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COOPERATIVE BANK OF OROMIA (S.C.)

ANNUAL REPORT 2012/13



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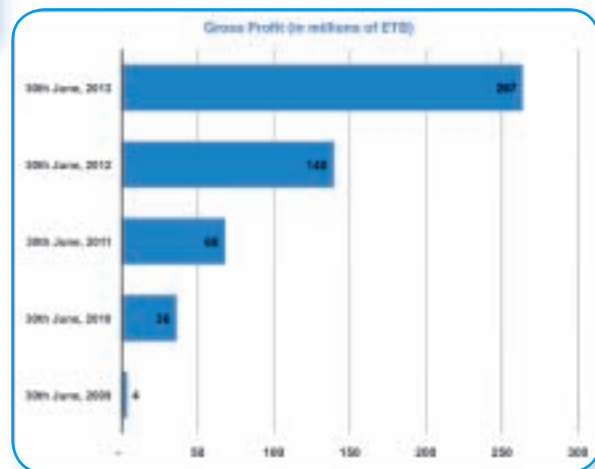
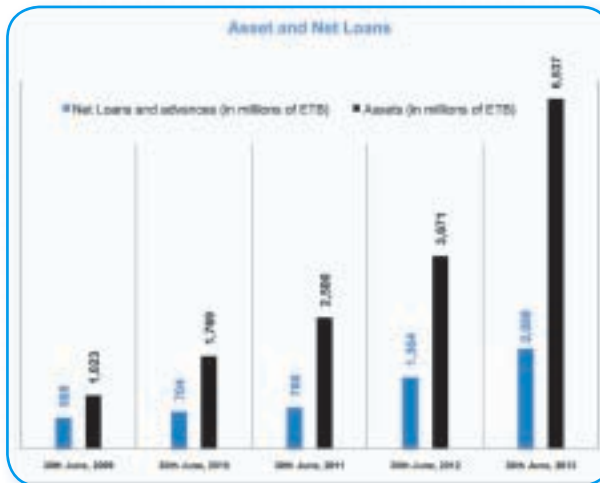
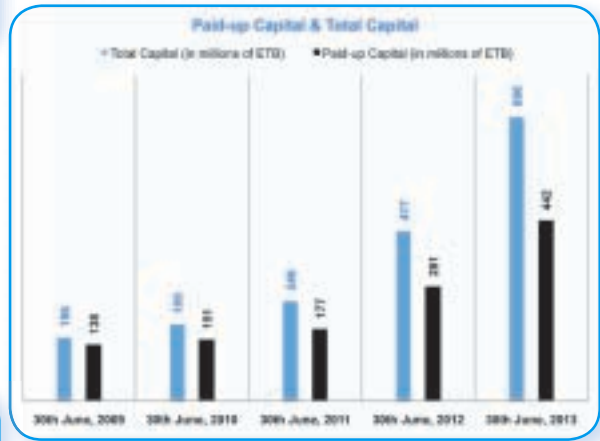
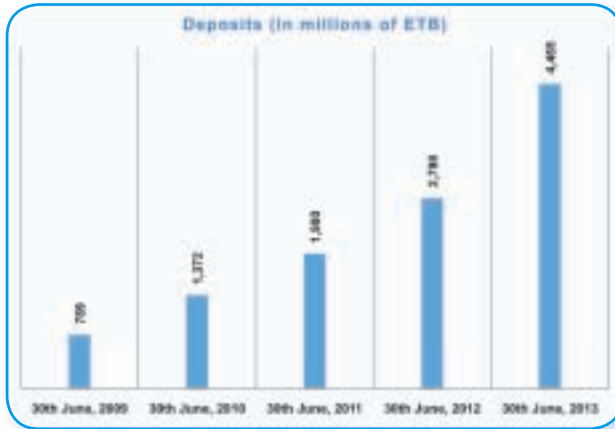


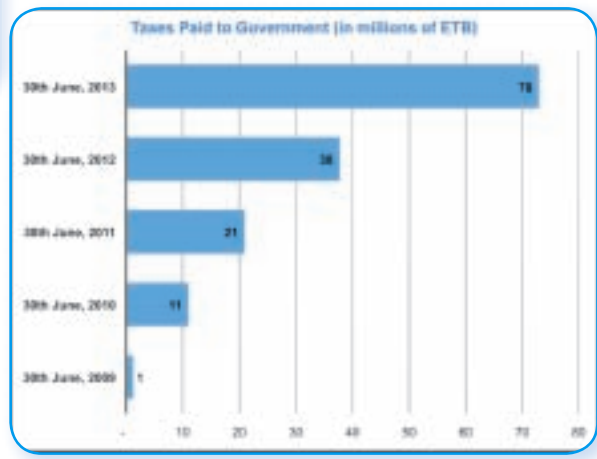
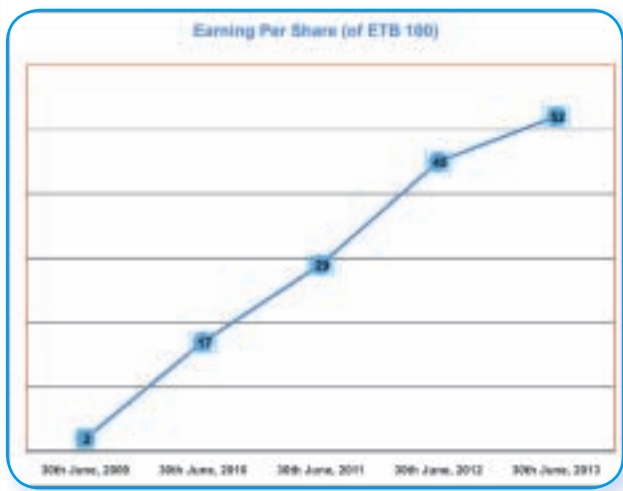
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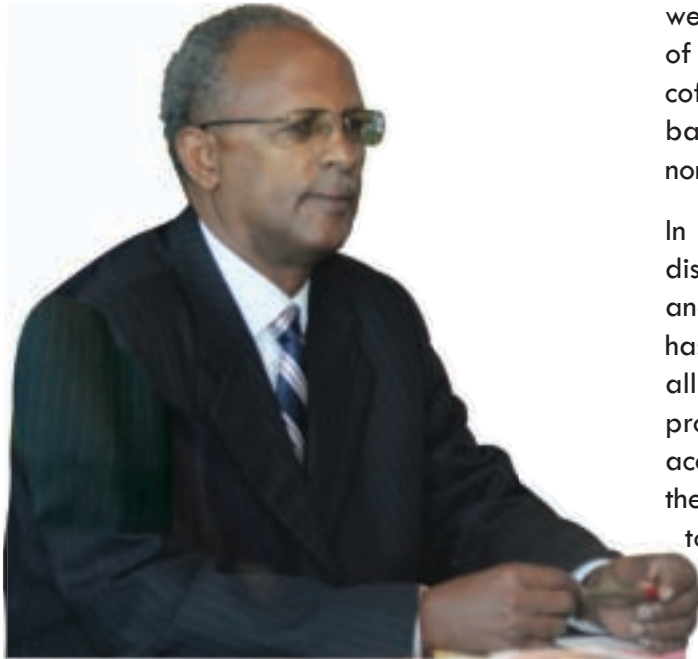
RESULTS AT A GLANCE







CHAIRMAN'S STATEMENT



Distinguished shareholders, it is with great pleasure that I present the annual performance report of our bank. I will be presenting to you a brief review of the major developments as well as the summary of the bank's performance for the financial year ended 30 June, 2013. Our bank has delivered greater results for the period, in spite of certain economic challenges experienced during the year.

The global economy has yet to shake off the fallout from the economic crisis. Global growth dropped to almost 3 percent in this past year, which indicates that about a half a percentage point has been shaved off the long-term trend since the crisis emerged. This slowing trend will likely continue, and mature economies are still healing the scars of the crisis. Yet, economic conditions in sub-Saharan Africa have remained generally robust against the backdrop of a sluggish global economy.

Macro-economic performance of Ethiopia still has been showing spectacular performance, the economy growing at twice the rate of that of the African region. This condition has

helped banks to benefit from it albeit there were some challenges like underperformance of export earning of the country due to low coffee prices. Despite such challenges, the bank performed soundly both in financial and non-financial parameters.

In the year under review, the Board upheld discharging its role of providing oversight and strategic counsel to the bank. The bank has registered admirable steps forward in all major areas viz. assets, deposits, capital, profitability, and market expansion. Customers account grew 47.5% during this past FY, and the deposit balance too grew nearly by 60% to reach ETB 4.47 billion. The gross profit also recorded a considerable increase of 90.71% to ETB 267 million, while that of total assets increased by 78.07% to ETB 6.54 billion. Performances of the bank in market outreach, technology initiatives, and human capital development has been pleasing as well.

On behalf of the Board of Directors, I take this opportunity to extend my sincere appreciation and thanks to shareholders, customers, the management, staff, National Bank of Ethiopia (NBE), and all other stakeholders and collaborators for your unwavering support which has always been a vital part of our bank's success throughout the years.

I look forward with confidence to another bright year, as I firmly believe that our bank is well positioned to continue its path of performance excellence.

Thank You,

Abera Deressa (PhD)
Board Chair-person



PRESIDENT'S REMARK



I am immensely happy to share with you that our bank has come out with wonderful performances, living up to the expectations of stakeholders year after year.

To highlight some of our Financial Performances:

- ✓ Total Asset increased to ETB 6.54 billion from ETB 3.67 billion at end of preceding FY;
- ✓ Total Deposit grew significantly to ETB 4.47 billion from 2.8 billion at 2012/13 FY;
- ✓ Total outstanding loan increased to ETB 2.12 billion from ETB 1.38 billion at 2012/13 FY; and
- ✓ Profit before tax is ETB 267 million at the end of June 2013.

Through the disciplined and appropriate execution of our strategies, we were able to uphold growth and development of the bank. Considerable liquidity position, good reputation and growing base of loyal clients, strong fund management practices, improved corporate governance culture, enhanced staffs efficiency and productivity, strong business linkages with potential exporters and importers, improved customer service delivery, and strong bondage with development partners and foreign banks were some of key activities to be mentioned for the achievement. On the technology

front, we have made significant investments in its infrastructure, and we will continue to invest in new technology to improve our efficiency.

Similarly, we have been committed to ensuring the socio-economic development of the communities we serve. As a result, we continued to promote social responsibility through sustainable practices.

The achievements would not have been possible without the guidance and co-operation from our Customers, Board of Directors, National Bank of Ethiopia (NBE), and other government and regulatory agencies. I would also like to appreciate the dedicated efforts put in by the bank's employees and look forward to their continued contribution in enabling us to meet up with our mission and goals. I trust we can continue to count on your support in the years ahead and together build a Bank of required repute.

Thank You,

Wondimagegnehu Negera

President



CORPORATE INFORMATION

Establishment

CBO (S.C.) was registered commercially on 29th October, 2004 in accordance with article 304 of Commercial Code of Ethiopia. It was established in line with proclamation no. 84/1994 with authorized capital of ETB 300 million. It started operation on 8th March 2005, with paid up share capital of birr 112 million.

Salient Features

- ✓ Broad ownership base and diversified ownership structure
- ✓ First bank of its kind in the country
- ✓ First private bank in the country established with big paid-up capital
- ✓ Social and cultural values oriented services

Vision

- ✓ To be competent, reputable and socially responsible Bank in Africa.

Mission

To Provide full-fledged and customer responsive banking services for cooperative societies, individuals, and other entities with special emphasis to agricultural and agro-based businesses financing, and to maximize shareholders value through use of competent and disciplined employees, visionary leaders and modern banking technologies.

Core Values

- ✓ Respect to socio-culture attributes of the people
- ✓ Integrity, honesty and loyalty
- ✓ Valuing customers comment
- ✓ Accountability and social responsibilities
- ✓ Professionalism
- ✓ Transparency
- ✓ Team spirit
- ✓ Shared vision

Services rendered By the Bank

◆ Deposit

- Savings Deposit
- Non-Interest bearing saving Deposit
- Demand Deposit

- Fixed Time Deposit
- Minors Account
- Foreign currency account
- ECX (Ethiopian commodity Exchange) Related Account
- Special Saving Account
- Special Demand Deposit

◆ Loans and Advances

- Overdraft Facility
- Overdrawal
- Merchandise Loan Facility
- Import Letter of Credit Facility
- Pre-Shipment Export Credit Facility
- Revolving Export Credit Facility
- Letter of Guarantee Facility
- Term Loan
- Import Letter of Credit Settlement Loan
- Agricultural Term Loan
- Motor Vehicle Loan
- Construction Machinery Loan
- Equipment/Machinery Lease Financing

◆ Trade (International Banking) Services/Products

- Documentary Letter of Credit (LC)
- Documentary Collection
- Advance payment
- Consignment basis payment
- Foreign Bank Guarantee
- FOREX (Remittance, Cash foreign currency buying and selling, and Accept Foreign Bank cheques for Deposit)

◆ Local Money Transfer

◆ Others

CORPORATE GOVERNANCE

Introduction

Our corporate governance reveals on how the Board has functioned and the structures of governance. The Bank functions under a governance framework that enables the Board to discharge its role of providing oversight and strategic counsel with its responsibility to ensure the Bank's compliance with regulatory requirements and acceptable risk.



Governance Structure



Shareholders' meetings duly convened and held in line with the Bank's Articles of Association and existing statutory and regulatory frameworks. It is conducted through a fair and transparent process and also serves as a medium for promoting interaction between Shareholders, the Board, and Management.

Board of Directors

The primary obligation of the Board of Directors is to advance the prosperity of the Bank by collectively directing the Bank's affairs, while meeting the appropriate interests of Shareholders and stakeholders. The Board is a representative of the General Assembly (GA) which is the bank's highest decision making body responsible for governance. The overall responsibilities of the bank's boards of directors include reviewing and guiding corporate strategy, formulating risk appetite, developing and assessing budgets and plans, all with a view to acting in the best interests of the bank and its stakeholders. In fulfilling its responsibilities, the Board is supported by management, who are

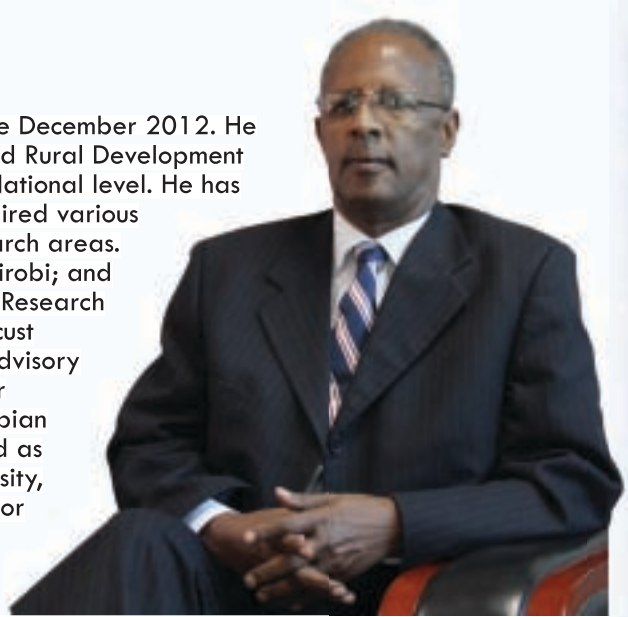
required to implement the plans and strategies approved by the Board. The Board monitors management's progress on an ongoing basis. The Board of Directors of CBO consisted of eleven (11) members whose names with their brief profile are listed below:



Abera Deressa (PhD)

Chair Person

Dr. Abera is the Chair Person of BoDs of the bank since December 2012. He is a former State Minister at Ministry of Agriculture and Rural Development of Ethiopia, and had served at various capacities at National level. He has immense leadership experience globally, and had chaired various institutions, both public and private, especially in research areas. Dr. Abera had served as a board member of ILRI (Nairobi; and Addis Ababa), East and Central Africa Biotechnology Research Networking (Nairobi), Ministerial Council of Desert Locust Organization for Eastern Africa (Chaired), program advisory committee member of international research center for development in the Netherlands (ECRA), and led Ethiopian delegations mission to various countries. He had served as chairperson of Board of Directors in Wallagga University, Coffee and Tea Development Enterprise, Adama Tractor Factory, and was a board member of Haramaya University, Oromia Research Institute, Ethiopian Development Research Institute, and others. He was a senior Researcher in Ethiopian Agricultural Research Institute, and served as Deputy Director General of Ethiopian Institute of Agricultural Research, and Director of Melkasa Agricultural Research Center. He had participated in various trainings, workshops, conferences, and dialogues at national and international levels; and had received letter of thanks and certificates for outstanding contributions in research program development, research center development, et al, from various institutions and organizations. Dr. Abera had published over 40 books, proceeding journals, guidelines, manuals, and research reports. He holds PhD, M.Sc, and B.Sc. in Agriculture, and got several certificates in short term trainings.



Tadesse Meskela

Deputy Chair Person

Obbo Tadesse has been serving as the General Manager of Oromia Coffee Farmers Cooperative Union since 1999. He had served in Cooperative Promotion Bureau of Oromia, Agricultural Office of Hararge Zone, Cooperative Promotion in Oromia Agricultural Development Bureau, Harari Regional Agricultural Office, and on other capacities. He has been serving as a member of BoDs of CBO for the second term since January 2010. He is a candidate of M.A. in Cooperative Management and Organization (Leicester University), and holds B.Sc. Degree in Agricultural Economics (Haramaya University).



Adanech Abiebie

Director

Adde Adanech is an Executive Director of Oromia Development Association (ODA). She holds Master in Transformational Leadership and Change, and LLB Degree in Law. Formerly, Adde Adanech worked for Ethiopian Parliament, Public Mobilization and Labor Affairs Bureau, and Justice Bureau of Oromia. She had extra regular experiences as a board member of Oromia Credit and Saving Share Company (OCSSCo), Mada Walabu University, Oromia Investment, Oromia Forest and Forest Wild Life Protection, Executive Committee of Ethiopian Women Parliamentarians Cooas, and Chair Person of Oromia Women's Association. She has been serving as a member of BoDs of CBO since November 2012.

Beker Shale

Director

Obbo Beker Shale is a Director General of Ethiopian Revenue and Customs Authority. He held M.A. in Transformational Leadership and Change (Greenwich University), and B.A. Degree in Organizational Management (ILI). He had served as Mayor of Adama, State Minister of Ethiopian Government Communications Affairs, Deputy Director General of Ethiopian Revenue and Customs Authority, Head of Oromia Cooperative Agency, Commissioner/Chief-Oromia Police Commission, Head of Zonal Administrations, and Head of zonal Urban and Industry Office. He had also served in education and communication lines of work. He concurrently has been a member of BoDs of Mada Walabu University, Adama University, and Oromia Seed Enterprise. He has been serving as a member of BoDs of CBO since December 2012.



Belachew Hurissa

Director

Obbo Belachew has over 30 years of experience in livestock industry development in Ethiopia and Eastern Africa. He held M.Sc. in Agricultural Economics (University of Aberdeen, UK), and B.Sc. Agriculture Honors in Food Science Technology and Nutrition (Punjab Agricultural University, India). Obbo Belachew had served in different capacities in public institutions, parastatals, and development projects and programs; and is an author of various technical papers on livestock and livestock products. Concurrently, he chairs Board of Directors in Elementu Integrated Milk Industry Sh. Co. He has been serving as a member of BoDs of CBO since December 2012.





Dagnachew Shiferaw

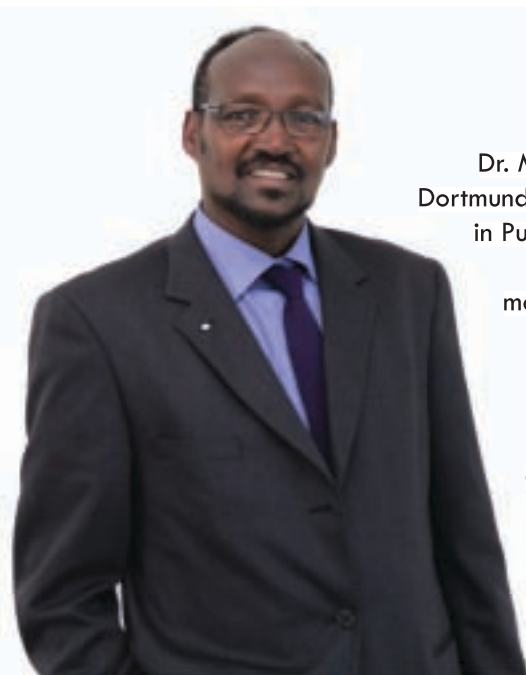
Director

Obbo Dagnachew held B.A. Degree in Organizational Management, and Diploma in Law. He has been serving as a member of BoDs of the bank since December 2012. He is the Director of Oromia Cooperative Promotion Agency; and formerly had served as a Vice Manager of Oromia Road and Transport Authority, Head of Zonal Administrations, and on other capacities.

Dejene Hirphasa

Director

Obbo Dejene is the General Manager of Bacho Waliso Farmers Cooperative Union. He placed the Union to the level of being exemplary and flourishing in the sector. He has been serving as a member of BoDs of CBO since December 2012. He earned M.A. Degree in Agricultural Economics (Haramaya University), and B.A. Degree in Economics (Alpha University College).



Mulugeta Debebe (PhD)

Director

Dr. Mulugeta held PhD in Political Science (Technical University of Dortmund, Germany), Masters in Social Work (AAU), and B.A. Degree in Public Administration (AAU). He has been serving as a member of BoDs of CBO since December, 2012. He had also been a member of the board from January 2010 to November 2012.

Dr. Mulugeta was the General Manager of the Oromo Self Help organization (OSHO); and he had been an Executive Director of Oromia Development Association (ODA). He had also been serving in various institutions including public, development association, self-help group, University College, real estate development, and others on various positions.

As extra regular work, he concurrently had served as a board member to Oromia Credit and Saving S.Co., Rift Valley University College, Biftu Dinsho P.L.C., humanitarian advocacy groups, development task forces, and NGO networks.



Serkalem Assefa *Director*

Aadde Serkalem has been serving as a member of BoDs of the bank since December 2012. She holds B.A. Degree in Economics (Addis Ababa University), and Diploma in Accounting. She was The Auditor General of Oromia National Regional State. In charge of the Office, she gained extensive auditing and accounting experience. She had also been serving on various capacities in Elemtu Integrated Milk Industry S.C., Oromia Pipe Factory, Oromia Water Works Design and Supervision Enterprise, Oromia Finance and Economic Development Bureau, and Oromia Rural Road Authority. She had noticeable participation, both at national and regional level, in policy, legal, and related representations.

Tilahun Tadesse

Director

Obbo Tilahun held Masters of Business Leadership (University of South Africa/UNISA), and B.A. Degree in Business Management (Addis Ababa University). He now is serving as a Manager of Strategic Planning and Marketing Department in Oromia Insurance S.C. He had also served in other insurance companies on various capacities, as a Vice-president of Jimma Chamber of Commerce, and in other private institutions. He is serving as a member of BoDs of CBO since December 2012.



Teshitie Gameda

Director

Obbo Teshitie has been serving as a member of BoDs of CBO for the second term since January 2010. He held B.Sc. in Rural Development and Agricultural Extension (Haramaya University), and Diploma in General Agriculture (Hawassa College of Agriculture). He currently is the General Manager of Galema Farmers Cooperative Union. Likewise, he had served in Cooperative Promotion Office at Zeway Dugda district of Oromia regional state.





Board sub-committees

The Board carries out its critical function through its standing committees, each of which has a Term of Reference that clearly defined its purpose, membership, duties and responsibilities, frequency of meetings, and reporting. These committees assist in ensuring that proper policies, strategies, internal controls, and organizational structure are in

place to achieve the bank's objectives and obligations to its stakeholders. The Board's four standing sub-committees are strategy, budget, and plan sub-committee, loan approval sub-committee, audit sub-committee, and loan review and risk management sub-committee. The composition and purpose of the committees are set out below:

Committee	Purpose	Composition
1. Strategy, Budget, and Plan	Entrusted with the overall purpose of the bank's strategic issues and oversight, decisions and approvals.	<ul style="list-style-type: none"> • Adde Adanech Abiebie (Chair Person) • Obbo Taddese Meskela (Member) • Obbo Belachew Hurissa (Member)
2. Loan Approval	Review loan proposals that need approval, rescheduling, foreclosure and other decisions above the discretionary limits of the credit approval team at the Executive Management's level.	<ul style="list-style-type: none"> • Abera Deressa (PhD) (Chair Person) • Obbo Tilahun Tadesse (Member) • Obbo Dejene Hirpha (Member)
3. Audit	Oversee and monitor the bank's financial reporting process on behalf of the board and report to the board about the integrity of the financial statements, auditing process, and related matters.	<ul style="list-style-type: none"> • Adde Serkalem Assefa (Chair Person) • Obbo Beker Shale (Member) • Obbo Teshite Gemedo (Member)
4. Loan Review and Risk Management	Itemize basic ways to review loans extended to clients. It also set uniform loan review practice in the bank with a view to exercise prudent, workable and efficient loan review activities. Likewise, it provides proper reports and advise to ensure that bank-wide risk and compliance issues are properly managed in accordance with the law of the land and NBE directives.	<ul style="list-style-type: none"> • Obbo Belachew Hurissa (Chairman) • Mulugeta Debebe (PhD) (Member) • Obbo Dagnachew Shiferaw (Member)



The Board Secretary

Obbo Tafesse Fana is serving as the Secretary of board of directors of Cooperative Bank of Oromia since July 2012. The Secretary has the primary duty of assisting the Board and Management in developing and implementing good corporate governance standards. The Secretary ensures that there is timely and appropriate information dissemination to the Board.

Risk and Compliance

An independent risk and Compliance Management Process accountable to the BoDs continues to lead the Bank's work on risk identification, measuring, monitoring, controlling, and mitigation. In the just completed fiscal year, the process successfully received approval from the National Bank of Ethiopia of its Risk Management Program, a comprehensive action plan that guides all bank activities to mitigate risk components including credit risk, liquidity risk, market risk, operational risk, compliance risk, IT risk, reputation risk, strategic risk, and systematic risk. Regular quarterly assessments undertaken in past year include detailed case-by-case loan files and credit portfolios risks reviews, asset-liabilities risks exposures reviews, operational risks exposure review, compliance risk exposures review, and others. The task of regularly identifying and mitigating risks continues to be supported by the Executive Management Committee, Senior Management level Asset-Liability Management Committee (ALCo) as well as by the BoDs' Loan Review and Risk management Committee.

Internal Audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the bank's operations. It helps the bank to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of control and governance processes by auditing the overall business practices and various organs of the bank. Inspections conducted at regular intervals and the reports are placed to Audit Committee of BoDs. The Audit Committee reviews the reports and ensures that corrective steps are taken to rectify the lapses/ irregularities pointed out.



EXECUTIVE MANAGEMENT

Wondimagegnehu Negera

President

Responsible for all aspects of a bank's operations which includes developing and implementing high-level strategies, making major corporate decisions, and acting as the main point of communication between the BoDs and the corporate operations.



Alemu Reba

Vice President, Core Services and Relationship Management

(now retired)

Oversees and ensures the overall effectiveness of the core processes and manage customer relationships in utilizing services of the bank.

Abbebe Tilahun

Vice President, Resources and Services Management

Advises the president on key corporate issues, ensures proper management of overall resources and services of the bank, ensures the proper integration of the bank's internal capabilities to that of core processes.





Assefa Zewdu,
Director, Trade Services

Supervises the management of bank's foreign currencies, ensure proper management of the international trade services of the bank, ensure that all state and respective rules are followed, and efficient services are rendered to clients.



Lamessa Waltajji
Director, Credit Appraisal and Portfolio Management

Ensures effective credit appraisal system, manages credit portfolio to a proper mix of loan concentrations, and provide strategic direction for the credit risk management.

Belete Wakbeka

A/Director, Credit Relationship Management

Oversees existence of high quality customer service activities, develop strategies that are intended to keep the bank's lending portfolio within the realm of its goals, and ensures smooth and lasting customers' relationship to meet and exceed established goals.





Damessa Urgessa

Director, Research and Corporate Communications

Direct and coordinate all research and development programs, and corporate communication activities of the bank so as to enhance effectiveness of research outputs to user organs, build image of the bank, and rightly communicate features and products of the bank.



Addis Assefa

Director, Information Systems

Directs the overall activities of information systems by acquiring and adapting relevant technologies and systems that support bank's goals and enable to achieve business excellence.

Gizaw Hailu

Director, Customer Accounts and Branch Coordination

Oversees and ensures proper design and implementation of service delivery outlets via creating operations strategy, and maintaining efficient integration of the process with other core processes.





Muktar Alyi
Director, Finance

Responsible for overseeing the financial activities of the bank including its capital structure, accounting functions, investments and how the bank manages its income and expenses.

Kisi Guyo
Director, Internal Audit

Assure efficiency and effectiveness of the internal system; and gauge organizational and professional ethical standards set on the internal audit charter and code of conduct.



Yadeta Ayana
Manager, Human Resource Fulfillment

Oversees all human resource functions of the bank. Responsible for providing leadership, and establishing and implementing human resources strategy to go along with overall business strategies and objectives.



Sura Saketa

Director, Procurement and Facilities

Management Ensures the proper channeling of material resources and services to business processes of the bank through proper implementation of established strategies and policies.

Likko Tolesa

Chief Strategy and Change Mgt Officer

Ensure the alignment of each business strategy to corporate strategy of the bank; and spearheads strategy formulation, implementation, and monitoring of the bank.



Gemeda Mi'essa

Chief Risk and Compliance Mgt Officer

Ensure proactive and effective corporate risk and compliance management of the Bank by facilitating and enabling the BoDs' risk oversight.

Abera Terefe

Legal Advisor

Provides legal advice/opinion to organs, analyze and draft key legal documents, and handles legal matters.





CORPORATE SOCIAL RESPONSIBILITY

Besides our dedication to serve the society by providing full-fledged banking services, the bank persistently discharges its social responsibilities for a better life within the communities. Our bank believes that being socially responsible is behaving ethically and with sensitivity toward social, cultural, economic, and environmental issues. Accordingly, we continued to promote social responsibility through sustainable practices. Thus, we delivered value on every front to our customers, our people, and communities.

Our bank uses different approaches as corporate entity, to accomplish its social responsibility, and donation is one of it. In the FY 2012/13 we were involved in various social aspects via donations and sponsorships to sectors like public health, education, community development, environmental protection efforts, natural disasters, and other humanitarian endeavors. In this preceding FY, our bank participated in the various social activities like funding medication expense, sponsorship to socio-cultural novels, and funds made to self-help groups participating on community development.

CBO participated on community development by collaborating with Oromia Development Association (ODA), which is contributing to sustainable development, focusing primarily on the rural community, through construction of basic infrastructure, provision of social services such as education, health, water, preserving and maintaining the ecological balance. CBO supported the association on fund raising program having targeted to construct boarding schools.

Likewise, CBO had also been involved in environmental protection issues by working together with an indigenous non-profit and non-governmental organization like Association for Development and Biodiversity Conservation, which is working overall the country. The bank sponsored the forum

organized by this association with the motto of “conservation for a better quality environment through participation!” evolved out on the humanitarian initiatives, dedicated for development, biodiversity, conversation and mitigation of climate change.

Our bank also participated in supporting humanitarian endeavors. It thus supported ‘Nehemiah Autism Center’, which is serving autistic children to reach their full potential. It too had backed ‘Macedonians Humanitarian Association’ that works in supporting elderly people and people with disabilities by providing them with shelter, clothing, food, and other basic services. More generally, the bank participates in the development endeavor of the country via various mechanisms. At CBO, therefore, socially responsible approach is at the heart of what we do.



ODA Boarding School



Rally on Autism



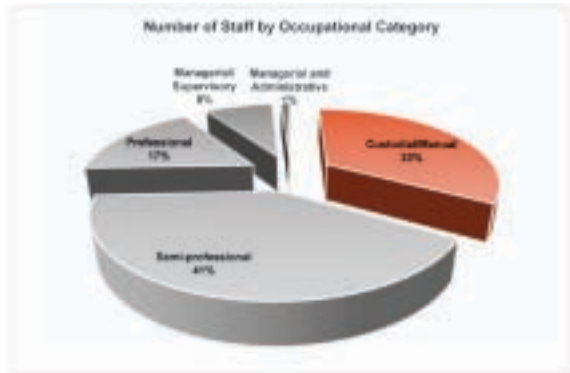
Members of Macedonians Humanitarian Association



HUMAN CAPITAL

The bank believes that its human capital is the corner stone for its successive growth. Within a year under review, the bank has shown growth in number of staff. At the end of June 30, 2013 the bank had 1,427 employees exhibiting 24.5% increment year-on-year. Attracting top talent remained one of key drivers of the human resources agenda and significant progress has been made in attracting and promoting more talent to the bank.

The bank's gender distribution has remained steady with 76% male and 24% female employees at the end of the financial year. The bank's workforce by occupational category seems like:



Learning and Development

CBO is committed to promoting a learning culture which enables employees to develop and grow to reach their full potential. One of the strengths of our bank is the opportunity provided for continuous learning and development. Employees are adequately trained across all levels and functions to acquire the skills and industry insight they need to become competent professionals.

Table 1: Training sessions conducted in FY 2012/13

Quarter	Area
Quarter I	IT risk management; Procurement and Supplies; Need Assessment; Strategic Management
Quarter II	Agriculture Sector Transformation; Compliance; Foreign Trade; Risk Based Internal Audit
Quarter III	International Banking Operation; Loan Processing; Internal Audit; Change Management; Anti-money Laundering Policy; Management Development
Quarter IV	Customer Accounts and Transaction Service; Basic Monetary Policy; Marketing and Customer Relationship

IBM in collaboration with Tricontinental has rendered training to our IS staff which basically dealt with IT technologies, particularly on power system technologies for servers and storage. Training and ToT (Training of Trainers) had also been rendered by Rabobank, Netherlands based one of the World's most leading financial institution, to our Credit operators, and Researchers on 'value chain financing', and Business Development Services respectively. Executive Management members, branch managers, team leaders, and some key experts had also been trained on 'Management Development' by Thabo Mosalla (PhD), from UNISA.



CREDIT MANAGEMENT

Once realizing the need for quicker turnaround in terms of customer demand, prompt decision making, and risk factors, the bank restructured its Credit Management with two separate wings 'Customer Relationship Management' and 'Appraisal and Portfolio Management.' With this, the bank has seen improved credit management and well-organized processing. The total outstanding loan balance of the bank as at 30th June, 2013 has reached about ETB

2.12 billion compared to ETB 1.38 billion at the end of 30th June, 2012 (53.17% increment). Sector specific, domestic trade & services took the largest portion of 68.77%, followed by foreign trade with a share of 17.35%. Additionally, the Non Performing Loans (NPLs) ratio of the bank stood within acceptable range as NPL to Total Asset (0.75), and NPL to Total Loan (2.56) depicts the same.

Table 2: Outstanding Loan by Type, and its growth

Description	Balances (in Millions of ETB)		Growth	
	June 2013	June 2012	Amount (Millions of ETB)	%
APTL	25.21	28.37	(3.16)	(11.14)
DTS	1,455.21	1,157.12	298.09	25.76
Manufacturing	29.59	26.71	2.88	10.78
Foreign Trade	367.13	132.62	234.51	176.83
Building & Construction	17.52	9.77	7.75	79.32
Merchandize	18.70	2.94	15.76	536.05
Staff Loan	36.84	22.87	13.97	61.08
Others	165.8	3.11	162.69	5,231.19
Total	2,116.0	1,383.51	735.65	53.96

Within the year under review, CBO continued to support the economy by funding the national priority sectors. Enormous sum of fund has been injected to important sectors like:

- agro-processing's,
- flour factories,
- mineral water,
- dyeing factory,
- steel sheet factory,
- pharmaceuticals,
- mining,
- fuel stations,
- international trade, and
- project related activities.

Alongside this, the bank has a distinguishing attribute of supporting cooperative societies rendering an array of services very closely to the society at grass root level. Cooperative sector has thus benefited from finances injected by the bank within the year under review. Some of sampled cooperatives who are working with the bank and their brief bio are summarized here-below:



Ambo Farmers Cooperative Union

- ◆ Established in October 1998 by five primary cooperatives consisting a total members of 1,975 from 14 districts of West Shawa Zone with an initial capital of ETB 70,000.
- ◆ The union has been rendering different services that are vital for strengthening the primary cooperatives and assisting the farming community in many aspects. Some of the activities that have been undertaken by the union includes:
 - Importing and supplying Agricultural inputs
 - Exporting Agricultural products
 - Agro processing
 - Dissemination of market information
 - Providing training to members
 - Promoting Environmental protection
 - Providing consumer goods
 - Providing credit & storage facilities for the input as well as for the output
- ◆ Currently, the union has 71 member primary cooperatives and 62,383 members. It has a total capital of ETB 56.01 million and an asset of ETB 618.29 million. Cooperative Bank of Oromia (S.C.) is among a hub supporter of this union in its day-to-day business.



Ambo FCU Agro procesing plant

Bacho Waliso Farmers Cooperative Union

- ◆ Established in July 2000 with a total capital of ETB 140,000 by 10 primary cooperatives, 11,599 member households, and 58,098 household members. It's located in Bacho district, South West Shawa Zone of Oromia Regional State.
- ◆ The activities/services rendered by the cooperative union, inter alia, includes:
 - Supply of Agricultural inputs
 - Transportation services to member cooperatives and others
 - Provide market information for member cooperatives
 - Credit facilities for members
 - Supply of consumer goods
 - Provision of improved cattle breeds and animal feeds
 - Supply of water pumps
 - Conducting auditing, and render capacity building for member cooperatives
 - Warehouse services and rent of meeting hall
 - Production and distribution of PP bag and mat
- ◆ Currently, the union has a total capital of ETB 49.48 million including fixed investments on the factory, warehouses, trucks, and others. A total member of the Union has reached 55 primary cooperatives having 58,712 members, and 237,926 household members. Cooperative Bank of Oromia (S.C.) is the strongest devotee, and key actor for continued existence and growth of this union.



Bacho Waliso FCU pp bag & Mat factory

Badhadhina Rabi Mining Cooperative Union

- ◆ Established in April 2008 in Sabata Hawas District, South West Shawa Zone of Oromia Regional State by 25 primary cooperatives to partake in the mining sector.
- ◆ Currently it has commenced production of construction bricks which is highly demanded in the market. It has 30 member cooperatives from seven districts namely Sabbata Hawas, Qarsa Mallima, Soddo Dachi, Ilu, Waliso, Wanci, and Goro; and manages a total capital of around ETB 5.5 million. The Cooperative bank of Oromia is the sponsor of the industry and main supporter of a business of this cooperative society.



Badhadhina Rabi Mining CU bricks factory

Biftu Batu Rural SACCO Union

- ◆ Established in May 2008 in Adami Tullu Jiddo Kombolcha district, East Shawa Zone of Oromia Regional State with a total capital of ETB 160,000 and 27 member cooperatives having 2,622 members. As the union is established with prominence to capacitate females, all except one member are female. It intends at benefiting women in the vicinity who aim to grow their businesses and create prosperity for their families.
- ◆ The Union basically renders saving and credit services to member cooperatives with a soft marginal interest to member primary cooperatives which in-turn lend out to individual members. Since its establishment, this cooperative has supported and held a pivotal role in transforming the life of its members which mostly were economically underprivileged. Since its establishment, the cooperative had disbursed a total loan of more than ETB 13.41 million, 85.75% of which were sourced from Cooperative Bank of Oromia. The beneficiaries practice retail commercial and agricultural activities like cereal trade, retailing, restaurant, irrigation, shoat (sheep and goat) trade, and others. At the moment, it has 39



primary cooperatives and 5,080 individual household members out of which 99.86% are female. We hope that such ends often helps to alleviate poverty via giving them an opportunity to operate small enterprises at profit orientation.



Beneficiaries of the Union

Maqi Batu Fruits & Vegetables Growers Cooperative Union

- ◆ Established in May 2002 in Oromia Regional State, East Shawa Zone, Dugda district Maqi town. During its establishment the union had 12 member primary cooperatives with 527 members from Dugda, and Adami Tullu districts. The union began work on 400.6 hectare irrigable land with initial capital of ETB 592,084.
- ◆ The services rendered by the cooperative, inter alia, includes:
 - Provision of motor pumps; supply of improved seeds, improved agricultural technologies, fertilizers, weedcide & insecticide chemicals
 - Delivery of transportation and machinery services
 - Delivering market information and linkage of local and foreign market to members
 - Capacity building through workshops and training to the union members, and non-members
 - Warehouse service to the members
 - Support on auditing services rendered to primary cooperatives
 - Facilitate credit services to member

cooperatives

- Fuel station and hotel services
- ◆ Recently, the cooperative union has members of 141 primary cooperatives with 7,994 individual members and 53,154 household members, from five districts viz. Adami Tullu, Dugda, Bora, Zway Dugda & Adama with a total capital of ETB 45 million. CBO is the strong partner and sponsor of the union through provision of credit facilities, technical support, and training.



Maize farm of Maqi Batu Union



Fuel station owned by Maqi Batu Union

Oromia Coffee Farmers Cooperative Union

- ◆ Established in June, 1999 by 34 cooperatives with 22,691 farmers. Members of Oromia Coffee Farmers Cooperative Union are the growers, processors, and suppliers of high quality, organic Arabica coffee for the direct export.
- ◆ Today there are 217 cooperatives with over 200,000 members and ETB 161.58 million capital.
- ◆ It exports traceable fair trade and organic certified coffees. The general objective of



the union is to export members' coffee by passing the auction. It too promotes fair trade for socially and environmentally sustainable techniques and long-term relationships between producers, traders, and consumers. It devotedly is working to help small-scale coffee farmers to take advantage of the Fair Trade coffee market.

- ◆ The Union now has a cupping lab for quality control located at its office and has massive central facility for technical, financial, administrative, and also high tech processing facility with capacity of 5 – 7 tones per hour.
- ◆ Cooperative Bank of Oromia (S.C.) is one of the main supporters of this union in its day-to-day business.



Coffee picking area of OCF CU



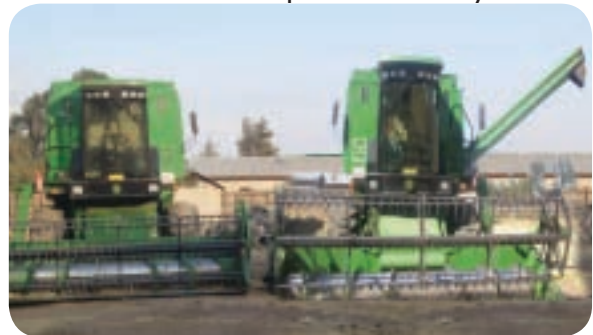
OCFCU office complex

Raya Wakana Farmers Cooperative Union

- ◆ Established in March 2004 by 9 multipurpose primary cooperatives from 2 districts and initial capital of ETB 155,000 in Oromia Regional state, West Arsi Zone,

Dodola district.

- ◆ Services Provided by the Union are:
 - Supply of different improved agricultural inputs
 - Market networking and dissemination of market information to members
 - Provision of loans to its members and transportation facilities
 - Facilitate warehousing services
 - Give capacity buildings through workshops, education, and trainings
 - Support on auditing services rendered to member primary cooperatives
 - Provide Mechanization activity (combiner, and harvester), seed cleaning machine, etc
 - Contribute in adopting seed production technology, making better usage of improved seed, enhanced the accessibility of quality seed, and enhanced skill of farmers on seed multiplication
- ◆ Presently, the union has 61 member primary cooperatives from 4 districts (which are wheat belt area), and with a total capital of above ETB 13 million. The Cooperative bank of Oromia is the main supporter of a business of this cooperative society.



Combiner Harvester owned by Raya Wakana FCU



Wheat Production by Raya Wakana FCU



Salale Dairy Farmers Cooperative Union

- ◆ Established in May 2001 in Oromia Regional State, Special Zone Surrounding Finfinne, Sululta District in Chancho Town with initial membership of 9 affiliated primary dairy cooperatives, and initial capital of ETB 39,000.
- ◆ Services rendered by the Union:
 - Supplying important dairy production inputs for the development of dairy product & introducing milk producing farmers with the latest technologies
 - Improving the quality of dairy and dairy related products produced by members and enable them to obtain premium price from their products
 - Enabling members to get better price for their product through the introduction of more value addition in the dairy processing
 - Providing education and training for milk producing farmers for sustainable dairy production
 - Providing the relevant service like feed, AI and Vet services, to members with affordable price
- ◆ Currently, affiliated member of the union riches 31 primary cooperatives, its daily milk collection ranges from 10,000 to 12,000 liters in dry and rainy season; capital of the union had increased to ETB 6.5 million. Backed by CBO, the union is on the process of establishing Dairy Processing plant with an objective of value addition for row milk production.



Plan of the plant



Plant under construction

By considering a cooperative identity and values, and the need of a business community suitably, Cooperative Bank of Oromia stood to be a hub supporter to all sectors of the economy so that it could play influential role in economic growth.



DEPOSIT AND CUSTOMER'S ACCOUNT

Total Deposit recorded a robust growth year-over-year to reach ETB 4.47 billion, an increase of ETB 1.67 billion or 59.61% as compared to end of budget year 2011/12.

The continuous increment in deposit base reflects strong trust and confidence of depositors towards the bank.

Table 3: Deposit by type, and its growth

Description	Balances (in Millions of ETB)		Growth	
	June 2013	June 2012	Amount (Millions of ETB)	%
Demand	2,272.42	1,346.12	926.30	68.81
Saving	2,074.89	1,250.44	824.45	65.93
Time	117.73	200.98	-83.25	(41.42)
Total	4,465.04	2,797.54	1,667.50	59.61

When looking into the breakdown of deposit, demand deposit held lion's share of 51% of total deposit where as the least share goes to time deposit with less than 3% of total deposit.

The total number of deposit accounts reached 230,691 recording 74,292 additional numbers of accounts during the FY (47.5% addition) hence setting an average size of bank's deposit to ETB 19,355 per account, depicting an increment of 8.21% as compared to previous FY.

TRADE SERVICE

Trade service continued to be a key area for bank's persistent growth and profitability. During the fiscal year, the bank's FC earning was USD 304.72 million, showing a growth of 119.7% from preceding FY. On the other hand, the total income earned from trade service activity sums ETB 360.50 million, seizing 67% of overall income of the bank within this FY. With regard to the structure of foreign currency utilization during the year, import LC took the lion share of 56.74%, followed by CAD (38.22%) and Outgoing TT (4.38%).

The bank made 37 SWIFT arrangements with foreign banks; and at the end of FY

the bank has a correspondence relation with Commerz bank, Mer Rouge (Bank Africa), and HSBC. Number of remittance companies working with our bank has reached ten, namely: Dahabshiil, Western Union, Xpress Money, Money Gram, Kaah, Bakaal, Amana Express, Juba Express, Taran Express, and Amal Express.





BUSINESS DEVELOPMENTS

CBO, within the FY under review persisted its growth track and shown a concrete performance in the industry on key parameters. The following were key achievements recorded in the year:

Finfinne & Its Surrounding

- ▲ Aqaqi
- ▲ Bole Michael
- ▲ Bomb Tera
- ▲ Furi
- ▲ Gerji
- ▲ Laga Tafo
- ▲ Oda
- ▲ Saris

Outlying

- ▲ Abomsa
- ▲ Babile
- ▲ Boku Shanan
- ▲ Chancho
- ▲ Fiche
- ▲ Galamso
- ▲ Gedo
- ▲ Ginci
- ▲ Haramaya
- ▲ Hawassa
- ▲ Humera
- ▲ Kamissie
- ▲ Sabean
- ▲ Shakiso
- ▲ Shirka
- ▲ Togo Cale
- ▲ Tullu Bolo

- ◆ Implemented the new policies of Credit, Human Resource Management, Customer Accounts and Transaction, Investment, Accounting, Facility Management, Trade Service, Share Management, Information Systems, and immense procedure manuals.
- ◆ Formed business agreements with USAID on guarantee fund; and with Agricultural Transformation Agency (ATA) on wheat value chain financing initiative.
- ◆ Business Process Reengineering initiative and Core Banking Solution implemented on branches and head office organs.
- ◆ The bank has done various studies to implement new initiatives in an endeavor to create more accessibility, option, and convenience in the customer service.
- ◆ Training has been rendered by the bank on preparation of bankable business plans to 16 individuals coming from nine Cooperatives societies from four regions viz. Oromia, Amhara, Tigray, and SNNPR in collaboration with Rabobank, Netherlands based financial institution, and Agriterra, an agri-agency that was founded by civil society organizations in rural areas and the agricultural private sector.



Training rendered to Cooperatives

INFORMATION TECHNOLOGY

In an effort to enhance technology applications and allow for delivery of banking products and services more conveniently and effectively than ever before, the bank had made considerable progresses in preparing groundwork for Information systems. During this last fiscal year, the implementation of Core Banking Solution (CBS) at branches/organs persevered, data center preparation for CBS was completed, internet application demonstration for mobile and internet banking has been done, and other key activities have been performed.



PROFIT/LOSS ACCOUNT

The profit of the bank recorded a tremendous increment in the reporting period, as it made an additional ETB 127 million (90.71%) to reach ETB 267 million. Similarly, earning per share (EPS) of the bank has reached ETB 52 for an invested ETB 100, from its ETB 45 in

the last year same period, depicting 16% increment.

DIVIDEND PAYMENT

The bank declared a dividend payment of ETB 38 per share of ETB 100 for the Fiscal Year 2012/13.

FINANCIAL ANALYSIS

Major Performance Indicator	Jun-2013	Jun-2012	Jun-2011
1. Earning Asset			
Return on assets (ROA)	3%	3%	2%
Return on equity (ROE)	34%	30%	22%
Cost/ Income(operating Exp. Ratio)	53%	53%	66%
Interest Income to TAIBA	13%	13%	12%
Interest Exp. to Total Deposit	2%	2%	2%
Non Interest Income to TAA	5%	4%	4%
Non Interest Expense to TAA	4%	3%	3%
Non Interest Income to AIBA	12.58	5.28	4.14
2. Capital Adequacy			
Equity/Asset	8%	9%	8%
Capital Adequacy(Equity/RWA)	20%	17%	0%
3. Liquidity			
Loan /Deposit	43%	49%	40%
Loan /Assets	29%	37%	31%
Total loan+Gov't sec/Total asset	39%	49%	42%
Investment in Gov Sec/Total Asset	17%	16%	9%
Liquid Asset/Total liabilities	58%	38%	54%
Liquid Asset/Total Deposit	78%	44%	61%
Liquid Asset /Total Asset	52%	34%	49%
Lia Liquidity(Large Dep/Total Liability)	35%	38%	43%
4. Asset Quality			
Net NPLs/ Total Loan	3%	1%	5%
Net NPLs/Total Asset	1%	0%	1%
Net NPLs/Share holder Equity	9%	3%	17%
5. Financial Structure			
Total Asset/net worth	12.03	10.74	11.87
EBIT/Total Interest	4.84	3.36	2.59



AUDITORS' REPORT



ደገፋ ለሚሳየ የአዲት አገልግሎት
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Degefa Lemessa Authorized Auditors

Limited Partnership

Chartered Certified

Accountants

P.O.Box:8118

E-mail: deg.lem@ethionet.et

Addis Ababa Ethiopia

AUDITORS REPORT TO THE SHAREHOLDERS OF COOPERATIVE BANK OF OROMIA SHARE COMPANY

We have audited the accompanying balance sheet of Cooperative Bank of Oromia Share Company as at 30 June 2013 and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. Though issues pertaining to ownership and contribution reported during the previous year has been rectified, the investment in Orologo Prefabricated Private Limited Company has not paid any return to the company so far.
2. Because of the problems in the data migration and in the absence of complete reconciliation of accounts between branch offices and Head Office the difference between the current accounts after setting off against uncleared effects and other appropriate accounts resulted in a credit balance of Birr 154,719,501 when it is supposed to have a nil balance in ideal situation or a certain debit balance. We therefore were unable to establish against what account this balance will be offset and eliminated.
3. The balance of foreign TT payable of Birr 258,516,963 represents foreign TTs paid by branch offices but not claimed by the same from the International Banking Department and hence do not represent genuine liability of the bank. We, however, have not obtained the respective sundry debtor or claim in transit balances by the respective branches against which this balance could be offset. We also have significant doubt over the correctness and genuineness of the blocking inward balance of Birr 154,549,360 shown as a liability.



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4. In our opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraphs 1 to 3, the financial statements present fairly in all material respects, the financial position of the Cooperative Bank of Oromia Share Company as at 30 June 2013 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards applied on a consistent basis.
5. We have no comment to make on the Board of Directors report relating to financial matters and pursuant to Article 375(1) of the Commercial Code of Ethiopia of 1960 we recommend that these financial statements be approved.

Addis Ababa
October 28, 2013



Degefa
Degefa Lemessa Authorized Auditors
Limited Partnership
Chartered Certified Accountants





COOPERATIVE BANK OF OROMIA SHARE COMPANY

BALANCE SHEET
AS AT 30 JUNE 2013

	NOTE	BIRR	BIRR	2012 BIRR
CURRENT ASSETS				
Cash and Bank balances	3		3,002,487,824	1,086,406,637
Loans and advances(net)	4		2,079,719,046	1,363,544,644
Investment in treasury bills			424,024,200	149,655,600
Fixed time deposit	5		60,000,000	-
Other assets	6		160,661,050	554,609,176
Total current assets			5,726,892,120	3,154,216,057
NON CURRENT ASSETS				
Property, plant and equipments	7	92,490,552		64,147,974
Leasehold land	8	129,699		133,302
Deferred tax asset	13(c)	16,400		-
Investment in shares	9.1	29,491,000		25,008,000
Investment in NBE bills	9.2	567,247,292		426,965,292
Fixed time deposit with NBE		121,033,000		-
Deferred charges	10	170,212		255,318
Total non current assets			810,578,155	516,509,886
			6,537,470,275	3,670,725,943
TOTAL ASSETS				
CURRENT LIABILITIES				
Deposits	11	4,465,039,064		2,797,543,688
Margin held on letter of credits		474,056,973		67,376,301
Provision for taxation	13(a)	77,694,860		37,751,845
Other liabilities	12	824,687,892		350,502,758
Total current liabilities			5,841,478,789	3,253,174,592
NON CURRENT LIABILITIES				
Deferred tax liability			-	337,439
			5,841,478,789	3,253,512,031
TOTAL LIABILITIES				
CAPITAL				
Paid up capital	14	442,337,900		280,637,852
Donated capital	15	3,931,539		3,931,539
Share premium		8,032,053		5,670,033
Legal reserve	16	95,192,951		47,789,097
Retained earnings		146,497,043		79,185,391
Total capital			695,991,486	417,213,912
TOTAL LIABILITIES AND CAPITAL			6,537,470,275	3,670,725,943

Chairman of Board of Directors



President

Wondimagegnehu Negera
President



**COOPERATIVE BANK OF OROMIA SHARE COMPANY
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2013**

	NOTE	BIRR	BIRR	2012 BIRR
REVENUE				
Interest earned on loan and advances	17		239,671,564	172,047,180
Commision income	18		240,100,526	87,500,819
Gain on exchange rate fluctuation			56,931,014	42,207,417
Other income	19		3,854,417	2,228,691
			<u>540,557,521</u>	<u>303,984,108</u>
EXPENSES				
General and adminstrative expenses	20	86,160,934		58,132,803
Interest expenses	21	68,652,308		59,243,258
Salaries and benefits	22	86,816,346		42,343,230
Provision for bad debts (other assets)		15,597,526		-
Directors allowances	23	-		500,000
Provision for bad loans and advances		16,371,186		3,910,000
Audit fee		-		80,500
			<u>(273,598,300)</u>	<u>(164,209,790)</u>
Net income before profit tax			266,959,221	139,774,318
Provision for tax			<u>(77,697,648)</u>	<u>(37,755,845)</u>
			189,261,573	102,018,473
Deferred tax asset/liability	13(c)		353,839	(1,016,332)
			189,615,412	101,002,141
Transfer to legal reserve			<u>(47,403,854)</u>	<u>(25,504,618)</u>
			142,211,559	75,497,523
Prior year adjustment			-	528,000
Accumulated profit brought for ward		79,185,391		38,940,862
Dividend declared and paid		(74,899,906)		(35,280,993)
Board of directors' remuneration		-		(500,000)
			<u>4,285,485</u>	<u>3,687,869</u>
			<u>146,497,043</u>	<u>79,185,391</u>
Earnings per share of Birr 100			<u>52</u>	<u>45</u>

Chairman of Board of Directors

President



Wondimagegnehu Negera
President



COOPERATIVE BANK OF OROMIA SHARE COMPANY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2013

	<u>Birr</u>	<u>Birr</u>	<u>2012</u> <u>Birr</u>
Net profit before tax		266,959,221	139,774,318
Depreciation and amortization	20,843,594		11,614,332
Variance between depreciation addition & expense	(1,056,641)		204,021
Prior year adjustment	-		528,000
Provision for other receivables	15,597,526		-
Provision for doubtful loans and advances	16,371,186		3,910,000
Dividend income	(711,000)		-
Effect of foreign exchange rate fluctuation	<u>(56,931,014)</u>		<u>(42,207,417)</u>
		<u>(5,886,349)</u>	<u>(25,951,065)</u>
		261,072,872	113,823,253
Increase/decrease in loan and advances	(732,545,587)		(581,617,178)
Increase/decrease in other assets	385,347,392		(353,402,273)
Increase/decrease in other liabilities	482,197,334		817,127,397
Increase/decrease in margin paid	406,680,672		40,542,890
Increase/decrease in customers' deposit	<u>1,667,495,376</u>		<u>126,213,731</u>
		<u>2,209,175,187</u>	<u>48,864,568</u>
Net cash outflow / inflow from operating activities before profit tax		2,470,248,059	162,687,821
TAXATION			
Profit tax	(37,751,845)		(20,968,153)
Withholding tax	<u>(2,788)</u>		<u>(4,000)</u>
		<u>(37,754,633)</u>	<u>(20,972,153)</u>
Net cash inflow from operating activities		2,432,493,426	141,715,668
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(55,037,615)		(35,079,124)
Local Investment - Stock and Shares	(3,772,000)		(1,508,000)
Special CDT with NBE	(121,033,000)		-
Fixed time deposit with other banks	(60,000,000)		-
Purchase of NBE Bills	(140,282,000)		(196,203,720)
Purchase of Treasury Bills	<u>(274,368,600)</u>		<u>(149,655,600)</u>
Net cash (outflow)/ inflow from investing activities		(654,493,215)	(382,446,444)
Cash Flow from Financing Activities:			
Collections from subscribed shares net off dividend capitalised	100,202,121		103,877,313
Share premium collected	2,362,020		1,750,550
Dividends paid in cash	(20,914,178)		(37,796,379)
Directors profit share paid	<u>(500,000)</u>		-
Net cash inflow/(outflow) from financing activities		81,149,962	67,831,483
Effects of exchange rate changes		<u>56,931,014</u>	<u>42,207,417</u>
Net increase in cash for the year		1,916,081,188	(130,691,876)
Cash balance at the beginning of the year		1,086,406,637	1,217,098,513
Cash balance at the end of the year		<u>3,002,487,825</u>	<u>1,086,406,637</u>

Chairman of Board of Directors



President



Wondimagegnehu Negeru
President



COOPERATIVE BANK OF OROMIA S.CO.
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2013

1. GENERAL INFORMATION

Cooperative Bank of Oromia Share Company is established in October 2004 with the objective to engage in banking service in accordance with the Monetary and Banking Proclamation number 83/1994 and supervision of Banking Proclamation number 84/1994 of the National Bank of Ethiopia. The bank has started full-fledged banking operation in March 2005.

2. SIGNIFICANT ACCOUNTING POLICY

The financial statement is prepared under the historical cost convention in accordance with generally accepted accounting standards and the laws and regulation of commercial Code of Ethiopia 1960. The principal accounting policies adopted by the Bank, which are consistent with those applied in the preceding year, are stated below;

- a. Monetary items denominated in foreign currencies are retranslated at mid exchange rate ruling at the balance sheet dates. Gain/loss arising on retranslation are recognized in profit and loss in the period in which they arise.
- b. Foreign exchange transactions during the year are expressed in Birr at the actual rates prevailing on the transaction dates.
- c. Fixed assets are reported at acquisition cost less depreciation. Depreciation is computed on straight line method at the following rates per annum.

Building	5%
Motor vehicle	20%
Computers and data storage devices	25%
Office furniture and equipments	20%

- d. Pre-operating costs incurred during establishment of the bank and for branch openings are capitalized and amortized at 10% per annum.
- e. Loans and advances are stated at cost less provisions for bad debts. Provision for bad debts on outstanding loans and advances are determined based on the percentages dictated in the relevant directive of the National Bank of Ethiopia and which are applied on loan and advances classified based on the overdue days. Provision for bad debt is also held on loans on pass status (loans that are not overdue) at the lowest percentage of 1%.



**3 CASH AND BANK BALANCES**

	<u>BIRR</u>	<u>2012</u> <u>BIRR</u>
Cash on hand	1,367,824,707	295,183,203
Reserve accounts with NBE	205,443,489	236,476,489
Payment and settlement account with NBE	216,534,292	258,571,137
Deposits with local Banks	21,380,361	3,591,721
Deposits with Foreign Banks	1,191,304,974	292,584,086
	<u>3,002,487,824</u>	<u>1,086,406,637</u>

4. LOANS AND ADVANCES

	<u>BIRR</u>	<u>2012</u> <u>BIRR</u>
Agricultural and production term loan & overdrafts	25,208,290	28,369,411
Manufacturing production term loan	29,592,198	26,712,770
Domestic trade and service term loan	1,176,147,865	1,016,852,014
Domestic trade and service overdraft	271,319,057	140,265,311
Export term loan	66,060,423	28,982,805
Export overdraft	27,525,982	19,967,722
Import term loan	6,245,471	-
Advance against export bills	115,759,172	21,619,636
Advance against import bills	324,015,792	62,053,244
Building and construction loans	15,460,369	9,766,568
Merchandise loan	18,697,554	2,942,281
Project loan	3,185,141	3,111,386
Personnel loan	36,842,917	22,871,496
	<u>2,116,060,232</u>	<u>1,383,514,644</u>
Less: Provision for loan loss and advances	(36,341,186)	(19,970,000)
	<u>2,079,719,045</u>	<u>1,363,544,644</u>

5 FIXED TIME DEPOSIT

	<u>BIRR</u>
Addis International Bank S.C.	30,000,000
Lion International Bank	30,000,000
	<u>60,000,000</u>





6. OTHER ASSETS

	<u>BIRR</u>	<u>2012 BIRR</u>
Acquired properties	29,359,413	22,362,621
Accounts receivable	42,909,138	20,029,184
Stock of fixed assets and supplies	14,564,454	25,527,903
Prepayments	78,896,362	47,728,014
Uncleared effects	8,500,000	436,952,537
Profit tax over paid(net)	<u>2,029,209</u>	<u>2,008,917</u>
	176,258,576	554,609,176
Provision for doubtful balances	<u>(15,597,526)</u>	<u>-</u>
	<u>160,661,050</u>	<u>554,609,176</u>

7. FIXED ASSETS

	Balance as at 30 June 2012 <u>BIRR</u>	Additions <u>BIRR</u>	Disposals/ Adjustments <u>BIRR</u>	Balance as at 30-Jun-13 <u>BIRR</u>
<u>COST</u>				
Computers & Data storage equipment	36,321,728	6,616,294	-	42,938,022
Office furniture & fittings	17,068,568	9,603,026	-	26,671,594
Office & other equipments	10,976,998	8,319,805	-	19,296,803
Motor Vehicles	23,623,512	8,385,441	-	32,008,953
Premises	11,662,773	7,587,972	-	19,250,745
Construction in progress	<u>3,575,508</u>	<u>7,528,285</u>	-	<u>11,103,793</u>
	<u>103,229,087</u>	<u>48,040,823</u>	-	<u>151,269,910</u>
<u>DPRECIATION</u>				
Computers & Data storage equipment	9,076,680	8,799,412	-	17,876,092
Office equipments & fittings	8,048,575	4,061,336	-	12,109,911
Office & other equipments	4,695,122	2,382,356	-	7,077,479
Motor Vehicles	15,080,502	2,042,792	-	17,123,294
Premises	2,283,960	804,076	-	3,088,036
Unidentified difference	<u>(103,726)</u>	<u>1,608,271</u>	-	<u>1,504,545</u>
	<u>39,081,113</u>	<u>19,698,245</u>	-	<u>58,779,358</u>
NET BOOK VALUE	<u>64,147,974</u>			<u>92,490,552</u>





8. LEASEHOLD LAND

The leasehold land represents lease cost of 900 m2 of land located in Jima town on forty years lease period. The balance as follows:

	<u>BIRR</u>	<u>BIRR</u>	<u>2012</u> <u>BIRR</u>
Cost of leasehold land		144,110	144,110
Less: Amortization for leasehold land			
Balance brought forward	10,808		7,206
Current year amortization	<u>3,603</u>		<u>3,603</u>
		<u>(14,411)</u>	<u>(10,808)</u>
		<u>129,699</u>	<u>133,302</u>

9. INVESTMENTS

9.1. Investment in shares

	<u>BIRR</u>	<u>2012</u> <u>BIRR</u>
Elemtu Integrated Milk Industry S.C.	1,000,000	1,000,000
Gutu Oromia Business S.C.	1,250,000	1,250,000
Orologo Prefabricated Plc	15,000,000	15,000,000
Oromia Insurance Company S.C.	7,211,000	6,500,000
Eth. Switch S.C.	5,030,000	1,258,000
	<u>29,491,000</u>	<u>25,008,000</u>

9.2. Investment in NBE Bills

In accordance with NBE directive no. MFA/NBEBILL/001/2011 issued on date of 4 April 2011 the Bank has purchased NBE Bills to the equivalent of 27% of total loan disbursed during the year. The bills are interest bearing at 3% and with maturity period of five years. The interest earned is paid by NBE on annual basis.

10. DEFERRED CHARGES

	<u>BIRR</u>	<u>BIRR</u>	<u>2012</u> <u>BIRR</u>
Establishment cost		851,058	851,058
less: Amortization			
Balance brought forward	595,740		510,635
Current year amortization	<u>85,106</u>		<u>85,106</u>
		<u>(680,846)</u>	<u>(595,740)</u>
		<u>170,212</u>	<u>255,318</u>





11. DEPOSITS

	<u>Demand</u>	<u>Saving</u>	<u>Fixed time</u>	<u>Total deposits</u>	<u>2012 BIRR</u>
Cooperatives and associations	443,394,308	209,825,203	7,000,000	660,219,511	571,776,931
Domestic banks	13,409,976	-	-	13,409,976	89,826,796
Non financial institutions	18,809,081	49,757,971	104,130,658	172,697,710	173,715,154
Private sectors	1,214,454,211	1,629,140,634	6,600,000	2,850,194,845	1,447,615,163
Public enterprises	422,417,259	27,515,674	-	449,932,933	464,498,427
Non interest bearings	-	152,774,618	-	152,774,618	46,802,366
Government local	1,445,036	1,188,241	-	2,633,276	3,303,820
Special saving Deposit	-	4,684,258	-	4,684,258	-
Non resident foreign	158,491,937	-	-	158,491,937	5,030
	<u>2,272,421,808</u>	<u>2,074,886,599</u>	<u>117,730,658</u>	<u>4,465,039,064</u>	<u>2,797,543,688</u>
2012	1,346,119,652	1,250,442,416	200,981,620	2,797,543,688	

12. OTHER LIABILITIES

	<u>BIRR</u>	<u>2012 BIRR</u>
a). Accrued interest on fixed deposits	3,848,517	3,900,062
Accrued leave pay	6,905,706	3,657,217
Severance pay	56,599	-
Dividend payable	807,028	8,319,228
Adjustment and refunds	325,376	11,947
Blocking inwards	159,549,360	49,722,685
Blocked amounts/ accounts	10,390,027	1,168,786
CPU and certified checks	101,827,079	69,722,956
Other banks special clearances	691,789	691,789
Withholding tax payables	241,034	58,380
Exchange payables to NBE	21,857,642	12,259,013
Income taxes payable	638,792	289,012
TT's and MT's payable local	16,216,967	105,176,063
TT's payable Foreign	258,516,963	-
Miscellaneous payables	81,813,736	93,485,343
Stamp duty charges	221,500	133,293
TT's Retransferred Retention	735,185	486,325
	2,667,553	384,967
Lease payable for lease hold land	121,565	129,600
Interest tax on deposits	487,690	263,918
Dividend tax payable	2,212	46,431
Audit fee	79,000	79,868
Pension fund payable	153,365	15,875
Board allowance payable	-	500,000
Uncleared effects (b below)	154,719,501	-
Purchase advance to suppliers	1,235,935	-
Court case	547,372	-
VAT payable	30,601	-
	<u>824,687,892</u>	<u>350,502,758</u>





b) The balance of uncleared effects has been arrived at as follows:

	<u>BIRR</u>
Branches accounts with Head Office	(2,351,621,287)
Head office's account with branches	(10,296,147,963)
Uncleared effect local	12,500,660,244
Uncleared effect foreign	492,134,874
Balances set off against miscellaneous liabilities	(285,478,811)
Balance reclassified to cash- issue account	(39,343,000)
Balance classified to advance against import bills	(174,923,558)
	<u>(154,719,501)</u>

PROVISION FOR TAXATION

a) Profit tax Computation

	<u>BIRR</u>	<u>BIRR</u>	<u>2012</u> <u>BIRR</u>
Profit before tax		266,959,221	139,774,318
Add: Depreciation for reporting purpose		20,754,886	11,525,623
Provision for debtors other than loans		15,597,526	-
		<u>303,311,633</u>	<u>151,299,941</u>
Less: Depreciation for tax purpose(note 23b)	(19,575,423)		(14,913,396)
Interest on NBE bills	(15,174,597)		(10,735,931)
Interest on Treasury bills	(6,180,321)		(175,607)
Interest on fixed time deposit with NBE	(1,114,167)		-
Interest on deposit with local Bank	(1,085,351)		-
Interest earned on foreign bank deposits	(121,200)		-
Dividend income	(744,600)		-
		<u>(43,995,659)</u>	<u>(25,824,934)</u>
Add: Entertainment	950,181		355,209
Donations	22,518		12,600
Penalty	10,120		10,000
		<u>982,819</u>	<u>377,809</u>
Taxable Profit		<u>260,298,793</u>	<u>125,852,815</u>
Provision for taxation(30%)		78,089,638	37,755,845
Provision for taxation(5%) on interest earned on foreign bank deposit		6,060	-
Less: Prior year tax credit		<u>(398,050)</u>	-
		77,697,648	-
Less: Withholding tax		<u>(2,788.00)</u>	(4,000)
Profit tax payable		<u>77,694,860</u>	<u>37,751,845</u>

b) Depreciation For tax purpose

	<u>Computers and</u> <u>Data storage</u>	<u>Other business</u> <u>assets</u>	<u>Buildings</u>	<u>Total</u>
Depreciation base brought forward	22,715,740	27,150,004	11,079,634	60,945,378
Additions during the year	<u>9,603,026</u>	<u>26,308,272</u>	<u>7,587,972</u>	<u>43,499,270</u>
Depreciable base	32,318,766	53,458,276	18,667,606	104,444,648
Depreciation expense at 25%, 20%,5%	<u>(8,079,691)</u>	<u>(10,691,655)</u>	<u>(804,076)</u>	<u>(19,575,423)</u>
Depreciation base carried forward	<u>24,239,074</u>	<u>42,766,621</u>	<u>18,667,606</u>	





CJ. DEFERRED TAX

	Birr	2012 Birr
Depreciation for reporting purpose	20,754,886	11,525,623
Depreciation for tax purpose	(19,575,423)	(14,913,396)
Temporary difference	1,179,463	(3,387,773)
Deferred tax asset @ 30%	353,839	(1,016,332)
Balance brought forward	(337,439)	678,893
Balance carried forward	16,400	(337,439)

14. PAID UP CAPITAL

The authorized share capital of the Bank is Birr 500 million comprising five million ordinary shares at par value of Birr 100 each. Total subscribed shares at the balance sheet date is Birr 57,662,100 out of which Birr 442,337,900 is paid.

The National Bank of Ethiopia issued SBB/50/2011 on 19 September 2011 requiring banks to raise their paid up capital to Birr 500 million by 30 June 2016.

15. DONATED CAPITAL

Donated capital is donation received from the Regional Government of Oromia without imposed restriction on utilization.

16. LEGAL RESERVE

In accordance with the article of association of the bank and proclamation no. 592/2008 article 19 of the Licensing and Supervising of Banking, 25% of profit after tax is transferred to legal reserve until the balance reaches 100% of the paid up capital.

17. INTEREST EARNED ON LOANS & ADVANCES

	BIRR	2012 BIRR
Interest earned on Loans and advances	215,995,929	161,013,505
Interest on deposit with local banks	1,085,351	122,137
Interest on NBE bills	15,174,597	10,735,931
Interest on treasury bills	6,180,321	175,607
Interest on fixed time deposit with NBE	1,114,167	-
Interest earned on foreign bank deposit	121,200	-
	239,671,564	172,047,180

18. COMMISSION INCOME

	BIRR	2012 BIRR
Commission on import LC opening	46,757,148	19,822,500
commission on CPO issued	152,966	73,974
Commission on export LC	13,916	10,000
Import letter of credit	12,909,244	-
Service charges	155,748,424	49,509,496
Telephone, Telegram and Telex charges	5,743,917	4,704,822
I.B.C commission	883,215	-
Guarantees issued	2,012,546	2,705,171
Demand drafts	14,192,264	9,284,450
Uncleared effects local	1,522,202	1,103,502
Others	164,685	286,905
	240,100,526	87,500,819



**19. OTHER INCOME**

	<u>BIRR</u>	<u>2012</u> <u>BIRR</u>
Estimation and inspection fees	102,910	157,395
Postage	350,760	172,340
Rent	511,657	330,000
Insurance	6,217	7,953
Excess cash collected	106,115	83,444
Gain on disposal of assets	5,638	710,159
Dividend income	744,600	-
Sundries	2,026,521	767,400
	<u>3,854,417</u>	<u>2,228,691</u>

20. GENERAL EXPENSES

	<u>BIRR</u>	<u>2012</u> <u>BIRR</u>
Depreciation	20,754,886	11,525,623
Advertisement and publicity	2,738,960	1,832,239
Check books	132,788	57,492
NBE issue account and correspondent accounts charges	831,304	296,360
Cleaning and supplies	107,720	65,361
Donation and contribution	22,518	12,600
Electronic data processing	218,035	116,094
Entertainments	950,181	355,209
Fuel and representation allowances	2,410,404	1,888,891
Repair and maintenance	2,555,935	2,356,893
Loss on exchange rate fluctuation	-	3,169,373
Insurance	2,980,601	2,632,312
Office rent	20,732,907	14,432,435
Perdiem	1,525,620	1,112,711
Fuel and lubricants	2,104,213	1,988,453
Stationery and printing	7,689,619	4,872,979
Telephone, telegram, telex & postage	3,360,100	3,322,101
Transportation	4,077,710	3,257,780
Wage	5,987,109	1,798,661
Utilities	528,771	392,513
Amortization of deferred charges	85,106	85,106
Amortization of leasehold land	3,603	3,603
Others	3,211,149	2,500,397
Penalty	10,120	10,000
Prior year adjustments	-	47,619
provision for annual reception	2,000,000	-
Audit fee	79,633	-
Inauguration	55,783	-
Legal service	10,697	-
Membership fee	128,354	-





Money bags	1,372	-
Circulation fee	47,158	-
Licence, registration and subscription fee	103,880	-
Revenue stamp	1,765	-
Share related expenses	4,480	-
Bank commission & service charge	666,910	-
Land and building tax	15,393	-
Loss on disposal of acquired properties	26,151	-
	86,160,933	58,132,803

21. INTEREST EXPENSES

	BIRR	2012 BIRR
Interest on saving deposits	58,954,760	44,577,624
Interest on fixed time deposits	9,697,548	14,665,633
	68,652,308	59,243,258

22. SALARIES AND BENEFITS

	BIRR	2012 BIRR
Salaries	58,043,805	30,202,262
Provident fund	6,147,755	3,360,794
Staff training and education	479,879	692,888
Staff insurance	813,887	596,460
Medical expenses	1,203,888	847,709
Uniform	688,431	558,234
Accrued leave pay	3,379,148	1,067,545
Housing allowance	919,092	686,920
Cash indemnity	1,456,808	982,983
Bonus	12,674,163	1,971,284
Other staff benefits	1,009,490	1,376,150
	86,816,346	42,343,230

23. DIRECTORS ALLOWANCE

Directors allowances is paid represent monthly transport allowance of Birr 2,000 and Birr 2,500 for each member of board of directors and chair person of the board of directors respectively up to January 15, 2011. Then after the allowance paid is Birr2,000 for each board of directors in accordance with NBE directive SBB 49/2011.No decision has been given regarding the current year allowance payable and no expense has been accrued this year.

24 COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to facilitate comparison with the current year presentations.



