, they can apply for withdrawal by filling the appropriate withdrawal format to credit Ethiopian Islamic Affairs account. The bank allots a higher profit-sharing ratio with Labbaik Mudarabah saving account holders.

XI. Gudunfa Saving Account

Gudunfa is a type of Wadi'ah saving by the use of a designated box and deposits the accumulated fund into their account. Gudunfa box is provided by the bank, and dual control is in place; the box is mainly designed for petty traders, semi-skilled workers, shoe polishers, and other individuals working in private or public organizations. This account can be opened as Wadi'ah saving account.

XII. Mudarabah Investment/Time Deposit Accounts

Mudarabah investment deposits represent the case when the owner of funds seeks a return on their funds and are willing to spare these funds for an agreed period. Fixed-term deposits in the conventional system operate on the basis of Interest, while investment accounts in Islamic banks operate on the basis of profit-sharing, which is a straightforward Mudarabah deposit. The bank uses flexible tenure of (3, 6, 12 18, 24 or more months) with the option to withdraw forfeiting profits at specific times.

XIII. IFB Foreign Currency Deposit Products

Customers who fulfill the eligibility criteria can open foreign currency accounts in line with the requirements of the NBE in USD Dollar, Pound Sterling, and Euro currencies.

2.7.2 Interest-Free Financing Products

I. Murabahah Term Financing

A contract between buyer and seller under which the bank/seller sells certain specific goods to the customer/buyer at a sale price based on cost plus agreed profit payable in cash or on any fixed future date in a lump sum or by installments.

The agreed profit may be fixed in a lump sum or in a percentage of the cost price of the goods. All the expenses incurred by the seller in acquiring the goods are included in the cost price.
Murabaha Term Financing is financing granted for working capital and/or for the acquisition of commercial and related purpose fixed assets to be repaid within a specific period of time with a profit. The bank extends Short-Term Murabaha Financing, Medium-Term Murabaha Financing, and Long Term Murabaha Financing.

II. Murabahah Revolving Financing

Murabaha Revolving Financing facility is a short or medium-term financing facility by which the customer may use the financing for the purchase of merchandise, raw materials, consumables, etc. to overcome the applicant's working capital constraint.

Murabaha Revolving Financing Facility shall be availed for a maximum period of one year and reviewed every year.

III. Murabahah Import Letter of Credit Financing

Murabaha Import Letter of Credit is a facility that the bank extends to applicants who engaged in the import business or other applicants who import for various purposes using the bank's funds, at zero percent margins paid, based on markup agreement.

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Murabaha financing requires the bank and the customer/importer to sign at least two agreements separately, one for the purchase of the goods to be imported and the other for appointing the importer as the bank (agency agreement). Once these two agreements are signed, the importer can negotiate and finalize all terms and conditions with the exporter on behalf of the bank.

IV. Murabahah Pre-Shipment Export Financing

Murabaha pre-shipment export financing is a facility extended for the purchase of raw materials and/or exportable goods.

The selling price of the exportable item shall be within the acceptable range. It shall be confirmed by the National Bank of Ethiopia (NBE) or ECX (Ethiopian Commodity Exchange) or the concerned government organ.

Murabaha pre-shipment export financing against the sales contract can be one-time or revolving.

V. Murabaha Post Shipment/Revolving Export Financing

Murabaha Post Shipment (Revolving Export Facility) is an advance extended to exporters upon presenting acceptable export documents, except a bill of loading. The facility should be advanced against valid export documents.

The exporter/customer appoints the bank as his/her/its agent to collect the proceeds on his/her/its behalf.

VI. Murabaha Import Letter of Credit Settlement Financing

Murabaha Import Letter of Credit Settlement Financing is a form of financing extended to trade partners/debtors/borrowers by converting the outstanding import letter of credit document's value to a Murabaha term financing for a maximum period of one year when a customer is unable to clear the L/C documents due to shortage of working capital.

2.7.3 Investment Contracts

I. Musharakah Financing

Musharakah means a relationship established under a contract by the mutual consent of the parties for sharing of profit and losses arising from a joint enterprise or venture.

II. Mudarabah Financing

Mudarabah is a special kind of partnership where one partner gives money to another for investment in a commercial enterprise. The investment comes from the first partner (Rabb-ul-mal/bank), while the management and work are the exclusive responsibility of the other (Mudarib/customer).

2.8 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.9 Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such a cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the bank recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in Profit or Loss as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

Property and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or at the expiration of a lease contract for right of use assets. Gain or Loss are determined by comparing the net proceeds from disposal with the carrying amount of the items.

Gains and losses arising on disposal of an item of property and with the carrying amount of the item and are recognized within 'other operating income' in profit or loss.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset class	Depreciation rate (years)	Residual values (%)
Buildings	50	5%
Motor vehicles	10	5%
Computer and data storage	7	1%
Furniture & fittings	10-20	1%
Equipment	5-10	1%

The Bank commences depreciation when the asset is available for use. Capital work-in-progress is not depreciated as these assets are not yet available for use. Freehold land is not depreciated.

The residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date. Changes in the expected useful life, residual values or methods of depreciation are accounted for as changes in accounting estimates.

2.10 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in Profit or Loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite live are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or methodology, as appropriate, which are then treated as changes in accounting estimates.

The amortization expenses on intangible assets with finite lives is presented as a separate item in the Profit or Loss.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

- Computer software----------------6 years
- Core application software-------6 years
- Intangibles-contract based------contract period

2.11 Non-Current Assets Held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset is recognized at the date of de-recognition.

Non-current assets are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal bank classified as held for sale continue to be recognized.

2.12 Impairment of Non-financial assets

The bank assesses, at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. A recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are independent of those from other assets or Banks of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are 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.

In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The bank bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such an indication exists, the bank estimates the assets or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss.

2.13 Other assets

Other assets are defined as claims held against other entities for the future receipt of money. The other assets in the Bank's financial statements include the following:

I. Prepayments

Prepayments are payments made in advance for services to be enjoyed in future. The amount is initially capitalized in the reporting period in which the payment is made and subsequently amortized over the period in which the service is to be enjoyed.

II. Other receivables

Other receivables are recognized upon the occurrence of event or transaction as they arise and cancelled when payment is received. The Bank's other receivables are rent receivables and other receivables from debtors.

2.14 Fair Value Measurement

The bank measures financial instruments classified as available –for-sale at fair value at each statement of financial position date. Fair value related disclosures financial instruments and non-financial assets that are measured at fair values are disclosed are, summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Note 3 and Note 4.6.1
- Quantitative disclosures of fair value measurement hierarchy Note 4.6.1
- Financial instruments (including those carried at amortized cost) Note 4.6.1

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes places either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the assets or liability

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the consolidated statement of financial position.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model based on contractually agreed cash flows, considering credit quality, liquidity, and costs.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming if market participants act in their economic best interest.

The bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- **Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- **Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Bank's Director determines the policies and procedures for both recurring fair value measurement, such as available for sale financial assets.

For fair value disclosures, the bank has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.15 Employee Benefits

The bank operates various post-employment schemes, including both defined benefits and defined contribution pension plans and post-employment benefits.

I. Defined Contribution Plan

The Bank employ defined contribution plans;

- **Pension scheme** in line with the provisions of Ethiopian private organization employees' pension proclamation No. 1268/2022. Funding under the scheme is 7% and 11% by employees and the Bank respectively;

II. Defined Benefit Plan

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognized in the Profit or Loss in employee benefit expense, except were included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements. Post-service costs are recognized immediately in Profit or Loss.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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III. Termination Benefits

Termination benefits are payable to executive directors when employment is terminated by the bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The bank recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits because of an offer made to encourage voluntary redundancy.

IV. Profit-sharing and Bonus plans

The bank recognizes a liability and expenses for bonuses and profit-sharing. The bank recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.16 Provisions

Provisions are recognized when the bank has a present obligation (legal or constructive) as a because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the bank expects some or all a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as other operating expenses.

2.17 Share Capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Earnings per Share

The Bank presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the bank by the weighted average number of shares outstanding during the period.

2.19 Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the bank receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

2.20 Leases

I. Bank as a Lessee

At commencement or on modification of a contract containing a lease component, the bank allocates consideration on the contract to each lease component on the basis of its relative stand-alone price. However, for lease of branches and office premises the bank has elected not to separate non-lease components and accounts for lease and non-lease components as a single lease component.

The bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencements date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Bank's incremental borrowing rate.

The bank determines its incremental borrowing rate by analyzing its borrowing from various external sources and make certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially
- Measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the bank is certain to exercise, lease payment in an optional renewal period of the bank is certain to extension option, and penalties for early termination of a lease unless the bank is certain not to terminate early.

The lease liability is measured at amortized cost using an effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the bank's estimate of the amount expected to be payable under a residual value guarantee, if the bank changes its assessment of whether it will exercise a purchase, extension or termination option or is there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The bank presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

II. Bank as a Lessor

At inception or on modification of a contract containing a lease component, the bank allocates the consideration in the contract to each lease component based on their relative stand-alone selling prices.

When the bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the bank makes assesses of the lease transfers all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the bank considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

The bank applies the derecognition and impairment requirements in IFRS 16 to the net investment in the lease. The bank regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

2.21 Income Taxation

1. Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia. Director periodically evaluates positions taken in tax returns regarding situations in which applicable tax regulation is subject to interpreted. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

2. Deferred tax

Deferred tax is recognized as temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3. Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the bank's accounting policies. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events believed to be reasonable under the circumstances.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

The preparation of the bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the bank's exposures to risks and uncertainties include:

- Capital Management Note 4.5
- Financial Risk Management and policies Note 4.1
- Sensitivity analysis disclosures Note 4.4.1

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3.1 Judgements

In applying the bank's accounting policies, the directors made the judgements, which have the most significant effect on the amounts recognized in the financial statements.

3.2 Estimates and Assumptions uncertainties

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year, are described below. The bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the bank. Such changes are reflected in the assumptions when they occur.

3.2.1 Impairment losses on loans and advances

The estimation of potential credit losses is inherently uncertain and depends upon many factors, including general economic conditions, changes in individual customers' circumstances, structural changes within industries that alter competitive positions and other external factors such as legal and regulatory requirements.

Impairment is measured for all accounts identified as non-performing. All relevant considerations that have a bearing on the expected future cash flows are considered which include but not limited to future business prospects for the customer, realizable value of securities, the bank's position relative to other claimants and the existence of any court injunctions placed by the borrower. Subjective judgments are made in this cash flow determination process in value and timing and may vary from one person to another and team to team. Judgments may also change with time as new the latest information becomes available.

The bank reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recognized in profit or loss. Judgment by the directors is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about several factors and actual results may differ, resulting in future changes in the allowance.

The following are key estimations that the directors have used in the process of applying the banks accounting policies and that have the most significant effect on the amounts recognized in financial statements:

I. **Probability of Default (PD):** probability of default (PD) estimates the possibility of a loan facility moving from the performing status (stage 1) to the non-performing status (stage 3). For impairment purposes, the PD parameter is estimated using a transition matrix multiplication approach that estimates the movement of loan amounts from one bucket to the next between two subsequent time periods.

II. **The Loss Given Default (LGD):** is a measure of how much (in form of a percentage) the bank is expected to lose if default events occur. This can be estimated using either collateral, in instances where the customer has collateral against the debt instrument that they have undertaken with the bank or an analysis of the historical cash collections after the default event, for cases that the debt instrument is not secured.

III. **Exposure at Default (EAD):** EAD modelling estimates annual outstanding exposure on each loan facility over the remaining lifetime from the reporting period. The EAD for each period is calculated based on the contractual cash flows of each loan account using the reducing balance method.

The exposure at default assumed by management to be the mid-year EAD for facilities with monthly and quarterly repayment schedules. This is to reflect the assumption of uniform distribution of default events throughout the year. For semi-annual and annual repayment schedules, exposure at default will be assumed by management to be the reporting date EAD.

IV. **Significant Increase in Credit Risk (SICR):** SICR is based on migration from stage 1 to stage 2. As per the bank's loan listing classification, these are loans that experience migration from "Pass" to "Special Mention" because of arrears of over 30 days past due.

3.2.2 Fair Value Measurement of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3.2.3 Retirement Benefits

The bank has a comprehensive remuneration system based on HR policy. It combines a fixed salary that reflects the individual's role and level of responsibility along with other benefits. In addition, the bank also offers provident fund, gratuity, staff loan and other benefits such as banking products and services, medical benefits for employees.

The cost of the defined benefit pension plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases.

The discount rate reflects the estimated timing of benefit payments. In practice, an entity often achieves this by applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments and the currency in which the benefits are to be paid.

The Inflation rate the most of the plans' benefit obligations are linked to inflation both in deferment and once in payment. Higher inflation will lead to higher liabilities.

3.2.4 Depreciation and Carrying Value of Property, Plant and Equipment

The estimation of the useful lives of assets is based on director's judgement. Any material adjustment to the estimated useful lives of property and equipment items will impact the carrying value of these items.

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Property and equipment are depreciated over its useful life considering residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on several factors. In reassessing asset lives, factors such as technological innovation and maintenance programs are considered which involve extensive subjective judgment. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3.2.5 Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the bank is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

3.2.6 Taxes

Uncertainties exist regarding the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The amount of such provisions is based on a range of factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. A significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and the level of future taxable profits together with future tax planning strategies.

4. Financial Risk Management

4.1 Introduction

This note explains the bank's exposure to financial risks and how these risks could affect the bank's future financial performance. The bank has documented financial risk management policies. These policies set out the bank's overall business strategies and its risk management philosophy. The bank's overall financial risk management programme seeks to minimize potential adverse effects of the financial performance of the bank.

The Board of Directors provides written principles for overall financial risk management and written policies covering specific areas, such as credit risk, market risk (including foreign exchange risk, interest rate risk and equity price risk) and liquidity risk. Such written policies are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the bank's policy guidelines are complied with. Risk management is carried out by the bank's Risk Management Process under the policies approved by the Board of Directors.

Risk is inherent in the bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the bank's continuing profitability and everyone within the bank is accountable for the risk exposures relating to his or her responsibilities. The bank is exposed to credit risk, liquidity risk and market risk.

The independent risk control process does not include business risks such as changes in the environment, technology, and industry. The bank's policy is to monitor those business risks through the Bank's strategic planning process.

4.1.1 Risk Management Structure

The board of director is responsible for establishing and ensuring the effective functioning of the bank's risk and compliance management activities.

The Board Risk and Compliance Management Sub-committee is responsible for developing the risk strategy and implementing principles, frameworks, policies, and risk appetite. It is also responsible for performing compliance monitoring and testing, preparing periodic risk and compliance exposure reports to executive management and the board of directors.

The executive management is responsible for translating and implementing the bank's risk management strategy, priorities and policies as approved by the board of directors.

The bank's policy is that risk management processes throughout the bank are assessed periodically by the management. This will help to adequately capture risk exposure, aggregate exposure of risk types and incorporate short run as well as long run impact on the bank.

4.1.2 Risk Measurement and Reporting Systems

The bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The bank also runs worst-case scenarios that would arise if extreme events which are unlikely to occur do, in fact, occur.

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Monitoring and controlling risks are primarily performed based on limits established by the bank. These limits reflect the business strategy and market environment of the bank as well as the level of risk that the bank is willing to accept, with additional emphasis on selected regions. In addition, the bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

4.1.3 Risk Mitigation

Risk controls and mitigates, identified and approved for the bank, are documented for existing and new processes and systems.

These mitigates' adequacy is tested on a periodic basis through administration of control self-assessment questionnaires, using a risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently audited as part of the review process.

4.2 Credit Risk

Credit risk is the risk of financial loss to the bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the bank's loans and advances to customers and other banks and other financial assets.

Exposure to credit risk is managed through periodic analysis of the ability of borrowers and potential borrowers to determine their capacity to meet the principal and interest thereon, and restructuring such limits as appropriate. Exposure to credit risk is also mitigated, in part, by obtaining collateral, commercial and personal guarantees.

The bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or banks of borrowers, and to term of the financial instrument and economic sectors.

The National Bank of Ethiopia (NBE) sets credit risk limit for a single borrower, one related party and all related parties to not exceed 25%,15% and 35% of bank's total capital amount as of the reporting quarterly period respectively.

Credit management is conducted as per the risk management policy and guideline approved by the Board of Directors and the Risk Management Committees. Such policies are reviewed and modified periodically based on changes and expectations of the markets where the bank operates, regulations, and other factors.

4.2.1 Management of Credit risk

In measuring credit risk of loans and receivables to various counterparties, the bank considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the counterparty and its future developments, credit history of the obligor; and the recovery ratio in case of default obligations-value of collateral and other ways out..

Our credit exposure comprises corporate and retail loans and receivables which are developed to reflect the needs of our customers.

The bank's policy is to lend mainly based on our customer's repayment capacity through quantitative and qualitative evaluation. However, we ensure that our loans are backed by collateral to reflect the risk of the obligors and the nature of the facility.

4.2.2 Expected Credit Loss Measurement

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discounts unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Financial assets derecognized during the period and write-offs of allowances related to assets were write-off.

A. Inputs, Assumptions and Techniques used for estimating impairment

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the bank.
- If a SICR since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- POCI financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

B. Significant Increase in Credit Risk

The bank continuously monitors all assets subject to ECL. To determine whether an instrument or a portfolio of instruments is subject to 12-month and Lifetime ECL, the bank assesses whether there has been a significant increase in credit risk since initial recognition.

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

The bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met.

The quantitative criteria are based on either absolute or relative changes in credit quality. In both cases, the bank is expected to specify the percentage change, for either 12-month or lifetime PDs in comparison to the corresponding 12-month or lifetime PDs as calculated at origination, respectively, that would indicate a significant increase in credit risk since origination.

I. Forward Transitions: Days Past Due

Transition from Stage 1 to Stage 2 is based on the 30 days past due presumption.

Stage	Days Past Due
1	0 - 29
2	30 - 89
3	90+

II. Forward Transitions: Watch list & Restructure

The bank classifies accounts that are included on their watch list or have been restructured as Stage 2 if the significant driver for the account being watched listed or restructured is due to a significant increase in credit risk.

III. Forward transitions: Classification

In addition to the days past due, the bank classifies accounts as either 'Performing', 'Substandard', 'Doubtful' or 'Loss'.

This classification is considered together with days past due in determining the stage classification. The table below summarizes the account classification and days past due.

Classification	Days Past Due
Performing (Current + Watch list)	0 - 89
Substandard	90- 179
Doubtful	180 - 360
Loss	365+

The internal rating systems described above focus more on credit-quality mapping from the inception of the lending.

Current: Relates to assets classified as "Investment Grade" (no evident weakness).

Watch list: Relates to items for which there is evidence of a weakness in the financial or operating condition of the obligor which requires management's close attention.

Substandard: There is a well-defined weakness in the financial or operating condition of the obligor which jeopardizes the timely repayment of its obligations.

Doubtful: There are all of the weaknesses that are normally seen in a substandard credit with the additional characteristic that these weaknesses make full repayment unlikely.

Loss: These assets are considered uncollectible and of such little value that they should be fully written off.

A backstop is applied, and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

C. Credit Risk Grades

The bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data;

I. Term Loan Exposures

Information obtained during periodic review of customer files – e.g., audited financial statements, management accounts, budgets, and projections.

Examples of areas of particular focus are gross profit margins, financial leverage ratios, debt service coverage, compliance data from credit reference agencies, press articles, changes in external credit ratings. Actual and expected significant changes in the political, regulatory, and technological environment of the borrower or in its business activities, internally collected data on customer behavior, affordability metrics.

II. Overdraft Exposures

Payment record this includes:

- Overdue status as well as a range of variables about payment ratios
- Utilization of the granted limit
- Requests for and granting of forbearance
- Existing and forecast changes in business, financial and economic conditions

D. Generating the term structure of PD

Credit risk grades are a primary input into determining the term PD structure for exposures. The bank collects performance and default information about its credit risk exposures analyzed by product and borrower and by credit risk grading.

The bank employs statistical models to analyze 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.

E. Determining whether credit risk has increased significantly

The bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

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. Days past due are determined by counting the number of days from 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.

For each segment, the bank formulates three economic scenarios: a base case, which is the median scenario, and two less likely scenarios, one upside and one downside. For each sector, the base case is aligned with the macroeconomic model's information value output, a measure of the predictive power of the model, as well as base macroeconomic projections for identified macroeconomic variables for each sector.
The upside and downside scenarios are based on a combination of a percentage error factor of each sector model as well as simulated optimistic and pessimistic macroeconomic projections based on a measure of historical macroeconomic volatilities.

External information considered includes economic data and forecasts published by Fitch Solutions formerly known as Business Monitor International, an external and independent market intelligence and research institution. This is in addition to industry –level, semi – annual NPL trends across statistically comparable sectors.

Periodically, the bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Bank's senior management.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the bank determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognizing lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

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

- The criteria can identify 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;
- The average time between the identification of a significant increase in credit risk and default appears reasonable;
- Exposures are not transferred directly from 12-month ECL measurement to credit-impaired; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

F. Definition of Default

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

- The borrower is unlikely to pay its credit obligations to the bank in full, without recourse by the bank to actions such as realizing security (if any is held);
- The borrower is more than 90 days past due on any material credit obligation to the bank.

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 aligns with that applied by the bank for regulatory capital purposes.

G. Incorporation of Forward-Looking Information in the ECL Models

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

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 key drivers for credit risk for each of the bank's economic sectors is summarized below:

Sector/Product	Macroeconomic factors				
Cluster 1 Agriculture Consumer Loans Overdraft Interest Free Financing	Goods exports, USD	-	-	-	-
Cluster 2 Domestic Trade Services Mining and Energy Transport Health Merchandise Financial Services	-	-	-	-	-
Cluster 3 Building and Construction Hotel and Tourism Manufacturing and ProductionIndustry Real Estate Housing and Construction	Goods importsUSD	Nominal GDP, USD	Real GDP, USD (2010 prices)	-	-
Cluster 4 ExportImport Advance against Import Bills International Trade	Goods importsUSD	-	-	-	-

The bank defined a statistically significant correlation threshold with macroeconomic of 50%. No statistically significant correlation was observed for Cluster 2; as a result, no macroeconomic adjustment is observed.

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The economic scenarios used included the following key indicators for Ethiopia:

Indicator	30-Jun-22	30-Jun-23	30-Jun-24
Consumer price index inflation, 2010=100, ave	584	763	935
Exports of goods and services, USD	7,949	9,396	10,689
Government domestic debt, LCU	1,311,530	1,601,205	1,831,600
LCU/USD, ave	48	53	57
Nominal GDP, LCU	4,907,655	6,324,877	8,013,282
Private final consumption, LCU	3,602,073	4,706,091	5,637,460
Total domestic demand, LCU	5,199,565	6,554,527	7,774,860
Savings, LCU	1,058,363	1,139,738	1,333,876
Population	119,344,463	122,292,044	125,261,131
Consumer price index inflation, 2010=100, eop	591	757	893
M1, LCU	463,645	519,050	584,105
M2, LCU	1,450,580	1,669,935	1,932,335
Current expenditure, LCU	396,721	510,010	596,728
Goods imports, USD	14,996	15,798	16,433
Goods exports, USD	4,022	4,137	4,393
Current account balance, USD	(4,482)	(4,804)	(4,748)
Import cover months	2	2	2
Total household spending, LCU	4,197,597	5,494,617	6,584,552
Nominal GDP, USD	100,847	115,100	130,089
Real GDP, LCU (2010 prices)	979,927,000,000	1,031,006,500,000	1,097,146,000,000
Real GDP, USD (2010 prices)	68,005,149,345	71,549,973,629	76,139,934,488
Real GDP per capita, USD (2010 prices)	549	567	589
Nominal GDP, USD (PPP)	315,978,796,495	358,557,612,057	394,406,827,578
Private final consumption, USD	74,903	87,766	99,434
Private final consumption per capita, USD	-	-	-
Government final consumption, LCU	406,173	487,844	566,298
Government final consumption, USD	8,490	9,106	9,990
Exports of goods and services, LCU	382,338	503,898	605,981
Exports of goods and services per capita, USD	-	-	-
Imports of goods and services, LCU	740,831	887,821	1,004,879
Imports of goods and services, USD	15,481	16,575	17,735
Total domestic demand, USD	108,379	122,279	137,135
Total domestic demand per capita, USD	-	-	-
Unemployment, % of labour force, ave	3	3	3
Real effective exchange rate index	25	15	10
LCU/USD, eop	52	55	58
Total revenue, LCU	363,207	476,482	648,397
Total revenue, USD	7,576	8,877	11,412
Total expenditure, LCU	523,143	681,893	857,966
Total expenditure, USD	10,869	12,721	15,114
Current expenditure, USD	8,225	9,525	10,522
Budget balance, LCU	(159,936)	(205,411)	(209,569)
Budget balance, USD	(3,293)	(3,844)	(3,702)
Services imports, USD	5,858	6,267	6,697
Services exports, USD	5,202	5,569	5,898
Total reserves ex gold, USD	2,955	3,160	3,649
Total external debt stock, USD	35,573	40,112	44,667
Long-term external debt stock, USD	33,809	38,315	42,836

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Predicted relationships between the key indicators and default rates on various portfolios of financial assets have been developed based on analyzing semi – annual historical data over the past 5 years.

The below scenario weightings have been observed:

Summary of scenario weightings

Scenario	Base	Downturn (downside)	Optimistic (upside)
Cluster 1	91%	-	-
Cluster 2	100%	-	-
Cluster 3	52%	-	48%
Cluster 4	91%	-	9%

H. Modified Financial Assets

The contractual terms of a loan may be modified for many 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 derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out.

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 on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).

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

The revised terms usually include extending the maturity, changing the timing of interest payments, and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank Credit 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 behavioral indicators.

Forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that exposure is credit impaired. A customer needs to demonstrate consistently good payment behavior over a period before the exposure is no longer considered to be credit-impaired in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

I. 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).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the loss if there is a default. The bank estimates LGD parameters based 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.

EAD represents the expected exposure in the event of a default. The bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization.

The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the bank considers a longer period.

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.

However, for overdrafts that include both a loan and an undrawn commitment component, the bank measures ECL over a period longer than the maximum contractual period if the bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed a collective basis.

The bank can cancel them with immediate effect, but this contractual right is not enforced in normal day-to-day management, but only when the bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated considering the credit risk management actions that the bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

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

- Instrument type;
- Credit risk grading;
- Collateral type; LTV ratio for retail mortgages;
- Date of initial recognition;
- Remaining term to maturity;
- Industry; and
- Geographic location of the borrower.

The banking's are subject to regular review to ensure that exposures within a particular bank remain appropriately homogeneous.

J. Loss Allowance

The following tables show reconciliations of loans and advances to customers at amortized cost (on balance sheet exposures) as of June 30, 2023

In Birr'000

	2023			
Loans and advances to customers at amortized cost (on balance sheet and off-balance sheet exposures)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 July 2022	**283,792**	**1,652**	**617,694**	**903,138**
Transfer to stage 1 (12 months ECL)	253,794	(32,090)	(221,704)	-
Transfer to stage 2 (Lifetime ECL not credit impaired)	(24,686)	25,465	(778)	-
Transfer to stage 3 (Lifetime ECL credit impaired)	(11,399)	(2,083)	13,482	-
Net re-measurement of loss allowance	(226,056)	28,737	871,954	674,635
New financial assets originated or purchased	230,963	55,039	28,943	314,946
Financial assets derecognized	(110,369)	(9,762)	(139,825)	(259,956)
Balance as at 30 June 2023	**589,914**	**109,979**	**1,297,228**	**1,997,122**

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				In Birr'000
	2022			
Loans and advances to customers at amortized cost (on balance sheet and off-balance sheet exposures)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 July 2021	**283,792**	**1,652**	**617,694**	**903,138**
Transfer to stage 1 (12 months ECL)	138,417	(671)	(137,746)	-
Transfer to stage 2 (Lifetime ECL not credit impaired)	(2,068)	4,520	(2,452)	-
Transfer to stage 3 (Lifetime ECL credit impaired)	(1,475)	1,734	(259)	-
Net re-measurement of loss allowance	(66,639)	(1,194)	270,139	202,306
New financial assets originated or purchased	170,010	39,077	28,568	237,656
Financial assets derecognized	(44,362)	(452)	(30,788)	(75,602)
Balance as at 30 June 2022	**477,675**	**44,666**	**745,157**	**1,267,498**

In Birr'000

	2023			
Emergency Overdraft Letter of Credit and financial guarantee contracts (off balance sheet exposures)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 July 2022	**451.50**	**-**	**1,153**	**1,604**
Transfer to stage 1 (12 months ECL)	0.24		(0.24)	-
Transfer to stage 2 (Lifetime ECL not credit impaired)	-	-	-	-
Transfer to stage 3 (Lifetime ECL credit impaired)	(920)	-	920	-
Net re-measurement of loss allowance	923	-	(352)	571
New financial assets originated or purchased	141	-	49	190
Financial assets derecognized	(430)		(148)	(578)
Balance as at 30 June 2023	**166.23**	**-**	**1,621**	**1,787**

The following table provides a reconciliation for June 30, 2023 between amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument; and the 'impairment losses on financial instruments' line item in the consolidated statement of profit or loss and other comprehensive income.

In Birr'000

	2023			
Other financial assets (debt instruments)	Cash and balances with banks	Investment securities (debt instruments)	Other receivables and financial assets	Total
Balance as at 1 July 2022	**593.02**	**402.28**	**221,627.43**	**222,622.73**
Net remeasurement of loss allowance	34.74	70.68	181,970.25	182,075.67
New financial assets originated or purchased	-	-	-	-
Balance as at 30 June 2023	**627.76**	**472.96**	**403,597.68**	**404,698.40**

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The following table provides a reconciliation between amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument; and the 'impairment losses on financial instruments' line item in the consolidated statement of profit or loss and other comprehensive income.

In Birr'000

	Loans and advances to customers at amortized cost	Investment securities (debt instruments)	Other financial assets	Total charge/(credit)
Net remeasurement of loss allowance	674,635	71	183,148	857,854
New financial assets originated or purchased	314,946	-	-	314,946
Financial assets derecognized	(259,956)	-	-	(259,956)
Amounts directly written off during the year	-		-	-
Recoveries of amounts previously written off	-	-	-	-
Balance as at 30 June 2023	**729,625**	**71**	**183,148**	**912,844**

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4.2.3 Credit- related commitments

These instruments' main purpose is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans.

Documentary and commercial letters of credit – which are written undertakings by the bank on behalf of a customer authorizing a third party to draw drafts on the bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. Regarding to credit risk on commitments to extend credit, the bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The bank monitors the term to maturity of credit commitments because longer-term once have more credit risk than shorter term ones.

4.2.4 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost, FVOCI debt investments and available-for- sale debt assets. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.
The loss allowance for loans and advances to customers also includes the loss allowances for loan commitments and financial guarantee contracts.

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	2023				2022
Loans and advances to customers at amortized cost	Stage 1	Stage 2	Stage 3	Total	Total
Stage 1 – Pass	93,950,052	-	-	93,950,052	80,639,320
Stage 2 – Special mention	-	4,716,805	-	4,716,805	1,643,031
Stage 3 - Non-performing	-	-	3,406,214	3,406,214	1,703,685
Total gross exposure	**93,950,052**	**4,716,805**	**3,406,214**	**102,073,071**	**83,986,035**
Loss allowance	(589,914)	(109,979)	(1,297,228)	(1,997,121)	(1,267,498)
Net carrying amount	**80,161,645**	**1,598,364**	**958,528**	**100,075,949**	**82,718,537**

	2022				2021
Loans and advances to customers at amortized cost	Stage 1	Stage 2	Stage 3	Total	Total
Stage 1 – Pass	80,639,320	-	-	80,639,320	53,192,712
Stage 2 – Special mention	-	1,643,031	-	1,643,031	177,675
Stage 3 - Non-performing	-	-	1,703,685	1,703,685	1,211,007
Total gross exposure	**80,639,320**	**1,643,031**	**1,703,685**	**83,986,035**	**54,581,394**
Loss allowance	(477,675)	(44,666)	(745,157)	(1,267,498)	(903,138)
Net carrying amount	**80,161,645**	**1,598,364**	**958,528**	**82,718,537**	**53,678,256**

	2023				2022
Emergency Overdraft, Letter of Credit and financial guarantee contracts	Stage 1	Stage 2	Stage 3	Total	Total
Stage 1 – Pass	1,255,185	-	16,208	1,271,393	2,953,149
Stage 2 – Special mention	-	-	-	-	-
Stage 3 - Non-performing	-	-	-	-	-
Total gross exposure	**2,476,368**	**-**	**16,208**	**2,492,576**	**2,487,894**
Loss allowance	(167)	-	(1,621)	(1,788)	(1,679)
Net carrying amount	**2,476,201**	**-**	**14,587**	**2,490,788**	**2,486,215**

		2023		
Other financial assets (debt instruments)		**Gross exposure**	**Loss allowance**	**Net carrying amount**
Cash and balances with banks	12 Month ECL	12,555,000	(628)	12,554,372
Investment securities (debt instruments)	12 Month ECL	9,459,116	(473)	9,458,643
Other receivables and financial assets	12 Month ECL	3,976,108	(403,598)	3,572,510
Emergency staff loans		619,815	(1,651)	618,164
Totals		**21,948,390**	**(406,349)**	**26,203,688**

		2022		
Other financial assets (debt instruments)		**Gross exposure**	**Loss allowance**	**Net carrying amount**
Cash and balances with banks	12 Month ECL	11,860,396	(593)	11,859,803
Investment securities (debt instruments)	12 Month ECL	8,045,564	(402)	8,045,161
Other receivables and financial assets	12 Month ECL	1,515,439	(222,037)	1,293,402
Emergency staff loans		526,992	(1,178)	525,814
Totals		**21,948,390**	**(224,210)**	**21,724,180**

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4.2.5 Credit Concentrations

The bank monitors concentrations of credit risk by social sector. An analysis of concentrations of credit risk at June 30, 2023, and June 30, 2022. The bank concentrates all its financial assets in Ethiopia.

	Public Enterprise	Cooperative	Private	Others
30 June 2023	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Cash and balances with banks	10,680,927	-	5,069,278	-
Loans and advances to customers	1,853,400	8,338,154	89,481,931	-
Investment securities:				
Financial asset at FVOCI	-	-	239,676	-
Financial assets at Amortized cost	9,459,116	-	-	-
Other assets:		-	4,045,535	-
	22,037,602	**8,536,821**	**101,635,759**	-
	Public Enterprise	**Cooperative**	**Private**	**Others**
30 June 2022	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Cash and balances with banks	16,488,220	-	-	-
Loans and advances to customers	15,331,892	7,897,041	61,026,935	-
Investment securities:				
Financial asset at FVOCI	-	-	179,715	-
Financial assets at Amortized cost	8,045,538	-	-	-
Other assets:		-	1,323,892	-
	39,865,650	**7,897,041**	**62,530,543**	-

4.2.6 Commitments and Guarantees

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment.

The table below shows the bank's maximum credit risk exposure for commitments and guarantees.

	30 June 2023	30 June 2022	30 June 2021
	Birr'000	**Birr'000**	**Birr'000**
Loan commitments	6,757,419	4,256,624	3,196,000
Guarantees	512,398	933,243	8,535,530
Letters of credit	139,180	1,492,914	2,008,110
	7,408,998	**6,682,781**	**13,739,640**

4.3 Liquidity Risk

Liquidity risk is the risk that the bank cannot meet its maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk arises because the

Bank might be unable to meet its payment obligations when they fall due from mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the bank on acceptable terms.

Liquidity risk management in the bank is solely determined by Asset-Liability Committee, which bears the overall responsibility for liquidity risk. The main objective of the bank's liquidity risk framework is to maintain sufficient liquidity to ensure that we meet our maturing obligations.

4.3.1 Management of Liquidity Risk

Cash flow forecasting is performed by the Finance Department. The bank's liquidity management process, as carried out within the bank and monitored by fund management team, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the bank's reputation.

4.3.2 Maturity Analysis of Financial Liabilities

The table below analyses the bank's financial liabilities into relevant maturity banking's based on the remaining period at the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in future.

	0-30 days	31-90 days	91-180 days	181-365 day	Over 1 year
30 June 2023	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**	**Birr'000**
Deposits from cust..	34,252,852	5,460,383.83	2,266,127.41	1,733,357.12	70,366,660.76
Due to other banks	468,242	-	-	-	1,700,443.74
Other liabilities	1,278,923	8,879.98	-	-	253,196.60
Total F/Liabilities	**36,000,017**	**5,469,263.81**	**2,266,127.41**	**1,733,357**	**72,320,301.10**
Loan commitments	6,757,419	-		-	-
Guarantees	182,100	134,217	103,452	92,629.48	-
Letters of credit	13,881	81,960	22	43,317.16	-
Total Off Bal.sheet	**6,953,400**	**216,177**	**103,474**	**135,947**	**-**

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30 June 2022	0-30 days Birr'000	31-90 days Birr'000	91-180 days Birr'000	181-365 day Birr'000	Over 1 year Birr'000
Deposits from cust.	32,600,303	-	7,130,454.86	-	56,108,310.29
Due to other banks	929,933	-	-	-	-
Other liabilities	1,773,938	35,082.00	-	-	462,373.00
Total F/Liabilities	**35,304,174**	**35,082.00**	**7,130,454.86**	**-**	**56,570,683.29**
Loan commitments	4,256,624	-		-	-
Guarantees		247,731	624,282	2,580.83	58,649.24
Letters of credit	154,581	902,749	435,583	-	-
Total commitments	**4,411,205**	**1,150,480**	**1,059,865**	**2,581**	**58,649**

4.3.3 Financial assets pledged as collaterals

The bank pledged Treasury bills 4,946 million and Treasury bonds worth 2,327 million birr as collateral for its NBE borrowing and NBE Issue Account facility.

4.4 Market Risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility.

The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing the return on risk. Overall responsibility for managing market risk rests with the Bank's Risk Management and the Board's Risk Committee.

The Bank Risk Management is responsible for the development of detailed risk management policies and procedures (subject to review and approval by the Board's Risk Committee) and for the day-to-day implementation of those policies.

The bank does not ordinarily engage in trading activities as there are no active markets in Ethiopia.

4.4.1 Management of Market Risk

The main objective of Market Risk Management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

I. Interest rate risk

Interest rate risk is the risk a financial instrument value will be affected by changes in market interest rates.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

The bank's exposure to the risk of changes in market interest rates relates primarily to the bank's obligations and financial assets with floating interest rates. The bank is also exposed on fixed rate financial assets and financial liabilities. The bank's investment portfolio is comprised of treasury bills, Ethiopian government bonds, Development Bank of Ethiopia bond and cash deposits.

The table below sets out information on the exposures to fixed and variable interest instruments.

30 June 2023	Fixed Interest	Non-interest bearing	Total
	Birr'000	Birr'000	Birr'000
Assets			
Cash and balances with banks	1,932,756	13,817,448.34	15,750,205
Loans and advances to customers	83,484,631	-	83,484,631
Interest free banking		16,188,854	16,188,854
Investment securities	-		
Financial asset at FVOCI		239,676	239,676
Financial assets at Amortized cost	9,459,116	-	9,459,116
Other assets (Finanacial Asset)	-	4,045,535	4,045,535
Total	**94,876,503**	**34,958,829**	**129,835,332**
Liabilities			
Deposits from customers	64,544,59	49,539,006	114,083,590
Due to other banks	1,700,444	468,242	2,168,686
Other liabilities(Finanacial Liabilities)	-	1,548,192	1,548,192
Total	**66,245,027**	**51,555,441**	**117,800,468**
30 June 2022	**Fixed Interest**	**Non-interest bearing**	**Total**
	Birr'000	Birr'000	Birr'000
Assets			
Cash and balances with banks	16,488,220	-	16,488,220
Loans and advances to customers	69,336,114	-	69,336,114
Interest free banking		13,362,820	13,362,820
Investment securities	-		
Financial asset at FVOCI		179,715	179,715
Financial assets at Amortized cost	8,045,538	-	8,045,538
Other assets (Finanacial Asset)	2,780,254	-	2,780,254
Total	**96,650,127**	**13,542,535**	**110,192,662**
Liabilities			
Deposits from customers	43,182,565	52,656,503	95,839,068
Due to other banks	929,933	-	929,933
Other liabilities (Finanacial Liabilities)	2,780,254	-	2,780,254
Total	**46,892,752**	**52,656,503**	**99,549,255**

II. Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The bank is exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr. The bank's foreign currency bank accounts act as a natural hedge for these transactions. Management has set up a policy to manage the bank's foreign exchange risk against its functional currency.

The table below summarizes the impact of increases/decreases of 10% on equity and profit or loss arising from the bank's foreign denominated borrowings and cash and bank balances.

Foreign currency denominated balances	30 June 2023	30 June 2022	30 June 2021
	Birr'000	Birr'000	Birr'000
USD	19,097	(56,927)	87,892
EURO	(1,501)	(3,884)	7,353
GBP	(37)	11	244
DIRAHM	431	1,146	868
RIYAL	61	691	377
JPY	-	-	2,985
Total	**18,052**	**(58,963)**	**99,719**

Sensitivity analysis for foreign exchange risk

The sensitivity analysis for currency rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date.

The sensitivity of the Bank's earnings to fluctuations in exchange rates is reflected by varying the exchange rates at 10% as shown below:

Sensitivity analysis	30 June 2023	30 June 2022
	Birr'000	Birr'000
Effect of 10% increase in exchange rate on profit or loss (USD)	1,909.70	(5,692.72)
Effect of 10% decrease in exchange rate on profit or loss (USD)	(1,910)	5,693
Effect of 10% increase in exchange rate on profit or loss (EUR)	(150)	(388)
Effect of 10% decrease in exchange rate on profit or loss (EUR)	150	388
Effect of 10% increase in exchange rate on profit or loss (GBP)	(4)	1
Effect of 10% decrease in exchange rate on profit or loss (GBP)	4	(1)
Effect of 10% increase in exchange rate on profit or loss (DIRAHM)	43	115
Effect of 10% decrease in exchange rate on profit or loss (DIRAHM)	(43)	(115)
Effect of 10% increase in exchange rate on profit or loss (RIYAL)	6	69
Effect of 10% decrease in exchange rate on profit or loss (RIYAL)	(6)	(69)
Effect of 10% increase in exchange rate on profit or loss (JPY)	-	-
Effect of 10% decrease in exchange rate on profit or loss (JPY)	-	-

4.5 Capital Management

The bank's objectives in managing capital are:

- To comply with the capital requirements set by regulators (NBE) in the markets where the bank's entities operate and safeguard the bank's ability to continue as a going concern;
- To maintain a strong capital base that supports the development of the business; and
- To sustain a sufficient level of returns for the bank's shareholders.

Risk-weighted assets are calculated in accordance with regulatory guidelines.
Credit risk-weighted assets are measured by applying a hierarchy of risk weights related to the nature of the risks associated with on and off-balance sheet asset classes.

Operational risk- weighted assets are calculated by applying a scaling factor to the bank's average gross income.

Market risk-weighted assets are calculated by applying factors to the bank's trading exposures to foreign currencies, interest rates, and prices.

4.5.1 Capital Adequacy Ratio (CAR)

According to the Licensing and Supervision of Banking Business Directive No SBB/50/2011 of the National Bank of Ethiopia, the bank has to maintain capital to risk weighted assets ratio of 8% at all times, the risk weighted assets being calculated as per the provisions of Directive No SBB/9/95 issued on August 18, 1995.

The capital adequacy ratio is the quotient of the capital base of the bank and the bank's risk weighted asset base.
Capital includes capital contribution, retained earnings, legal reserve and other reserves to be approved by the National Bank of Ethiopia.

	30 June 2023	30 June 2022	30 June 2021
	Birr'000	Birr'000	Birr'000
Capital			
Paid-up capital	10,016,082	7,731,771	4,651,021
Capital reserves	3,932	3,932	3,932
Share Premium	8,672	8,672	8,672
Regulator risk reserve	1,143,592	-	-
Legal reserve	2,406,186	1,755,144	1,243,812
	13,578,464	**9,499,519**	**5,907,437**
Risk weighted assets			
Risk weighted balance for on-balance sheet items	116,474,460	89,674,017	57,380,353
Credit equivalents for off-balance Items	9,812,118	4,087,847	6,265,116
Total risk weighted assets	**126,286,578**	**93,761,864**	**63,645,469**
Risk-weighted Capital Adequacy Ratio (CAR	**10.75%**	**10.13%**	**9.28%**
Minimum required capital	**8.00%**	**8.00%**	**8.00%**

4.6 Fair Value of Financial Assets and Liabilities

Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value, it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

4.6.1 Valuation Models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflects market data obtained from independent sources; unobservable inputs reflect the bank's market assumptions. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data. In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between them.

4.6.2 Financial instruments not measured at fair value - Fair value hierarchy

The following table summarizes the carrying amounts of financial assets and liabilities at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

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Financial assets	30 June 2023 Carrying amount Birr'000	30 June 2022 Carrying amount Birr'000
Cash and balances with banks	15,750,205	16,488,220
Loans and advances to customers	83,484,631	69,336,114
Interest free financing	16,188,854	13,362,820
Investment securities	-	-
Equity Investment	-	179,715
Amortized Cost	9,459,116	8,045,538
Other asset (Financial assets)	4,045,535	2,780,254
Total	**128,928,345**	**110,192,662**

Financial liabilities		
Deposits from customers	114,083,590	95,839,068
Due to other banks	2,168,686	929,933
Other liabilities (Financial Liabilities)	1,548,192	5,268,344
Total	**117,800,468.18**	**102,037,345**

4.6.3 Fair Value Methods and Assumptions

I. Loans and advances to customers

Loans and advances to customers are carried at amortized cost net of provision for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

II. Cash

The carrying amount of cash and balances with banks is a reasonable approximation of fair value.

III. Deposit from banks, due to customers and other deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

For those notes were quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

IV. Other Assets

The bulk of these financial assets have short term (less than 12 months) maturities and their amounts are a reasonable approximation of fair value.

V. Other Liabilities

The carrying amount of financial liabilities in other liabilities is a reasonable approximation of fair value because these are short term in nature with a maturity of less than one year.

4.7 Offsetting Financial Assets and Financial Liabilities

There are no offsetting arrangements. Financial assets and liabilities are settled and disclosed on a gross basis.

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Interest free banking statement of profit or loss

For the year ended 30 June 2023

	30 June 2023 Birr'000	30 June 2022 Birr'000
Income		
Income derived from Murabahah financing	1,855,857.37	955,124.76
Charges & commissions- local	357,890.06	66,035.39
Charges & commissions-foreign	14,180.17	105,313.42
Other income	104.96	12.68
Total income	**2,228,032.56**	**1,126,486.25**
Expenses		
Staff salaries and benefits	22,634.54	16,711.44
Sharia Advisory Committee fee	2,937.11	2,249.82
Administrative and General expense	10,108.57	10,191.59
Mudarabah Profit Expense	160,412.80	30,781.85
Total Expenses	**196,093.02**	**59,934.70**
Operating income before tax and provisions	**2,031,939.54**	**1,066,551.55**
Total net income before tax	2,031,939.54	1,066,551.55
Business profit tax Payable	609,581.86	319,965.47
Net income after tax & provisions	**1,422,357.68**	**746,586.09**

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Cooperative Bank of Oromia S.C
Interest free banking statement of financial position
For the year ended 30 June 2023

	30 June 2023 Birr'000	30 June 2022 Birr'000
ASSET		
Cash and balance with banks	624,010.00	863,400.00
Profit Receivable from Murabaha f.	4,054,460.00	2,876,670.00
Murabaha financing	12,725,750.00	10,653,760.00
Qard	3,780,570.00	2,857,970.00
Less provisions	(283,810.00)	(171,010.00)
Other assets	0.00	39,980.00
Total Assets	**20,900,980.00**	**17,120,770.00**
LIABILITIES		
Current account (Amana Demand Deposit)	2,659,120.00	3,282,680.00
Saving accounts (Wadi'a Saving Deposit)	13,684,880.00	12,000,960.00
Payable to charity organization for penalty collected	39,790.00	20,600.00
Declared but undistributed profit	990.00	22,900.00
Mudarabah/Investment accounts	3,073,000.00	922,510.00
Profit equalization reserve	3,050.00	30.00
Investment risk reserve	940.00	10.00
Other liabilities	1,439,210.00	871,080.00
Total liabilities	**20,900,980.00**	**17,120,770.00**
Total Owners' Equity	**0.00**	**0.00**
Liabilities and owners' Equity	**20,900,980.00**	**17,120,770.00**

Cooperative Bank of Oromia S.C
Notes to the Financial Statements
For the year ended 30 June 2023

		30 June 2023	30 June 2022
		Birr'000	Birr'000
5	**Interest income**		
	Loans and advances to customers	11,150,243	7,243,504
	Suspended Interest Income	258,298	110,863
	National Bank of Ethiopia bills and bonds	617,935	551,799
	Due from other banks	192,484	177,441
		12,218,961	**8,083,608**

		30 June 2023	30 June 2022
		Birr'000	Birr'000
6	**Due to customers**	4,020,758	2,700,753
		4,020,758	**2,700,753**

		30 June 2023	30 June 2022
		Birr'000	Birr'000
7	**Fee and commission income**		
	Foreign currency transactions	929,097	1,133,033
	Letter of guarantee	558,969	270,007
	Other commission	454,379	206,966
		1,942,445	**1,610,006**
	Fee and commission expense	-	-
	Net fees and commission income	**1,942,445**	**1,610,006**

		30 June 2023	30 June 2022
		Birr'000	Birr'000
8	**Other operating income**		
	Income from murabaha financing	1,506,049	955,125
	Dividend income	14,360	6,279
	Estimation and inspection fee	76,559	35,022
	Gain on disposal of property plant and equipment	9,862	6,540
	Gain on foreign currency transactions	1,887,804	1,316,942
	Other income	51,753	38,528
	Rental income	3,191	1,132
	Telephone, postages and money bags	34	69
		3,549,612	**2,359,636**

Cooperative Bank of Oromia S.C

Notes to the Financial Statements

For the year ended 30 June 2023

		30 June 2023	30 June 2022
		Birr'000	Birr'000
9	**Impairment charge**		
	Loans and advances - charge for the year	969,275	631,367
	Impairment Loss on PPE	2,083	260
		971,358	**631,627**

		30 June 2023	30 June 2022
		Birr'000	Birr'000
10	**Personnel expenses**		
	Salaries and wages	2,159,320	1,400,509
	Staff allowances	297,703	127,191
	Staff Award	11,307	27,020
	Pension costs – Defined contribution plan	232,356	152,327
	Pension costs – Defined Benefit plan	105,550	32,849
	Prepaid staff expenses	55,910	42,354
	Other staff expenses	454,218	538,332
		3,316,363	**2,320,581**

		30 June 2023	30 June 2022
11	**Operating expenses**	Birr'000	Birr'000
	Advertisement and publicity	189,578	155,608
	Amortization of leasehold	37	16
	Audit fee	408	404
	Bank charges	496	110
	Board of directors' remuneration	1,460	2,108
	Cleaning	1,626	2,248
	Data processing	10,193	14,286
	Donations	218,182	44,747
	Entertainment	20,201	9,193
	Fuel	49,850	20,951
	Insurance	52,934	24,960
	Internet	83,519	46,569
	Legal and professional fee	1,130	3,052
	Movable Collateral Registry	19	36
	Other operating expense	1,076,082	612,011
	Penalty	31,560	32,512
	Per diem	39,612	20,455
	Rent	580,089	352,541
	Finance Cost of rent	13,044	7,162
	Repair and maintenance	141,912	85,011
	Representation allowance	768,956	103,398
	Stationeries	121,994	71,473
	General Supply Stock Expense	52,738	14,854
	Subscription and membership fee	5,671	5,719
	Taxes	236	29
	Telephone and postage	333	329
	Transportation	181,111	117,111
	General Assembly	13,046	6,107
	Water and electricity	17,736	12,529
	Loss on foreign exchange transactions	1,960,030	1,573,728
		5,633,784	**3,339,258**

Cooperative Bank of Oromia S.C
Notes to the Financial Statements
For the year ended 30 June 2023

		30 June 2023	30 June 2022
		Birr'000	Birr'000
12	**Company income and deferred tax**		
12a	**Current income tax**		
	Company income tax	793,310	773,844
	Deferred income tax/(credit) to profit or loss	(8,880)	24,079
	Total charge to profit or loss	784,429	797,922
	Total tax in statement of comprehensive income	**784,429**	**797,922**

12b Reconciliation of effective tax to statutory tax

The tax on the bank's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Profit before tax	**3,388,598**	**2,843,250**
Add: Disallowed expenses		
Entertainment	20,201	9,193
Donation	100	26,747
Legal provision	2,122	3,537
General Assembly	13,046	6,107
Penalty	31,560	32,512
Accrued Leave	79,935	63,477
Prepaid staff expense	55,910	42,354
Loss on foreign exchange transactions	72,225	256,786
Impairment Loss	2,083	259.55
Severance pay	94,688	30,696
Provision for loans and advances as per IFRS	969,275	631,367
Depreciation for accounting purpose	336,245	199,734
Amortization for accounting purpose	43,913	18,047
Total disallowable expenses	**1,721,302**	**1,320,817**
Less: Allowable expenses		
Depreciation and amortization for tax purpose	485,580	255,477
Provision for loans and advances for tax NBE 80%	1,093,702	539,604
Dividend income taxed at source	14,360	6,039
Interest income on staff loans	61,962	54,627
Reversal of Regulatory Risk reserve	-	-
Reversal on Severance pay	-	-
Interest on Nostro Accounts	54	-
Interest income taxed at source-NBE Bills	617,935	551,799
Interest income taxed at source-Local Deposit	191,942	177,042
Total allowable expenses	**2,465,535**	**1,584,589**
Taxable profit	**2,644,366**	**2,579,479**
Current tax at 30%	**793,310**	**773,844**

Cooperative Bank of Oromia S.C
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For the year ended 30 June 2023

		30 June 2023	30 June 2022
12c	**Current income tax liability**	**Birr'000**	**Birr'000**
	Balance at the beginning of the year	773,825	396,833
	Charge for the year:	793,310	773,844
	Income tax expense	(773,825)	(396,833)
	Payment during the year	(322)	(19)
	Balance at the end of the year	**792,988**	**773,825**

12d Deferred income tax

The following table shows deferred tax recorded in the statement of financial position and charges recorded in the income tax expense;

	30 June 2023 Birr'000	30 June 2022 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	65,810	37,404
To be recovered within 12 months	67,794	43,813
	133,604	**81,217**

Deferred income tax assets and liabilities, deferred income tax charge/(credit) in profit or loss("P/L"), in equity and other comprehensive income are attributable to the following items;

Deferred Tax Asset		
Particular	30-Jun-22	30-Jun-23
Deferred tax (liability) asset brought forward	52,965	81,217
Severance pay- carrying amount	32,849	105,550
Accrued Leave -carrying amount	68,214	127,032
Severance pay - tax base	6,890	57,959
Severance pay temporary difference	94,173	174,623
Deferred tax Asset Birr of the above line @ 30%	28,252	52,387
Ending Deferred tax Asset	81,217	133,604
Deferred Tax Liability		
Particular	30-Jun-22	30-Jun-23
Deferred tax (liability) asset brought forward	11,051.31	63,381.90
Add: Temporary difference	52,330.62	43,506.63
Deferred tax liability as at June 30,2022,2023	63,381.94	106,888.53
Fixed asset carrying amount Accounting base	2,109,367	3,774,402
Fixed assets tax base	1,898,094	3,418,107
Sub-total birr @ 30%	211,273	356,295
Ending Deferred tax liability	63,382	106,889

Cooperative Bank of Oromia S.C
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	Deferred income tax assets/(liabilities):	At 1 July 2022	Prior Year Adjustment	Credit/ (charge) to P/L	30 June 2023
		Birr'000		Birr'000	Birr'000
	Property, plant and equipment	(63,382)	-	(43,507)	(106,889)
	Accrued leave provision	43,813	-	23,980	67,794
	Post-employment benefit obl.	37,404	-	28,407	65,810
	Total deferred tax assets/(liabilities)	**17,835**	**-**	**8,880**	**26,715**
12e	**Total deferred tax assets**	**81,217**			**133,604**
12f	**Total deferred tax liab.**	**(63,382)**			**(106,889)**
	Deferred income tax assets/(liabilities):	At 1 July 2021	Cr.(charge) to PL	Cr.(charge) equity	30 June 2022
		Birr'000	**Birr'000**	**Birr'000**	**Birr'000**
	Property, plant and equipment	(49,023)	37,972	(52,331)	(63,382)
	Accrued leave provision	6,958	17,812	19,043	43,813
	Post-employment benefit obl.	12,426	15,769	9,209	37,404
	Total deferred tax assets/(liabilities)	**(29,639)**	**71,552**	**(24,079)**	**17,835**
12e	**Total deferred tax assets**	**19,384**			**81,217**

		30 June 2023	30 June 2022
		Birr'000	Birr'000
13	**Cash and cash equivalent**		
	Cash on hand	3,136,522	4,626,914
	Deposits with local banks	1,793,506	1,822,717
	Deposits with foreign banks	139,250	1,226,958
		5,069,278	**7,676,589**
	Reserve with National Bank of Ethiopia	7,834,988	6,759,988
	Balance held with National Bank of Ethiopia	2,845,939	2,051,643
		15,750,205	**16,488,220**
		30 June 2023	**30 June 2022**
		Birr'000	**Birr'000**

Maturity analysis	30 June 2023	30 June 2022
Current	7,915,217	9,728,232
Non-Current	7,834,988	6,759,988
	15,750,205	**16,488,220**

Cooperative Bank of Oromia S.C
Notes to the Financial Statements
For the year ended 30 June 2023

13a Cash and cash equivalent

Cash on hand	3,136,522	4,626,914
Deposits with local banks	1,793,506	1,822,717
Deposits with foreign banks	139,250	1,226,958
Balance held with National Bank of Ethiopia	2,845,939	2,051,643
	7,915,217	**9,728,232**

14 Loans and advances to customers

	30 June 2023 Birr'000	30 June 2022 Birr'000
Agriculture	4,773,795	1,231,824
Manufacturing	14,042,439	12,290,221
Export	18,763,351	17,459,220
Merchandise	1,646,886	2,162,215
Import	4,885,665	4,747,682
Domestic trade and service	29,169,917	23,042,353
Building and construction	3,254,792	3,134,246
Staff loans	8,955,975	6,466,333
Gross amount	**85,492,820**	**70,534,094**
Impairment charge		
Stage 1 12-month ECL	(478,320)	(437,551)
Stage 2 Lifetime ECL	(104,342)	(3,262)
Stage 3 Lifetime ECL	(1,182,777)	(735,126)
Suspended Int.IFRS Adjustment	(242,750)	(22,041)
Net Conventional Loan Balance	**83,484,631**	**69,336,114**

Maturity analysis	**30 June 2023 Birr'000**	**30 June 2022 Birr'000**
Within 3 Months	15,109,578	786,786
3 months up to 1 year	15,911,494	6,804,337
1 Year up to 2 years	8,249,698	7,594,114
2 Years up to 3 years	13,298,889	9,865,864
3 years up to 5 years	15,793,131	17,332,208
> 5 years	17,130,030	28,150,786
	85,492,820	**70,534,094**

14a Impairment allowance on loans and advances to customers
A reconciliation of the allowance for impairment losses for loans and receivables by class, is as follows:

	As at 30 June 2023	**Charge for the year**	**As at 30 June 2022**
Specific allowance for impairment	**Birr'000**	**Birr'000**	**Birr'000**
- Stage 1 12-month ECL	478,320	40,770	437,551
- Stage 2 Lifetime ECL	104,342	101,080	3,262
- Stage 3 Lifetime ECL	1,182,777	447,650	735,126
Total impairment allowance	**1,765,439**	**589,500**	**1,175,939**

Cooperative Bank of Oromia S.C
Notes to the Financial Statements
For the year ended 30 June 2023

	30 June 2023	30 June 2022
	Birr'000	Birr'000
15 Interest free Financing		
Agriculture -IFB	141,179	210,992
Manufacturing -IFB	3,172,186	3,128,346
Export -IFB	4,190,042	3,201,593
Import-IFB	102,459	1,088,479
Domestic trade and service -IFB	5,930,831	3,587,667
Building and construction -IFB	2,079,603	2,183,171
Others-IFB	804,238	54,131
	16,420,536	**13,454,379**
Less Collective Impairment		
- Stage 1 12-month ECL	(111,594)	(40,124)
- Stage 2 Lifetime ECL	(5,637)	(41,405)
- Stage 3 Lifetime ECL	(114,452)	(10,030)
Net Interest free Financing	**16,188,854**	**13,362,820**

Maturity analysis	**30 June 2023**	**30 June 2022**
	Birr'000	**Birr'000**
Within 3 Months	1,735,853	112,354
3 months up to 1 year	4,893,735	3,119,181
1 Year up to 2 years	1,776,110	1,171,058
2 Years up to 3 years	3,196,067	2,117,471
3 years up to 5 years	1,510,781	2,819,716
> 5 years	3,307,990	4,114,600
	16,420,536	**13,454,380**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
16 Investment securities		
Equity Investments	179,715	112,826
Additional for the year	4,521	25,000
Adjustment	1,978	(500)
Revaluation gain or loss	53,462	42,389
	239,676	**179,715**

Cooperative Bank of Oromia S.C
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16a. The following are the equity investments of the Bank as at 30 June 2023:

		30 June 2023		
		Birr'000		
Investee Company	**Percentage holding**	**Cost**	**Revaluation gain/loss**	**Total**
Oromia Insurance Company S.C	5%	50,000	30,879	80,879
Orologo Prefabricated Factory plc	20%	15,000	-	15,000
Gutu Oromia S.C	3.50%	3,500	-	3,500
Elemtu Integrated Milk Industry	6.58%	5,000	5,349	10,349
Eth-Switch Solution S.C	1.94%	18,262	85,532	103,793
Premium Switch Solution (PSS)	3.36%	5,540	15,216	20,757
Bomoj Meat Industry S.C	0.76%	1,250	-	1,250
Melba Printing and Publishing S.C	2.56%	10,000	(5,852)	4,148
		108,552	**131,124**	**239,676**

		30 June 2022		
		Birr'000		
Investee Company	**Percentage holding**	**Cost**	**Revaluation gain/loss**	**Total**
Oromia Insurance Company S.C	5%	50,000	31,286	81,286
Orologo Prefabricated Factory plc	20%	15,000	-	15,000
Gutu Oromia S.C	3.5%	3,500	-	3,500
Elemtu Integrated Milk Industry	6.58%	5,000	4,999	9,999
Eth-Switch Solution S.C	2.03%	12,502	37,925	50,428
Premium Switch Solution(PSS)	3.22%	4,800	8,987	13,787
Bomoj Meat Industry S.C	1.79%	1,250	-	1,250
Melba Printing and Publishing S.C	1.46%	10,000	(5,535)	4,465
		102,052	**77,663**	**179,715**

The Bank holds equity investments in Eth-Switch of 1.94%, Premium Switch Solutions 3.36%, Oromia Insurance Company 5%, Gutu Oromia Business 3.5%, Orologo Prefabricated PLC 20%, Elemtu Integrated Milk Industry 6.58%, Bomoj Meat Processing and Export S.C 0.76% and Melba Printing and Publishing S.C 2.56% as at 30 June 2023. These investments are unquoted equity securities measured at fair value through other comprehensive income (FVOCI).

Equity instruments are instruments that meet the definition of equity from the holder's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Equity instruments are measured at FVTPL. However, on initial recognition of an equity investment that is not held for trading, the bank may irrevocably elect for strategic or long-term investment reasons to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. On adoption of the standard, the bank designated all of its equity instruments as FVTOCI. Gains and losses on these instruments including when derecognized/ sold are recorded in OCI and are not subsequently reclassified to the PL.

Tsegaye, Shiferaw & Ayalew TMS Plus Certified Audit Partnership

Baankii Hojii Gamtaa Oromiyaa Coop Bank of Oromia Cooperative Bank of Oromia

Cooperative Bank of Oromia S.C
Notes to the Financial Statements
For the year ended 30 June 2023

17 Amortized Cost:

	30 June 2023 Birr'000	30 June 2022 Birr'000
Ethiopian Government bills	-	-
Treasury bills	4,821,581	7,468,968
DBE Bond	1,404,935	-
Ethiopian Government Bonds	3,232,600	576,570
Gross amount	**9,459,116**	**8,045,538**

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	4,821,581	-
Non-Current	4,637,535	8,045,538
	9,459,116	**8,045,538**

Tafesse, Shiferaw & Ayalew Certified Audit Partnership TMS Plus

Baankii Hojii Gamtaa Oromiyaa Coop Bank of Oromia Cooperative Bank of Oromia

18 Other assets

	30 June 2023 Birr'000	30 June 2022 Birr'000
Financial assets		
Un cleared effects of transfers - Foreign	3,457,381	1,133,233
Un cleared effects of transfers - Local	61,607	15,013
ATM settlement receivables	24,520	35,402
Money transfer agents	806	5,013
Advance on murabaha	128,468	57,351
Account receivable	779,244	302,517
Gross amount	**4,452,026**	**1,548,529**
Less: Specific impairment allowance	(406,486)	(224,637)
	4,045,540	**1,323,892**
Non-financial assets		
Repossessed collateral	-	-
Fixed asset in store	(1)	117
Prepaid staff expense	850,974	571,901
Prepayment for new branch opening	202,511	89,706
Prepayments	2,752,574	677,070
General supplies	331,228	117,542
Sundry receivables	26	26
Gross amount	**4,137,314**	**1,456,362**
Net Financial and Non-financial asset	**8,182,853**	**2,780,254**

Maturity analysis	30 June 2023 Birr'000	30 June 2022 Birr'000
Current	7,738,366	2,432,873
Non-Current	850,974	572,018
	8,589,339	**3,004,891**

18a Impairment allowance on other assets

A reconciliation of the allowance for impairment losses for other assets is as follows:

	30 June 2023 Birr'000	30 June 2022 Birr'000
Balance at the beginning of the year	224,637	31,734
Charge for the year	181,849	192,903
Balance at the end of the year	**406,486**	**224,637**

Cooperative Bank of Oromia S.C
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		Purchased software
		Birr'000
19	**Intangible Assets**	
	Cost:	
	As at 1 July 2022	288,373
	Acquisitions	110,099
	As at 30 June 2023	**398,472**
	Accumulated amortization	
	As at 1 July 2022	49,553
	Amortization for the year	43,913
	As at 30 June 2023	**93,466**
	Net book value	
	As at 30 June 2022	**238,820**
	As at 30 June 2023	**305,006**

		Building	Motor vehicles	Office furniture, fittings & equipment	Computer equipment	Construction in progress	Total
		Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
20	**Property, plant and equipment**						
	Cost:						
	As at 1 July 2022	**106,201**	**936,337**	**909,220**	**570,230**	**597,635**	**3,119,623**
	Additions	277,468	316,014	582,448	270,403	180,843	1,627,177
	Disposals	-	-	(26,954)	(909)	-	(27,863)
	Reclassification	-	(29,445)	142,307	377,716		490,578
	Transfer to Non-Asset Held to Sale	-	-	(14,352)	(5,636)		(19,989)
	As at 30 June 2023	**383,669**	**1,222,906**	**1,592,669**	**1,211,804**	**778,478**	**5,189,526**
	Accumulated depreciation						
	As at 1 July 2022	**(7,874)**	**(182,784)**	**(263,990)**	**(194,167)**	**-**	**(648,815)**
	Charge for the year	(7,248)	(108,112)	(109,521)	(111,363)	-	(336,245)
	Disposals	-	-	13,747	804	-	14,551
	Reclassification	-		663	11,901		12,564
	Transfer to Non-Asset Held to Sale	-	-	11,647	4,646		16,293
	As at 30 June 2023	**(15,122)**	**(290,896)**	**(347,455)**	**(288,179)**	**-**	**(941,652)**
	Accumulated Impairment						
	As at 30 June 2022	-	-	2,194	431		2,625
	As at 1 July 2022	-	-	2,194	431		2,625
	Transfer to Non-Asset Held to Sale	-	-	(2,194)	(431)		(2,625)
	As at 30 June 2023	-	-	0.00	(0.00)		0.00
	Net book value						
	As at 30 June 2022	**98,327**	**753,553**	**643,035**	**375,632**	**597,635**	**2,468,182**
	As at 30 June 2023	**368,547**	**932,011**	**1,245,214**	**923,624**	**778,478**	**4,247,874**

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20a Non-current assets held for sale

	30 June 2023 Birr'000	30 June 2022 Birr'000
Balance at the beginning of the year	125,176	109,646
Additional Repossessed collateral from the borrower for the year	422	-
Transfer from repossessed collateral	(88,394)	33,922
Transfer from property, plant and equipment	1,024	451
Reversal of property, plant and equipment	-	-
Disposals of property, plant and equipment	(1,208)	(18,843)
Balance at the end of the year	**37,020**	**125,176**

Cooperative Bank of Oromia S.C. took over collateral of some defaulters and classified as non-current asset held for sale as the Bank had no intention to make use of the property for administrative use. Management initiated a plan to dispose of these assets to willing buyers and expects to have completed the transaction before the end of the next financial period.

There is no cumulative income or expenses in OCI relating to assets held for sale.

20b Right of use asset and financial lease liability

	Building
As at 1 July 2022	**1,499,745**
Depreciation charge for right-of-use assets	(580,089)
Additions	1,377,873
Balance at June 2023	**2,297,529**

Right use of asset and financial lease liability

A Lease Liability

	Building
Balance at July 2021	112,631
Additions	228,497
Payment	(7,162)
Balance at June 2022	**294,552**
Balance at July 2022	**294,552**
Payment	(13,044)
Additions	145,930
Balance at June 2023	**427,438**

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		30 June 2023	30 June 2022
		Birr'000	Birr'000
21	**Deposits from customers**		
	Demand deposits	30,122,015	29,317,406
	Savings deposits	54,073,190	43,182,565
	Time deposits	10,468,985	7,130,455
	Mobile money savings	2,408	2,502
	Conventional Deposit	**94,666,598**	**79,632,928**
	Wadiah demand deposits	2,659,364	3,282,896
	Wadiah savings deposits	16,284,612	12,923,244
	Wadia time deposits	473,015	-
	Alhuda Deposit	**19,416,991**	**16,206,140**
		114,083,590	**95,839,068**

		30 June 2023	30 June 2022
		Birr'000	Birr'000
22	**Due to other banks**		
	Demand deposits	468,242	191,825
	Saving deposits	1,700,444	738,108
		2,168,686	**929,933**

		30 June 2023	30 June 2022
		Birr'000	Birr'000
23	**Borrowing**		
	Borrowing from NBE	3,183,000	-
		3,183,000	**-**

		30 June 2023	30 June 2022
		Birr'000	Birr'000
24	**Other liabilities**		
	Financial liabilities		
	Interest payable on deposits	-	-
	Letter of credit margin payables	494,840	1,535,097
	ATM settlement payable	90,399	109,991
	CTS Settlement account	69,964	1,290
	Dividend payables	2,794	25,624
	Blocked accounts	25,699	18,497
	Other liabilities	218,559	(41,696)
	Over the Counter Cash Payment (OTCP)	32	20
	Exchange payable	6,086	9,458
	Provision for fidelity Risk	1,362	1,350
	Money transfer agent	53,817	(81,109)
	Cash payment order payable	349,844	248,762
	Board of directors’ remuneration payable	1,491	1,472
	Staff payables	233,198	442,404
	Cash collateral on guarantees	106	233
		1,548,192	**2,271,393**

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Blocked accounts represent customer accounts on which the court has given order to be frozen pending the end of litigation.

Non-financial liabilities		
Defined contribution liabilities	15,311	8,220
Stamp duty charges	1,149	13,735
Withholding tax payable	7,572	5,245
Other tax payable	101,438	53,825
Deferred Income Loan Processing Fee	15,459	16,880
Deferred Income Guarantee Commission	19,430	154,105
Deferred Income LC Commission	10,140	46,064
Deferred Income- IFB	3,997	44
Sundry payables	2,747,772	2,698,833
	2,922,268	**2,996,951**
Gross amount	**4,470,460**	**5,268,344**

Maturity analysis	30 June 2023	30 June 2022
	Birr'000	Birr'000
Current	1,399,453	1,883,297
Non-Current	3,071,007	3,385,047
	4,470,460	**5,268,344**

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Retirement benefit obligations		
Defined benefits liabilities:		
▪ Severance pay (note 25a)	219,367	124,679
Liability in the statement of F/position	**219,367**	**124,679**
Profit or Loss charge included in personnel expenses:		
▪ Severance pay (note 25a)	51,570	28,495
Total defined benefit expenses	**51,570**	**28,495**
Re-measurements for:		
▪ Severance pay (note 25a)	53,980	(4,354)
	53,980	**(4,354)**

The Profit or Loss charge included within personnel expenses includes current service cost, interest cost, past service costs on the defined benefit schemes.

Maturity analysis	30 June 2023	30 June 2022
	Birr'000	Birr'000
Current	51,570	28,495
Non-Current	167,797	96,184
	219,367	**124,679**

25a Severance pay

The Bank operates an unfunded severance pay plan for its employees who have served the Bank for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund). The final pay-out is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as 1-month salary for the first year in employment plus 1/3 of monthly salary for each subsequent in employment to a maximum of 12 months' final monthly salary.

Cooperative Bank of Oromia S.C
Notes to the Financial Statements
For the year ended 30 June 2023

		30 June 2023 Birr'000	30 June 2022 Birr'000
A	**Liability recognized in the financial position**	219,367	124,679

		30 June 2023 Birr'000	30 June 2022 Birr'000
B	**Amount recognized in the profit or loss**		
	Current service cost	18,954	13,121
	Interest cost	32,616	15,374
		51,570	**28,495**
C	**Amount recognized in other comprehensive income:**		
	Actuarial (Gains)/Losses on demographic assumptions		
	Actuarial (Gains)/Losses on economic assumptions	5,637	6,197
	Actuarial (Gains)/Losses on experience	48,343	(10,551)
		53,980	**(4,354)**

D Change in the present value of the defined benefit obligation
The movement in the defined benefit obligation over the years is as follows:

	30 June 2023 Birr'000	30 June 2022 Birr'000
At the beginning of the year	124,679	93,983
Current service cost	18,954	13,121
Interest cost	32,616	15,374
Bank Paid Benefits	(10,862)	(2,153)
Re-measurement (gains)/ losses	53,980	4,354
At the end of the year	**219,367**	**124,679**

The significant actuarial assumptions were as follows:

A Financial Assumption Long Term Average

	30 June 2023 Birr'000	30 June 2022 Birr'000
Discount Rate	20.50%	23.60%
Long term salary increases	17.10%	19.30%

B. Mortality in Service

The rate of mortality assumed for employees are those published in the Demographic and Health Survey ("DHS") 2016 report compiled by the CSA. The DHS report provides male and female mortality rates for 5-year age bands from age 15 to age 49. For ages over 47 we have assumed that mortality will be in line with the SA85/90 ultimate standard South African mortality tables published by the Actuarial Society of South Africa ("ASSA"), since the rates in these tables are similar to the DHS female mortality rate at age 47. These rates combined are approximately summarized as follows:

Mortality rate		
Age	Males	Females
20	0.00306	0.00223
25	0.00303	0.00228
30	0.00355	0.00314
35	0.00405	0.00279
40	0.00515	0.00319
45	0.0045	0.00428
50	0.00628	0.00628
55	0.00979	0.00979
60	0.01536	0.01536

C. Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed a rate of withdrawal of 15% at the youngest ages falling with increasing age to 2.5% at age 45.

The sensitivity of the main results to changes in the principal assumptions rate have been calculated. The changes in the Defined Benefit Obligation are reflected below;

Impact on defined benefit obligation			Impact on defined benefit obligation	
	30 June 2023		30 June 2022	
Change in assumption	Impact of an increase	Impact of a decrease	Impact of an increase	Impact of a decrease
	Birr'000	Birr'000	Birr'000	Birr'000
Discount rate;1%	208,675	230,703	118,865	130,829

Impact on current service cost			Impact on current service cost	
	30 June 2023		30 June 2022	
Change in assumption	Impact of an increase	Impact of a decrease	Impact of an increase	Impact of a decrease
	Birr'000	Birr'000	Birr'000	Birr'000
Salary increase:1%	230,940	208,282	131,003	118,612

The above sensitivity analysis is 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. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

Cooperative Bank of Oromia S.C
Notes to the Financial Statements
For the year ended 30 June 2023

26 Share Capital

Authorized:		
Ordinary shares-par value of Birr 100 each	13,000,000	13,000,000
Issued and fully paid:		
Ordinary shares- par value of Birr 100 each	**10,016,082**	**7,731,771**

27 Share Premium

	30 June 2023	30 June 2022
	Birr'000	Birr'000
At the beginning of the year	8,672	8,672
Addition during the year	-	-
	8,672	**8,672**

28 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit after taxation by the weighted average number of ordinary shares in issue during the year.

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Profit attributable to shareholders	2,604,169	2,045,328
Weighted aver No. of ordinary shares in issue	87,538	59,729
Basic & diluted earnings per share (Birr)	**30**	**34**

29 Retained Earnings

At the beginning of the year	1,378,523	950,393
Profit/ (Loss) for the year	2,604,169	2,045,328
Director's share of profit	(1,491)	(1,472)
Transfer to Legal reserve	(651,042)	(511,332)
Transfer to Regulatory Risk reserve	(656,151)	(154,001)
Transfer to Dividend payable	(1,378,523)	(950,393)
Reversal Severance Liability	-	-
Transfer to Risk reserve (Severance)	-	-
At the end of the year	**1,295,485**	**1,378,523**

30 Legal Reserve

	30 June 2023	30 June 2022
	Birr'000	Birr'000
At the beginning of the year	1,755,144	1,243,812
Transfer from profit or loss	651,042	511,332
At the end of the year	**2,406,186**	**1,755,144**

The NBE Directive No. SBB/4/95 requires banks to transfer annually 25% of their annual net profit to their legal reserve account until such account equals its paid-up capital. When the legal reserve account equals the paid-up capital of the Bank, the amount to be transferred to the legal reserve account will be 10% (ten percent) of the annual net profit.

Cooperative Bank of Oromia S.C
Notes to the Financial Statements
For the year ended 30 June 2023

		30 June 2023	30 June 2022
31	**Regulatory Risk Reserve**	**Birr'000**	**Birr'000**
	At the beginning of the year	433,980	237,590
	Transfer from Retained Earning	656,151	154,001
	Revaluation Gain-Equity Investment	53,462	42,389
	Other comprehensive income	-	-
	Reversal of Regulatory Risk reserve	-	-
	At the end of the year	**1,143,592**	**433,980**

The Regulatory risk reserve is a non-distributable reserve required by the regulations of the National Bank of Ethiopia (NBE) to be kept for impairment losses on loans and receivables in excess of IFRS charge as derived using the incurred loss model.

Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is higher than the loan loss impairment determined using the incurred loss model under IFRS, the difference is transferred to regulatory risk reserve and it is non-distributable to the owners of the Bank.

Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is less than the loan loss impairment determined using the incurred loss model under IFRS, the difference is transferred from regulatory risk reserve to the retained earnings to the extent of the non-distributable reserve previously recognized.

		30 June 2023	30 June 2022
32	**Donated Capital**	**Birr'000**	**Birr'000**
	At the beginning of the year	3,932	3,932
		3,932	**3,932**

		Notes	30 June 2023	30 June 2022
		Notes	**Birr'000**	**Birr'000**
33	**Cash generated from operating activities**			
	Profit before income tax		**3,388,598**	**2,843,250**
	Adjustments for non-cash items:			
	Net gain/(loss) on foreign exchange			
	Depreciation of property, plant and equipment	20	336,245	199,734
	Amortization of intangible assets	19	43,913	18,048
	Net gain/Loss on disposal of PPE(net)	8	(9,862)	(6,540)
	Impairment on loans and receivables	9	969,275	631,108
	Reversal accumulated Impairment of PPE	9	2,083	1,629
	Suspended Interest Income	5	(258,298)	(110,863)
	Amortization of Right use Asset	20b	580,089	352,541
	Dividend income	5	(14,360)	(6,279)
	Adjustment on property plant and Equipment		8.407	4,391
	Interest on lease liability		13,044	7,162
	Retirement benefit obligations	25	105,550	30,696
	Changes in working capital:			

-Decrease/(increase) in restricted cash	13	(1,074,999)	(3,036,022)
-Decrease/ (Increase) in loans and advances	14	(14,958,726)	(23,846,944)
-Decrease/ (Increase) in interest free financing	15	(2,966,157)	(5,638,150)
-Decrease/ (Increase) in other assets	18	(5,584,448)	(773,615)
-Decrease/ (Increase) NCAHFS	20a	88,157	15,531.00
-Decrease/Increase in Customers deposits	21	18,244,522	25,449,040
-Decrease/Increase in Due to other banks	22	1,238,753	201,557
-Increase/ (Decrease) in other liabilities	24	(797,884)	2,855,368
		(646,099)	**(808,359)**

34. Related party transactions

A related party transaction is a transfer of resources, services or obligations between a reporting entity or the bank in our case and a related party, regardless of whether a price is charged. CBO is largely owned by cooperatives with primary cooperatives having 18.3%, cooperatives union 29.9%, cooperatives federation 4.4% and non-cooperatives; organizations and associations 10.2% and individuals 37.2%. The bank has entered into a number of transactions with related parties as at 30 June 2023.

Several transactions were entered into with related parties in the normal course of business. These are disclosed below:

	30 June 2023	30 June 2022
	Birr'000	Birr'000
34a Transactions with related parties		
Loans and advance to key management	409,843	203,558
Cooperatives and union	7,632,884	7,897,041
	8,042,727	**8,100,599**

34b Key management compensation

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Bank. The compensation paid or payable to key management for is shown below.

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Salaries and other short-term employee benefits	51,690	35,700
Sitting allowance	3,240	2,354
Other expenses	2,880	-
	57,810	**38,054**

Compensation of the Bank's key management personnel includes salaries and in kind/non-cash benefits.

34c Board of Directors compensation

The Bank provides monthly allowances and annual compensation fee for each member of board of directors of the bank per the prevailing direction from the National Bank of Ethiopia on same.

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Board of directors' remuneration	1,491	1,472
	1,491	**1,472**

35. Contingent liabilities

35a. Claims and litigation

The Bank is a party to numerous legal actions brought by different organizations and individuals arising from its normal business operations. The maximum exposure of the Bank to these legal cases is birr 30.6 million and birr 36.9 million as at June 30,2023 and June 30 June 2022; respectively and hence a provision has been made in the financial statements as at 30 June 2023 is birr 5.7 million.

35b Contingent Assets

The Bank is a party to numerous legal actions initiated by the Bank against different organizations, current and former employees of the Bank and individuals arising from its normal business operations. The matter has been referred to the court and, having received legal advice, the directors believe that a favorable outcome is probable. The maximum amount expected from these cases as at June 30,2023 is birr 80.03 million and as at June 30,2022 is birr 352.6 million. However, this has not been recognized as a receivable at the year-end as receipt of the amount is dependent on the outcome of the court processes.

35c. Guarantees and Letters of Credit

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other commitments to lending. Even though these obligations may not be recognized on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Bank.

The Bank conducts business involving performance bonds and guarantees. These instruments are given as security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, these instruments' cash requirements are expected to be below their nominal amounts.

The table below summarizes the amount of contingent liabilities for the account of customers:

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Guarantees issued	512,398	933,243
Letters of Credit	139,180	1,492,914
Total	**651,578**	**2,426,157**

36 Commitments

The Bank has commitments (for undrawn overdrafts and loans approved but not yet disbursed) of Birr 6,757 million, Br. 4,257 million and Br. 3,196 million not provided for in these financial statements as of June 30, 2023, June 30, 2022 and June 30, 2021 respectively.

37 Right use of asset (RuA) and Lease liabilities

The Bank leases properties, particularly buildings for branch outlets and for head office spaces. The lease terms fall between two to five years and the most of these agreements are renewable at the end of each lease period at market rate. Payments are made initially as an advance payment.

The following table shows the remaining contractual maturities of the Company's Lease liabilities and Right use of assets at the end of the current and previous reporting periods.

	30 June 2023		30 June 2022	
	Birr'000		Birr'000	
Maturity	**RuA**	**Lease liabilities**	**RuA**	**Lease liabilities**
Within one year	133,630	2,986	14,103	3,355.18
After 1 year but within 2 years	102,854	11,157	85,316	10,220.17
After 2 years but within 5 years	1,511,974	318,483	1,080,301	225,851.16
After 5 years	549,070	94,812	320,025	55,125.13
Total	**2,297,529**	**427,438**	**1,499,74**	**294,551**

38 Events after reporting period

In the opinion of the Directors, there were no significant post Statement of Financial Position events which could have a material effect on the state of affairs of the Bank as at 30 June 2023 and on the profit for the period then ended, which have not been adequately provided for or disclosed.

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