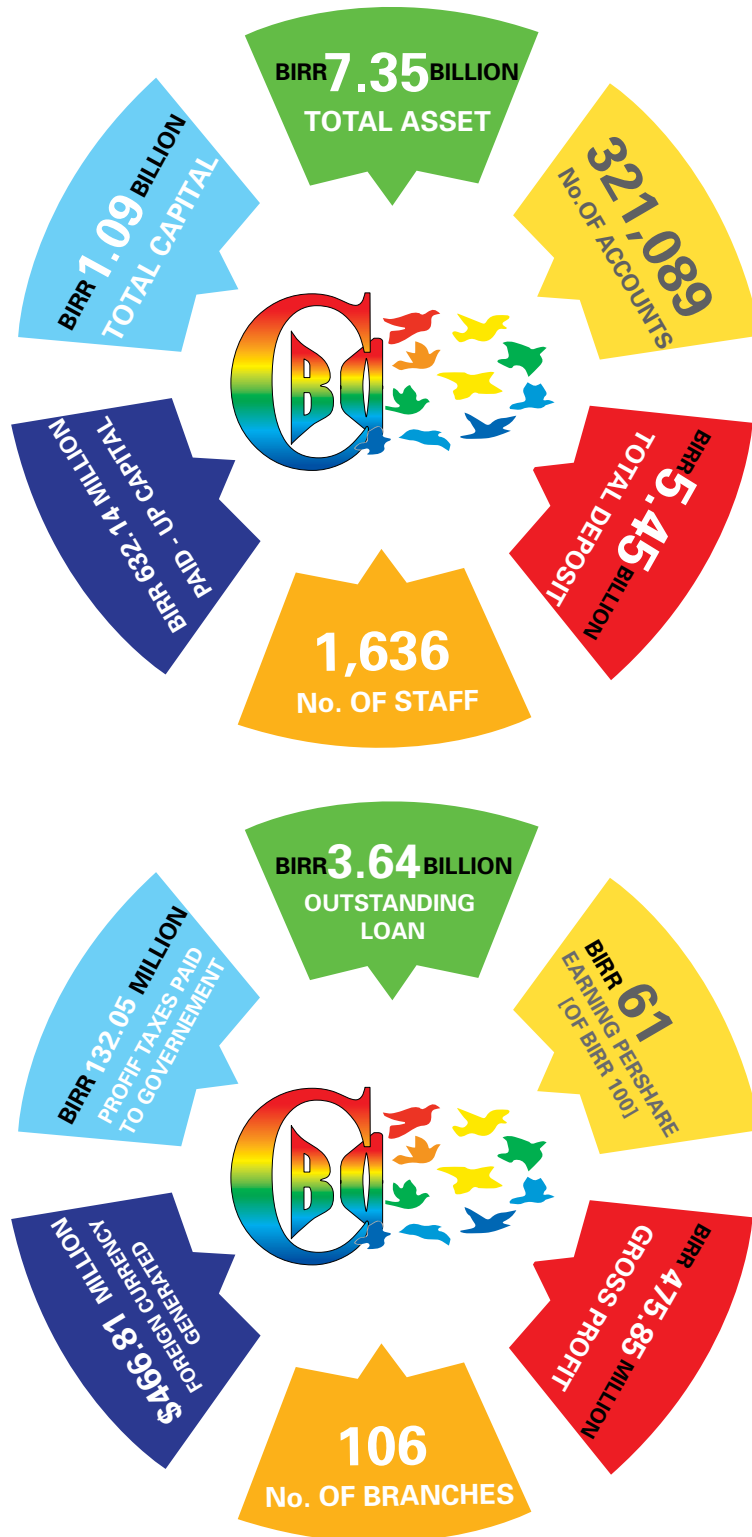


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RESULT AT A GLANCE



Chairman's Statement



“another year of a wonderful achievement”

Dear Shareholders,

The Fiscal Year 2013/14 was a year of remarkable performance with more paths and new explorations for us. In spite of certain economic challenges experienced during the year, our Bank has delivered greater results for the period. Global growth of Gross Domestic Product (GDP), adjusted for inflation, estimated to 3.3% increase in 2014, according to Global Economic Outlook. SSA (Sub-Saharan Africa) has exhibited a tremendous increase, a 5% growth in the year which is the second highest next to China (7%).

The Ethiopian economy has experienced impressive growth performance over the last decade with average GDP growth rate of 11%, which is about double of the average growth for Sub Saharan Africa. The Fiscal Year (FY) 2013/14 was markedly successful in terms of maintaining macroeconomic stability and fiscal management as witnessed by inflation falling to a single digit. Yet there were some challenges such as low levels of domestic savings, and a decline in export value due to vulnerability to international commodity price fluctuations and few commodity choices for export market.

Despite such challenges, the Bank performed soundly measured by both financial and non-financial parameters. Our strong customer-driven service focus has helped us take advantage of the opportunities we identified in the market.

The overall performance of the Bank for the FY 2013/14 spelled growth. Customers account grew at 39.2% during the FY, and the deposit balance grew by 22.06% to reach ETB 5.45 billion. The gross profit also recorded a considerable increase of 78.25%

to ETB 475.85 million, while total assets increased by 12.44% to ETB 7.35 billion. Performances of the Bank in market outreach, technology initiatives, and human capital development has been pleasing as well.

As we step into the new Fiscal Year, we also get ready to complete the 10th year of our operations. Needless to say, it has been a tremendous journey. An organization started by 45 individuals is now a family of 1,636 staff. What was started with a capital of Birr112.05 million has now reached around birr 1.09 billion, and a birr 3.02 million loan 10 years back has now exceeded birr 3.70 billion. Generally, the journey has been exciting and astonishing in all parameters.

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), our partners 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 hope you will continue to support our new direction in the same way that you have stood by us over 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 excellent performance.

Thank You,

Aberra Dheressa (F/C)
Chair-person of Board of Directors

President's Remark



of Journey

YEARS

"we were able to sustain the growing pace of the bank"

It is with great delight that I remark the outstanding performance of the Bank in this Fiscal Year. The Bank recorded excellent results across most of its operations, despite the challenges posed by the business environment. The Bank has become the third profitable private Bank from the industry and its assets and deposits have also grown significantly in the 2013/14 Fiscal Year.

Let us see the results of the Fiscal Year 2013/14 at a glance.

- ▶ **Total Asset increased to ETB 7.35 billion from ETB 6.54 billion at end of preceding Fiscal Year;**
- ▶ **Deposits also grew substantially by 22.06% to ETB 5.45 billion from ETB 4.47 billion at 2012/13 Fiscal Year;**
- ▶ **Total outstanding loan increased to ETB 3.72 billion from ETB 2.12 billion at 2012/13 Fiscal Year;**
- ▶ **We managed to maintain our loan quality consistently as Non Performing Loan (NPL) ratio has remained at 1.80% only and,**
- ▶ **Our earning for the reporting period was remarkable, as we managed to make a profit of ETB 475.85 million at the end of June 2014.**

Through persistence and pursuance of our fitting strategies, we were able to sustain the growing pace of the Bank in all spheres. Better customer service delivery, enhanced image and public confidence, effective fund management practices, good corporate governance, high staff commitment, strategic partnership and good business linkages with devel-

opment partners, foreign banks and other customers were some of the major factors to be pointed out for the immense success portrayed in our performance.

With regard to technology, we have made a significant advancement by fully automating our branches and integrating into one system, and making a way for launching mobile banking, internet-banking, and card-banking services. In an endeavor to increase our accessibility, we have managed to open 28 new branches in different areas.

Moreover, it was our commitment to enhance the socio-economic development of the communities we serve. Accordingly, our company exerts maximum effort towards the fulfillment of this commitment.

These achievements would not have been realized without the unreserved support, guidance, dedication and loyalty of our Customers, Board of Directors, National Bank of Ethiopia (NBE), other government and non-government organizations, shareholders, employees and other stakeholders. I strongly believe that the prevailing support, strategic partnership and cooperation would continue for the future which significantly counts up for the success of the bank.

Thank You,

Wondimagegnehu Negera
President

Corporate Information

Establishment

Cooperative Bank of Oromia (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 number 84/1994 with authorized capital of ETB 300 million. It commenced 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
- ▶ Socio- 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-cultural attributes of the people
- ▶ Integrity, honesty and loyalty
- ▶ Valuing customers comment
- ▶ Accountability and social responsibilities
- ▶ Professionalism
- ▶ Transparency
- ▶ Team sprit
- ▶ Shared vision.

Services rendered by the Bank

■ Deposit

- ▶ Savings Deposit
- ▶ Non-Interest Bearing Saving Deposit
- ▶ Demand Deposit
- ▶ FixedTime Deposit
- ▶ CPO (Certified Payment Order, endorsable and valid for six months)
- ▶ 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 the functions of the Board and structures of governance. The Bank functions under a governance framework that enables the Board to discharge its role of providing oversight and strategic counsel to ensure the compliance of the Bank with regulatory requirements.

Governance Structure



Shareholders' Meeting

Shareholders' meetings are duly convened and held in line with Articles of Association of the Bank and existing legal frameworks. It is conducted through a fair and transparent process that serves as a medium of interaction between Shareholders, the Board, and Management

Board of Directors

The primary obligation of the Board of Directors is to give collective direction and guidance in meeting the appropriate interests of shareholders and stakeholders. The Board is a representative of the General Assembly which is the highest decision making body of the Bank. It sets strategy and oversees, monitors financial performance, ensures effective risk management and maintains the overall success of the Bank. In fulfilling its responsibilities, the Board is supported by management who implement objectives and strategies approved by the Board. The Board monitors management's progress report. CBO Board consists of nine (9) active members whose names are listed below with their brief profile:



Board of Directors

Abera Deressa (PhD) is the Chair Person of BoDs of the Bank since December 2012. He is former State Minister at Ministry of Agriculture and Rural Development of Federal Democratic Republic of Ethiopia, and had served on 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 International Livestock Research Institute (ILRI) (Nairobi; and Addis Ababa), East and Central Africa Biotechnology Research Networking (Nairobi), Ministerial Council of Desert Locust Organization for Eastern Africa (Chair Person), and led Ethiopian delegations private mission to various countries.

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.



Abera Deressa (PhD)
Chair Person



Tadesse Meskela
Vice Chair Person

Obbo Tadesse has been serving as the General Manager of Oromia Coffee Farmers Co-operative Union since 1999. He had served in Cooperative Promotion Bureau of Oromia, Agricultural Development Office of Hararge Zone, Cooperative Promotion in Oromia Agricultural Development Bureau, Harari Regional Agricultural Development

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).

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



Belachew Hurissa
Member



Adanech Abiebie
Member

Adde Adanech is an Executive Director of Oromia Development Association (ODA). She holds Master's Degree 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 additional experiences as a board member of Oromia Credit and Saving Share Company (OCSSCo), Mada Walabu University, Oromia Investment Commission, Oromia Forest and Wild Life Protection Enterprise, Executive Committee of Ethiopian Women Parliamentarians CoCoas, and Chair Person of Oromia Women's Association. She has been serving as a member of BoDs of CBO since November 2012.

Obbo Dagnachew studied Organizational Management and 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 served as a Vice Manager of Oromia Road and Transport Authority, Head of Zonal Administrations, and on other capacities.



Dagnachew Shiferaw
Member



Dejene Hirpha
Member

Obbo Dejene is the General Manager of Bacho Waliso Farmers Cooperative Union. He placed the Union to the level of being exemplary 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 from Haramaya University and B.A. Degree in Economics from Alpha University College.

Dr. Mulugeta earned 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 acquired immense experience in leadership of development associations, business companies and academic institutions.



Mulugeta Debebe (PhD)
Member



Serkalem Assefa
Member

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 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 Sh.Co, 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 levels, in policy, legal, and related representations.

Obbo Tilahun held Masters of Business Leadership (University of South Africa /UNISA), and B.A. Degree in Business Management (Addis Ababa University). He is now 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 has been serving as a member of BoDs of CBO since December 2012.



Tilahun Tadesse
Member

Board Sub-committees

The Board carries out critical function through its standing committees, each of which has a Term of Reference that clearly defined its purpose, membership, duties and responsibilities, and frequency of meetings, and reporting. These committees ensure the proper placement of policies, strategies, internal controls, and organizational structure so as to achieve the objectives and obligations of the Bank. The standing sub-committees of the Board are Strategy, Budget, and Plan, Loan Approval, Audit and Loan Review and Risk Management sub-committee. The composition and purpose of the sub - committees are set-out below:

Sub - Committee	Purpose
1. Strategy, Budget, and Plan	Entrusted with the overall purpose of the Bank's strategic issues oversights, decisions and approvals.
2. Loan Approval	Reviews loan proposals above the discretionary limits of the credit approval team at the Executive Management level.
3. Audit	Oversees and monitors 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.
4. Loan Review and Risk Management	Itemizes basic ways to review loans, sets uniform loan review practice in the Bank , provides proper reports and advises to ensure the proper management of Bank-wide risk and compliance issues as per the law of the land and NBE directives.

The Board Secretary

Obbo Teshome Argeta is currently serving as the Secretary of Board of Directors of Cooperative Bank of Oromia since December 2013. 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.



Teshome Argeta
Board Secretary

Risk and Compliance

An independent Risk and Compliance Management Process accountable to the BoDs continued to lead the Bank's work on risk identification, measuring, monitoring, controlling, and mitigation. The Risk and Compliance related activities executed during the fiscal year include compiling and dispatching timely Cash Transaction (CT) and Suspicious Transaction (STR) reports to Financial Intelligence Centre (FIC), completing Know Your Customer (KYC) review request from a correspondent bank, doing timely risk and compliance management reports and communicating to concerned organs, conducting compliance training on Anti Money Laundry (AML)/ Combating of Financing Terrorism (CFT) and collecting risk and Compliance monitoring data from various organs of the Bank.

Regular quarterly assessments undertaken in this 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 Sub - Committee.

Internal Audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the operations of the Bank. It helps the Bank to accomplish its objectives by bringing a systematic and 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. Normal audit and special investigations were conducted in the year and the reports were presented to Audit Sub - Committee of BoDs. The Audit Sub - Committee reviews the reports and ensures the rectification of identified irregularities.

Executive Management



Wondimagegnehu Negera
President

Responsible for 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.

Abbebe Tilahun
Vice President, Resources and Services Management

Ensures proper management of overall resources and services of the Bank and maintains the proper integration of the Bank's internal capabilities to that of core processes.



Tolasa Beyene
A/Vice President, Core Services and Relationship Management

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



Muktar Aliye
Advisor to the President

Advises the president on major strategic and operational areas, provides up-to-date information and supports the president in strategy formulation and implementation.



AberaTerefe
Chief Legal Advisor

Provides legal advice/opinion to the Executive Management and all Bank organs, analyzes and drafts key legal documents, and handles legal issues.



Addis Assefa
Director, Information Systems

Directs the overall activities of information systems by acquiring and adapting relevant technologies and systems for business excellence.



Assefa Zewdu
Director, Trade Services

Ensures proper management of the international trade services, proper compliance to all respective rules, and efficient services delivery to clients.



Belete Wakbeka
Director, Credit Relationship Management

Oversees existence of high quality customer service activities, develops strategies for effective lending portfolio, and ensures smooth and lasting customer relationship to meet and exceed established goals.





Damessa Urgessa
Director, Research and Corporate Communications

Directs and coordinates all research and development programs, and corporate communication activities of the Bank for better research outputs, effective communication and good image of the Bank.

Fayera Ejeta
Chief Strategy and Change Management Officer

Ensures 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 Management Officer

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

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.



Kissi Guyo
Director, Internal Audit

Assures efficiency and effectiveness of the internal control system and gauges organizational and professional ethical standards set on the internal audit charter and code of conduct.



Lemessa Waltaji
Director, Credit Appraisal and Portfolio Management

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



Liko Tolesa
Director, Human Resources Management

Responsible for overseeing all human resource functions, providing leadership, and establishing and implementing human resources strategy in line with overall business strategies and objectives.



Samuel Girma
Director, Finance

Responsible for overseeing the financial activities of the Bank including its capital structure, accounting functions, investments and income and expense management.



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.



Corporate Social Responsibility

Being a responsible business is an opportunity for us to build better relationships with all our stakeholders. This can be achieved by giving closer attention to the fulfillment of our social, economic, environmental and ethical responsibilities. Corporate Social Responsibility (CSR) is embedded in the values of the Bank. CBO has been persistently discharging its social responsibilities for a better life of the community at large.

To accomplish its social responsibility, our Bank uses different approaches as a corporate entity. Donation is one of them. In the FY 2013/14 the Bank was involved in various social endeavors via donations and sponsorships to sectors like public health, education, community development, environmental protection efforts, natural disasters, and other humanitarian efforts.

CBO collaborated with Oromia Development Association (ODA). Currently, ODA is contributing to sustainable development, focusing primarily on the rural community, through construction of basic infrastructure and provision of social services such as education, health and water. ODA also works on environmental protection. CBO supported the association's effort to construct boarding schools.

In addition to these, CBO also supported 'Sebeta School for the Blind' in educational materials, living material, and tape recorder and canes. The Bank has also participated in humanitarian endeavors by backing 'Nehemiah Autism Center'.

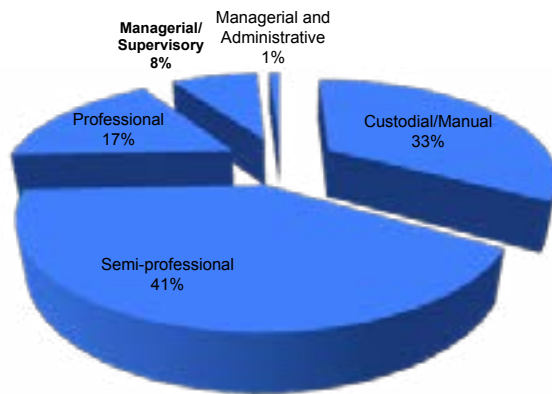
More generally, the Bank participated in the development endeavors of the country. At CBO, therefore, CSR is at the heart of our daily activities.



Human Capital

CBO duly considers its human capital as the most competitive edge of all resources. It is believed to enable the bank register consecutive and sustainable growth and become industry leader. Moreover, the Bank has made significant efforts and followed strategic direction to retain its capable human resource and attract new ones. The periodic skills upgrading trainings were instrumental in this regard. In the fiscal year ended June 30, 2014, the total staff of the bank has reached 1,636, exhibiting a 14.65% increment from last year same period. On the other hand, the occupational distribution of the Bank's workforce is as indicated below:

Number of Staff by Occupational Category



Learning and Development

Seeing that training activity as strategic tool of capacity development and accelerator of individual and organizational performance, CBO has conducted various trainings in the fiscal year 2013/14. In view of this, employees were adequately trained across all levels and functions. This has enabled the staff of the Bank to acquire the up-to-date skills the industry requires. In the year under review, the Bank delivered various trainings for employees at different positions and job levels as summarized below on quarterly basis:

Table 1: Training Sessions Conducted in FY 2013/14

Quarter	Area	Specific Title
Quarter I	Compliance	Risk Based Internal Audit
	Credit Operation	Credit Appraisal, Project Finance, Cooperatives Training
	Domestic Banking Operation	Customer Accounts Transaction Service
	Foreign Banking Operation	Foreign Trade Finance
	Management and Leadership	Organizational Values and Beliefs, Change Management, Corporate Governance
	Marketing & Relationship Management	Communicational Skill, Marketing & Customer R/ship Management
	Resource Management	Purchasing and Supplies Management, Financial Management, Bank Accounting
Quarter II	Compliance	Private Finance Sector Ethics and Anti-Corruption Concept and Anti-Corruption Crime Laws, Taxation In Ethiopia, Compliance
	Credit Operation	Project Finance, Agricultural Lending Risk Mitigation, Fundamentals of Credit Appraisal
	Domestic Banking Operation	Customer Accounts Transaction Service
	Foreign Banking Operation	Western Union Network Convention, Cash, Trade & Finance, Foreign Exchange, Treasury and Market Products, International Banking Service (L/C)
	Management and Leadership	Strategic Management and Execution, BSC, Budgeting and Cost Control, Legal Frameworks for Gender and Youth Issues , Values and Beliefs, AWiB's Women of Excellence Gala Awards
	Marketing & Relationship Management	Communicational Skill
	Resource Management	Bank Accounting, Office Operations Management, Records Management
Quarter III	Compliance	Taxation In Ethiopia
	Domestic Banking Operation	Customer Accounts Transaction Service
	Foreign Banking Operation	Import and Export Business
	Management and Leadership	Emotional Intelligence and Team Building, Basic Monetary Policy Instrument & Operation
	Marketing & Relationship Management	Marketing & Customer Relationship Management, Business Communication
	Resource Management	Financial, Transport and Material Management

Quarter IV	Compliance	Payment Systems, Anti-Money Laundering and Financial Terrorism, Rules and Regulations of VAT and Tax, Ethiopian Automated Transfer System
	Credit Operation	Housing Finance, Credit Appraisal, Credit IS, Project Finance, Credit Reference System
	Domestic Banking Operation	Customer Accounts Transaction Service
	Foreign Banking Operation	Trade Logistics and Ethiopia's International Competitiveness
	Management and Leadership	Managerial Skills, Growth and Tools for Sales and Marketing, Creating and Transforming Your World, Attracting and Retaining Talent in Civil Service Corps
	Marketing & Relationship Management	Marketing & Customer Relationship Management
	Resource Management	Financial, Logistics, Store and Management ,Bank Accounting



Credit Management

In keeping with the expansionary move of the Bank, its net outstanding loan balance as at 30th June, 2014 has reached ETB 3.64 billion, with an increment of 75.21% when compared to ETB 2.08 billion at the end of 30th June, 2013. Regarding sector-based loan portfolio, Domestic Trade and Services took the largest portion of 80.9%, followed by foreign trade with a share of 13%. Additionally, the Non-Performing Loans (NPLs) ratios of the Bank stood within acceptable range as NPL to Total Asset amounts to 0.90% while NPL to Total Loan is 1.80%.

Table 2: Outstanding Loan by Type, and its Growth

Description	Balances (in Millions of ETB)		Growth	
	Jun-14	Jun-13	Amount (Millions of ETB)	%
Agricultural Production	47.3	25.2	22.1	87.70
Domestic Trade & Service	2,952.2	1,447.5	1,502.7	103.81
Manufacturing	47.2	29.6	17.6	59.46
Foreign Trade(T/L & OD)	474.0	539.6	(65.6)	(12.16)
Building & Construction	21.1	18.7	2.4	12.83
Merchandize	94.7	18.7	76.0	406.42
Other Loan	77.9	36.8	41.1	111.68
Provision for loss loans & advances	(68.4)	(36.3)	(32.0)	88.43
Total	3,644.0	2,079.7	1,570.4	75.21

In the same way, CBO continued to support the economy by financing various economic sectors. A brief look of sectors financed by the Bank within the year under review seems:-

Agriculture & Agro processing

As agriculture is the backbone of Ethiopian economy, CBO has been supporting agricultural production and processing and enabled customers to invest throughout the entire agricultural value chain including modernizations. Innovative business models in agriculture technology will drive the shift from a conventional form to a modern production and distribution system.



Domestic Trade and Services

To meet a growing demand of Domestic Trade and Services, the Bank has disbursed enormous sum of funds to the sector which comprises wholesale, retail, hotel and tourism, transportation, education, health, and others. It is worth noting that financing made to agricultural commodities trade is categorized under Domestic Trade and Services.



Manufacturing

At CBO, we understand that a strong economy is built on investing in the future. That is why we are supporting manufacturers as part of our ongoing commitment to the manufacturing sector. The Bank has rendered loans for the purchase of raw materials, machinery/equipment, intermediate goods, for work in progress and others.



Foreign Trade

Within the FY under consideration, CBO has financed export and import of various goods. Export Loans are rendered to facilitate export of agricultural, industrial, minerals and other products, whilst goods like raw materials for industries, machineries, vehicles, building materials, plastics, textiles, pharmaceuticals, household goods, and others are major import products financed by the Bank to borrowers working in the sector.



Building and Construction

Within the FY 2013/14 CBO has financed the construction of a new buildings and infrastructure, purchase of new construction machineries, and other related activities.



Deposit and Customer's Account

Total Deposit of the Bank has recorded a momentous annual growth that reached ETB 5.45 billion as of June, 2014, with an increase of ETB 0.99 million or 22.06% when compared to the preceding budget year. This notable increment in deposit base signifies strong trust and confidence of depositors towards the Bank.

Table3: Deposit by type, and its growth

Description	Balances (in Millions of ETB)		Growth	
	June 2014	June 2013	Amount (Millions of ETB)	%
Demand	2,528.62	2,272.42	256.20	11.27
Saving	2,765.21	2,074.89	690.32	33.27
Time	156.26	117.73	38.53	32.73
Total	5,450.09	4,465.04	985.05	22.06

When looking into the breakdown of deposit, saving deposit took the lion's share of 51% out of total deposit while the rest saving and fixed time deposits have shares of 46 % and 3% respectively.

At the end of June 30, 2014 the total number of deposit accounts reached 321,089 with 90,398 additional numbers of accounts or a growth of 39.19% from last year same period. The highest growth in deposit amount (33%) and most of the newly opened deposit accounts (having the largest share of 93.52%) is saving deposit. This fact indicates an expansion of customer base and improved public confidence resulting from the strong marketing effort, external relationship and overall commitment of the Bank.

Trade Service

International Banking (trade services) continued to be a key area for persistent growth and profitability of the Bank. During the Fiscal Year 2013/14, the Foreign Currency (FCY) earning of the bank has been USD 466.81 million, depicting a growth of 53.19% from preceding budget year. On the other hand, the total income earned from trade service activity within this FY sums ETB 574.95 million, seizing 57.78% of overall income of the Bank.

The Bank made 54 SWIFT arrangements with foreign Banks and at the end of this budget year the Bank has maintained business relationship with four renowned correspondent banks: Commerz bank, Mer Rouge (Bank of Africa), HSBC, and Mashreq bank (Bank of Dubai). Number of remittance companies working with ther Bank has reached eleven: Dahabshiiil, Western Union, Xpress Money, Money Gram, Kaah, Bakaal, Amana Express, Juba Express, Taran Express, Amal Express and Osob Money Transfer.

We provide you fast & reliable international money transfer service through our partners:

Dahabshiiil

WESTERN UNION | yes!

XPRESS MONEY

MoneyGram. Global Giving

SWIFT

BAKAAL Worldwide Money Transfer

JUBA EXPRESS MONEY TRANSFERS

AMAL EXPRESS

TARAN EXPRESS WORLDWIDE

Amana Express

KAAH

Trans-Fast

Cooperative Bank of Oromia (S.C.) Committed to Breakthrough!

Market Expansion

In the Fiscal Year 2013/14, the Bank continued to open new branches in new markets which enabled us to boost our customer base and funds. Accordingly, 28 additional branches were opened during the budget year, nine in the capital (Addis Ababa) and the rest 19 in outlying areas.



City Branches

- ▶ Kebena
- ▶ Kotebe
- ▶ Haya hulet Mazoria
- ▶ Gojam Berenda
- ▶ Erer
- ▶ Addisu Gebeya
- ▶ Bethel
- ▶ Bole Rwanda
- ▶ Ayer Tena



Outlying Branches

- ▶ Shano
- ▶ Lega
- ▶ Wolaita Sodo
- ▶ Nagelle Borana
- ▶ Mekelle
- ▶ Gondar
- ▶ Bahir Dar
- ▶ Dessie
- ▶ Metema Yohannes
- ▶ Kombolcha
- ▶ Dodola
- ▶ Najo
- ▶ Hirna
- ▶ Hosaina
- ▶ Gudar
- ▶ Hafatessa
- ▶ Dadar
- ▶ SabataHawas
- ▶ Huruta



Information Technology

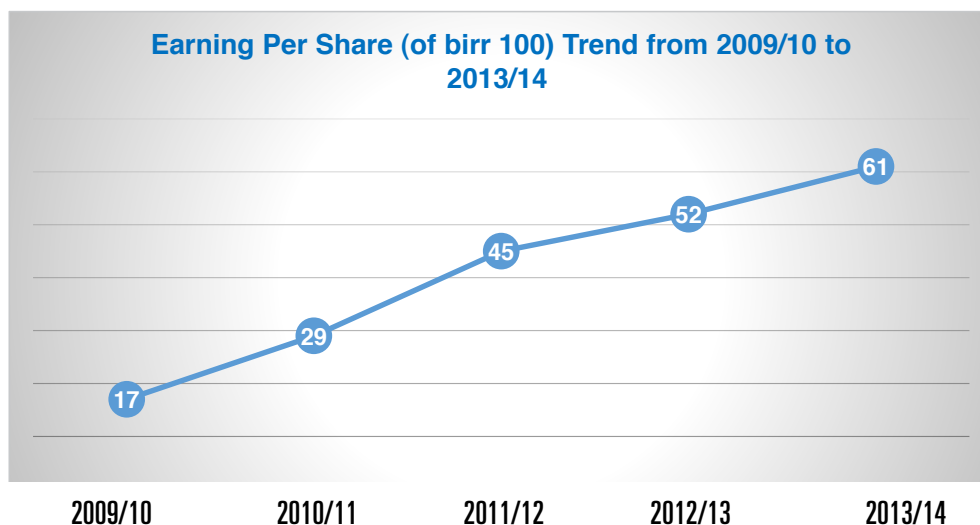
In an endeavor to renovate its operation and keep-up with fast moving customers' demand, the Bank has rolled-out a Core Banking Solution (CBS) technology at head-office organs and all its branches. In addition, the Bank has been working on enhancing the stability and improving the efficiency of its systems and infrastructure. Furthermore, in pursuit of convenience and modernizations, the Bank is working towards launching new technology based products/services such as mobile banking, internet banking, and card banking.

Profit/Loss Account

The profit of the Bank has exhibited a remarkable growth in the reporting period, registering an increment of 78.25 % from last year same period to reach ETB 475.85 million.

Earning Per Share

Earning Per Share (EPS) of the Bank has been exhibiting a significant growth in the last five years, with an average of ETB 40.80. As at June 30, 2014 Earning per share (EPS) of the Bank has reached ETB 61 for an invested ETB 100, from its ETB 52 in the last year same period, depicting a 17.31% increment. The growth trend of Earning Per Share of the Bank for the past five years is as indicated below.



Dividend Payment

The Board of Directors proposed a dividend payment of ETB 40 per share of ETB 100 for the Fiscal Year ended June 30, 2014.

Financial Analysis

Major Performance Indicator	Jun-14	Jun-13	Jun-12	Jun-11
1. Earning Asset				
Return on assets (ROA)	5%	3%	3%	2%
Return on equity (ROE)	38%	34%	30%	22%
Earning Per Share	61%	52%	45%	29%
Cost to Income	46%	53%	53%	66%
Interest Exp. to Total Deposit	2%	2%	2%	2%
2. Capital Adequacy				
Equity/Asset	12%	8%	9%	8%
Capital Adequacy(Equity/RWA)	17%	16%	17%	17%
3. Liquidity				
Loan /Deposit	67%	43%	49%	40%
Loan and Bond/Deposit	82%	59%	64%	51%
Loan /Assets	50%	31%	37%	31%
Liquid Asset/Total liabilities	28%	58%	38%	54%
Liquid Asset/Total Deposit	32%	77%	44%	61%
4. Asset Quality				
NPLs/ Total Loan	1.8%	2.3%	0.6%	4.5%
NPLs/Total Asset	0.9%	0.7%	0.2%	1.4%
NPLs/Equity	6.2%	6.7%	2.1%	14.4%

Future Plans

To sustainably uphold its growth path, the bank has planned several works in the upcoming years:

- ▶ In order to ease rising rental cost, create convenient work environment, and build positive public image the bank will start construction of interim head-quarter on its own plot found around Bole. Likewise, it will work towards construction of regional offices in several towns.
- ▶ Since technology is strategically important to the future success of our business, an endeavor to invest in innovative products and services will sustain to serve our clients more than ever. In view of that, card banking, internet banking, mobile banking, and other innovative products will be launched soon.
- ▶ Market expansion, new business channels, and customer-friendly services will be areas where the bank will work in the upcoming years.
- ▶ The bank certainly believes in continuous learning and improvements which ultimately leads to organizational competency. Thus, modern strategy and performance management tools like BSC (Balanced Score Card) will be fully implemented at all levels.
- ▶ To provide more options to our clients needs the Bank will embark on provision of interest free banking services

AUDITOR'S REPORT

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Tel: +251-011-466 11 57 Mobile 251-091-122 32 10
Fax: +251-011-466 15 36 >> 251-091-1 98 35 72
አዲስ አበባ ኢትዮጵያ

Degefa Lemessa Authorized Auditors
Limited Partnership
Chartered Certified
Accountants
P.O.Box: 8118
E-mail: deg.lcm@ethionet.et
Addis Ababa Ethiopia

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

We have audited the accompanying financial statements of *COOPERATIVE BANK OF OROMIA SHARE COMPANY* which comprise the statement of financial position as of 30 June 2014, the statement of comprehensive income, the statement changes in shareholders equity and statement of cash flows for the year then ended and summary of significant accounting policies and other explanatory information.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the **International Financial Reporting Standards** and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

Auditors Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risk of material misstatements in



the financial statements whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of *COOPERATIVE BANK OF OROMIA SHARE COMPANY* as of 30 June 2014 and of its financial performance, changes in shareholders equity and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

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.


Degefa Lemessa Authorized Auditors
Limited Partnership,
Chartered Certified Accountants



Addis Ababa
October 01, 2014

COOPERATIVE BANK OF OROMIA SHARE COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	<u>NOTE</u>	<u>BIRR</u>	<u>BIRR</u>	<u>2013</u> <u>BIRR</u>
CURRENT ASSETS				
Cash and Bank balances	3		1,757,413,229	3,002,487,824
Loans and advances(net)	4		3,644,115,624	2,079,719,046
Investment in treasury bills			-	424,024,200
Fixed time deposit	5		90,000,000	60,000,000
Other assets	6		843,368,708	160,661,050
Total current assets			6,334,897,561	5,726,892,120
NON CURRENT ASSETS				
Property, plant and equipments	7	131,259,523		92,490,552
Leasehold land	8	566,140		129,699
Deferred tax asset	13(c)	269,230		16,400
Investment in shares	9.1	43,391,000		29,491,000
Investment in NBE bills	9.2	839,903,292		567,247,292
Fixed time deposit with NBE		-		121,033,000
Deferred charges	10	85,106		170,212
Total non current assets			1,015,474,293	810,578,156
TOTAL ASSETS			7,350,371,854	6,537,470,275
CURRENT LIABILITIES				
Deposits	11	5,450,097,267		4,465,039,064
Margin held on letter of credits		350,353,444		474,056,973
Provision for taxation	13(a)	132,053,770		77,694,860
Other liabilities	12	327,491,199		824,687,892
Total current liabilities			6,259,995,681	5,841,478,790
CAPITAL				
Paid up capital	14	632,138,300		442,337,900
Donated capital	15	3,931,539		3,931,539
Share premium		8,655,604		8,032,053
Legal reserve	16	181,205,697		95,192,951
Retained earnings		264,445,033		146,497,043
Total capital			1,090,376,174	695,991,486
TOTAL LIABILITIES AND CAPITAL			7,350,371,854	6,537,470,275

Abera Dheresa (Phd)
 Chairman of Board of Directors




Wondimagegn Negera
 President



COOPERATIVE BANK OF OROMIA SHARE COMPANY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	<u>Notes</u>	<u>BIRR</u>	<u>BIRR</u>	<u>2013</u> <u>BIRR</u>
REVENUE				
Interest earned on loan and advances	17		422,291,243	239,671,564
Commission income	18		392,222,994	240,100,526
Gain on exchange rate fluctuation			56,347,828	56,931,014
Other income	19		<u>11,058,688</u>	<u>3,854,417</u>
			881,920,753	540,557,521
EXPENSES				
General and administrative expenses	20	149,074,239		86,081,301
Interest expenses	21	100,963,410		68,652,308
Salaries and benefits	22	119,780,132		86,816,346
Provision for bad debts (other assets)		4,132,865		15,597,526
Provision for bad loans and advances		32,018,814		16,371,186
Audit fee		<u>99,367</u>		<u>79,633</u>
			(406,068,827)	(273,598,300)
Net income before profit tax			475,851,926	266,959,221
Provision for tax			<u>(132,053,770)</u>	<u>(77,697,648)</u>
			343,798,156	189,261,573
Deferred tax asset/liability	13(c)		<u>252,831</u>	<u>353,839</u>
			344,050,986	189,615,412
Transfer to legal reserve			<u>(86,012,747)</u>	<u>(47,403,854)</u>
			258,038,240	142,211,558
Accumulated profit brought for ward		146,497,043		79,185,391
Dividend declared and paid		(139,540,250)		(74,899,906)
Board of directors' remuneration		<u>(550,000)</u>		<u>-</u>
			6,406,793	4,285,485
			<u>264,445,033</u>	<u>146,497,043</u>
Earnings per share of Birr 100			61%	52%

Abera Dheresa (Phd)
Chairman of Board of Directors



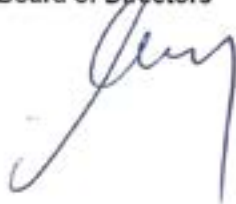

Wondimagegn Negera
President




COOPERATIVE BANK OF OROMIA SHARE COMPANY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2014

	<u>Birr</u>	<u>Birr</u>	<u>2013</u> <u>Birr</u>
Net profit before tax		475,851,926	266,959,221
Depreciation and amortization	29,085,890		20,843,594
Variance between depreciation addition & expense	373,818		(1,056,641)
Variance between other provision addition & expense	48,272		-
Provision for other receivables	4,132,865		15,597,526
Provision for doubtful loans and advances	32,018,814		16,371,186
Dividend income	(4,050,000)		(711,000)
Effect of foreign exchange rate fluctuation	<u>(56,347,828)</u>		<u>(56,931,014)</u>
		<u>5,261,831</u>	<u>(5,886,349)</u>
		481,113,757	261,072,872
Increase/decrease in loan and advances	(1,596,415,393)		(732,545,587)
Increase/decrease in other assets	(686,888,795)		385,347,392
Increase/decrease in other liabilities	(496,875,708)		482,197,334
Increase/decrease in margin paid	(123,703,529)		406,680,672
Increase/decrease in customers' deposit	<u>985,058,203</u>		<u>1,867,495,376</u>
		<u>(1,918,825,222)</u>	<u>2,209,175,187</u>
Net cash outflow / inflow from operating activities before profit tax		(1,437,711,465)	2,470,248,059
TAXATION			
Profit tax	(77,694,860)		(37,751,845)
Withholding tax	<u>-</u>		<u>(2,788)</u>
		<u>(77,694,860)</u>	<u>(37,754,633)</u>
Net cash inflow from operating activities		(1,515,406,325)	2,432,493,426
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(68,135,591)		(55,037,615)
Investment in leasehold land	(444,424)		
Local Investment - Stock and Shares	(9,850,000)		(3,772,000)
Special CDT with NBE	121,033,000		(121,033,000)
Fixed time deposit with other banks	(30,000,000)		(60,000,000)
Purchase of NBE Bills	(272,656,000)		(140,282,000)
Purchase of Treasury Bills	<u>424,024,200</u>		<u>(274,368,600)</u>
Net cash (outflow)/ inflow from investing activities		163,971,185	(654,493,215)
Cash Flow from Financing Activities:			
Collections from subscribed shares net off dividend capitalis	69,869,471		100,202,121
Share premium collected	623,551		2,362,020
Dividends paid in cash	(19,930,306)		(20,914,178)
Directors profit share paid	<u>(550,000)</u>		<u>(500,000)</u>
Net cash inflow/(outflow) from financing activities		50,012,716	81,149,962
Effects of exchange rate changes		<u>56,347,828</u>	<u>56,931,014</u>
Net increase in cash for the year		(1,245,074,596)	1,916,081,188
Cash balance at the beginning of the year		<u>3,002,487,825</u>	<u>1,086,406,637</u>
Cash balance at the end of the year		<u>1,757,413,229</u>	<u>3,002,487,825</u>

Abera Dheresa (Phd)
Chairman of Board of Directors




Wondimagegn Negera
President



COOPERATIVE BANK OF OROMIA SHARE COMPANY
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Paid up capital Birr	Share premium Birr	Donated capital Birr	Legal reserve Birr	Retained earnings Birr	Total Birr
BALANCE AS AT 1 JULY 2012	280,637,852	6,670,033	3,931,539	47,789,097	79,185,391	417,213,912
Dividend paid	-	-	-	-	(13,401,979)	(13,401,979)
Dividend capitalised	61,497,927	-	-	-	(61,497,927)	-
Share premium collected	-	2,362,020	-	-	-	2,362,020
Collection from subscribed shares issued shares	100,202,121	-	-	-	-	100,202,121
Net profit for the year	-	-	-	-	189,615,412	189,615,412
Directors' share on profit	-	-	-	-	-	-
Transfer to legal reserve	-	-	-	47,403,854	(47,403,854)	-
BALANCE AS AT 1 JULY 2013	442,337,900	8,032,053	3,931,539	95,192,951	146,497,043	695,991,486
Dividend paid	-	-	-	-	(19,609,321)	(19,609,321)
Dividend capitalised	119,930,929	-	-	-	(119,930,929)	-
Share premium collected	-	623,551	-	-	-	623,551
Collection from subscribed shares	69,869,471	-	-	-	-	69,869,471
Net profit for the year	-	-	-	-	344,050,986	344,050,986
Directors' share on profit paid	-	-	-	-	(550,000)	(550,000)
Transfer to legal reserve	-	-	-	86,012,747	(86,012,747)	-
BALANCE AS AT 1 JULY 2014	632,138,300	8,655,604	3,931,539	181,205,698	264,445,034	1,090,376,174



COOPERATIVE BANK OF OROMIA S.CO.
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2014

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 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 the International Financial Reporting 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>2013</u> <u>BIRR</u>
Cash on hand	980,095,803	1,367,824,707
Reserve accounts with NBE	243,443,489	205,443,489
Payment and settlement account with NBE	216,199,090	216,534,292
Deposits with local Banks	23,911,785	21,380,361
Deposits with Foreign Banks	293,763,063	1,191,304,974
	<u>1,757,413,229</u>	<u>3,002,487,824</u>

4 LOANS AND ADVANCES

	<u>BIRR</u>	<u>2013</u> <u>BIRR</u>
Agricultural and production term loan & overdrafts	47,335,795	25,208,290
Manufacturing production term loan	47,145,438	29,592,198
Domestic trade and service term loan	2,436,849,703	1,176,147,865
Domestic trade and service overdraft	513,363,451	271,319,057
Export term loan	98,783,581	66,060,423
Export overdraft	65,116,852	27,525,982
Import term loan	38,738,598	6,245,471
Advance against export bills	138,875,781	115,759,172
Advance against import bills	132,520,164	324,015,792
Building and construction loans	21,079,195	15,460,369
Merchandise loan	94,739,235	18,697,554
Project loan	-	3,185,141
Personnel loan	77,929,831	36,842,917
	<u>3,712,475,624</u>	<u>2,116,060,232</u>
Less: Provision for loan loss and advances	<u>(68,360,000)</u>	<u>(36,341,186)</u>
	<u>3,644,115,624</u>	<u>2,079,719,045</u>

5 FIXED TIME DEPOSIT

	<u>BIRR</u>	<u>2013</u> <u>BIRR</u>
Addis International Bank S.C.	30,000,000	30,000,000
Lion International Bank S.C.	30,000,000	30,000,000
Enat International Bank S.C.	30,000,000	-
	<u>90,000,000</u>	<u>60,000,000</u>



6 OTHER ASSETS

	<u>BIRR</u>	<u>2013</u>
		<u>BIRR</u>
a <u>The detail is as follows:</u>		
Acquired properties	24,190,942	29,359,413
Accounts receivable	45,879,644	42,909,138
Stock of fixed assets and supplies	20,324,478	14,564,454
Prepayments	133,175,520	78,896,362
Items in the process of collection/settlement-Local	465,468,755	-
Items in the process of collection/settlement-foreign	172,078,823	8,500,000
Profit tax over paid(net)	2,029,209	2,029,209
	<u>863,147,371</u>	<u>176,258,576</u>
Provision for doubtful balances	<u>(19,778,663)</u>	<u>(15,597,526)</u>
	<u>843,368,708</u>	<u>160,661,050</u>

b Items in the process of collection/settlement-Local

UE-local	1,950,615,896
Branch accounts with Head Office	(969,369,178)
Branch adjustment account	(100,871,017)
Head office's account with branches	(804,960,328)
Outstanding any branch banking(ABB) account balance	(684,860)
Blocking inward	(51,804,741)
Settled UE-foreign which has not been advised to branches	442,542,984
	<u>465,468,755</u>

7 FIXED ASSETS

	<u>Balance on</u>	<u>Additions</u>	<u>Balance on</u>
	<u>30-Jun-13</u>		<u>30-Jun-14</u>
	<u>BIRR</u>		<u>BIRR</u>
COST			
Computers & Data storage equipment	42,938,022	8,278,913	51,216,935
Office furniture & fittings	26,671,594	14,673,228	41,344,823
Office & other equipments	19,296,803	17,554,711	36,851,514
Motor Vehicles	32,008,953	20,232,091	52,241,043
Premises	19,250,745	443,628	19,694,373
Construction in progress	11,103,793	6,953,020	18,056,813
	<u>151,269,910</u>	<u>68,135,591</u>	<u>219,405,501</u>



DEPRECIATION

	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>
Computers & Data storage equipment	17,876,092	9,646,641	27,608,991
Office equipments & fittings	12,109,911	5,262,661	17,142,145
Office & other equipments	7,077,479	4,808,885	11,912,984
Motor Vehicles	17,123,294	7,081,078	23,845,150
Premises	3,088,036	975,206	4,063,242
Unidentified difference	<u>1,504,545</u>	<u>1,592,148</u>	<u>3,573,465</u>
	<u>58,779,358</u>	<u>29,366,620</u>	<u>88,145,977</u>
NET BOOK VALUE	<u>92,490,552</u>		<u>131,259,523</u>

8 LEASEHOLD LAND

The leasehold land represents lease cost of:

	<u>BIRR</u>
900 m2 of land located in Jima town for forty years lease period	144,110
1500 m2 of land located in Woliso town for twenty five years lease period	10,800
538 m2 of land located in Addis Ababa City on ninety nine years	<u>433,624</u>
	<u>588,534</u>

The detail of the balance is as follows:

	<u>Balance on</u> <u>30/06/2013</u>	<u>Additin</u>	<u>Balance on</u> <u>30/06/2014</u>
	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>
Cost of leasehold land	144,110	444,424	588,534
Less-Amortization	<u>(14,411)</u>	<u>(7,983)</u>	<u>(22,394)</u>
Book Value	<u>129,699</u>		<u>566,140</u>

9 INVESTMENTS**9.1 Investment in shares**

	<u>BIRR</u>	<u>2013</u> <u>BIRR</u>
Elemtu Integrated Milk Industry S.C.	3,800,000	1,000,000
Gutu Oromia Business S.C.	3,500,000	1,250,000
Orologo Prefabricated Plc	15,000,000	15,000,000
Oromia Insurance Company S.C.	11,261,000	7,211,000
Eth. Switch S.C.	5,030,000	5,030,000
Premiere Switch Solution	4,800,000	-
	<u>43,391,000</u>	<u>29,491,000</u>



9.2 Investment in NBE Bills

The balance represents total bills purchased to date since the issuance of NBE directive no. MFA/NBEBILL/001/2011 issued on 4 of April 2011 which commercial banks should invest in NBE bills equivalent to 27% of total loan disbursed by the respective banks. The bills are interest bearing at 3% per Annum with maturity period of five years.

10 DEFERRED CHARGES

	<u>BIRR</u>	<u>BIRR</u>	<u>2013</u> <u>BIRR</u>
Establishment cost		851,058	851,058
Less: Amortization			
Balance brought forward	680,846		595,740
Current year amortization	<u>85,106</u>		<u>85,106</u>
		<u>(765,952)</u>	<u>(680,846)</u>
		<u>85,106</u>	<u>170,212</u>

11 DEPOSITS

	<u>Demand</u>	<u>Saving</u>	<u>Fixed time</u>	<u>Total deposits</u>	<u>2013</u> <u>BIRR</u>
Cooperatives and associations	453,967,146	264,364,747	11,300,000	729,631,893	650,219,511
Domestic banks	27,560,431	-	-	27,560,431	13,409,976
Non financial institutions	26,547,157	111,195,755	69,277,384	207,020,296	172,697,710
Private sectors	1,667,374,939	2,056,576,675	75,687,093	3,809,638,707	2,850,194,845
Public enterprises	348,326,575	34,595,922	-	382,922,497	449,932,933
Non interest bearings	-	277,004,542	-	277,004,542	152,774,618
Government	4,229,355	-	-	4,229,355	2,633,276
Special saving Deposit	-	11,472,359	-	11,472,359	4,684,258
Non resident foreign	617,188	-	-	617,188	158,491,937
	<u>2,528,622,791</u>	<u>2,765,209,999</u>	<u>156,264,477</u>	<u>5,450,097,267</u>	<u>4,465,039,064</u>
2013	<u>2,272,421,808</u>	<u>2,074,886,599</u>	<u>117,730,658</u>	<u>4,465,039,064</u>	



12 OTHER LIABILITIES

a

	<u>BIRR</u>	<u>2013</u> <u>BIRR</u>
Accrued interest on fixed time deposits	5,141,445	3,848,517
Accrued leave pay	9,101,550	6,905,706
Severance payable	61,827	56,599
Dividend payable	486,043	807,028
Adjustment and refunds	89,403	325,376
Blocking inwards	-	159,549,360
Blocked amounts/ accounts	5,233,244	10,390,027
CPO and certified checks	118,059,317	101,827,079
Other banks special clearances	691,789	691,789
Withholding tax payables	201,084	241,034
Exchange payables to NBE	13,364,658	21,857,642
Income taxes payable	1,236,430	638,792
TT's and MT's payable local	19,462,862	16,216,967
TT's payable Foreign	14,687,308	258,516,963
Miscellaneous payables	53,976,077	81,813,736
Stamp duty charges	1,111,376	221,500
TT's Retrferred	1,247,002	735,185
Retention	2,405,076	2,667,353
Lease payable for lease hold land	121,565	121,565
Interest tax on deposits	1,336,146	487,690
Dividend tax payable	10	2,212
Audit fee	100,000	79,000
Pension fund payable	360,105	153,366
Ethiopian Shipping lines	75,489,391	-
Uncleared effects (b below)	-	154,719,501
Purchase advance to suppliers	3,004,458.52	1,235,935
Court case	543,034.90	547,372
VAT payable	-	30,601
	<u>327,491,199</u>	<u>824,687,892</u>

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

	<u>2013</u> <u>BIRR</u>
Branches accounts with Head Office	(2,351,621,267)
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>



13 PROVISION FOR TAXATION

a) Profit tax Computation

	<u>BIRR</u>	<u>BIRR</u>	<u>2013</u> <u>BIRR</u>
Profit before tax		475,851,928	266,959,221
Add: Depreciation for reporting purpose		28,992,802	20,754,886
Provision for debtors other than loans		<u>4,132,865</u>	<u>15,597,526</u>
		508,977,593	303,311,633
Less: Depreciation for tax purpose(note 23b)	(28,150,033)		(19,575,423)
Interest on NBE bills	(20,888,984)		(15,174,597)
Interest on Treasury bills	(10,631,720)		(6,180,321)
Interest on fixed time deposit with NBE	(2,258,177)		(1,114,167)
Interest on deposit with local Bank	(8,442,069)		(1,085,351)
Interest earned on foreign bank deposits	(62,153)		(121,200)
Dividend income	<u>(4,050,000)</u>		<u>(744,600)</u>
		(74,483,116)	(43,995,658)
Add: Entertainment	665,341		950,181
Donations	4,025,000		22,518
Penalty	<u>422,000</u>		<u>10,120</u>
		5,112,341	982,819
Taxable Profit		<u>439,606,818</u>	<u>260,298,794</u>
Provision for taxation(30%)		131,882,045	78,089,638
Provision for taxation(5%) on interest earned on foreign bank deposit		3,108	6,060
Provision for taxation(5%) on interest earned on fixed time deposit with NBE		168,617	-
Less: Prior year tax credit		-	(398,050)
		132,053,770	77,697,648
Less: Withholding tax		-	(2,788)
Profit tax payable		<u>132,053,770</u>	<u>77,694,860</u>

b) Depreciation For tax purpose

	<u>Computers and</u> <u>Data storage</u> <u>Birr</u>	<u>Other business</u> <u>assets</u> <u>Birr</u>	<u>Buildings</u> <u>Birr</u>	<u>Total</u> <u>Birr</u>
Depreciation base brought forward	24,239,074	42,766,621	18,667,606	
Additions during the year	<u>8,278,913</u>	<u>52,460,030</u>	<u>443,628</u>	
Depreciable base	32,517,987	95,226,651	19,111,234	
Depreciation expense at 25%, 20%,5%	<u>(8,129,497)</u>	<u>(19,045,330)</u>	<u>(975,206)</u>	<u>(28,150,033)</u>
Depreciation base carried forward	<u>24,388,490</u>	<u>76,181,321</u>	<u>19,111,234</u>	



c) DEFERRED TAX

	<u>Birr</u>	2013 <u>Birr</u>
Depreciation for reporting purpose	28,992,802	20,754,886
Depreciation for tax purpose	(28,150,033)	(19,575,423)
Temporary difference	842,769	1,179,463
Deferred tax asset @ 30%	252,831	353,839
Balance brought forward	16,400	(337,439)
Balance carried forward	<u>269,230</u>	<u>16,400</u>

14 PAID UP CAPITAL

The authorized share capital of the Bank is in the process of being increased to Birr 3 billion comprising thirty million ordinary shares at par value of Birr 100 each. Total paid up capital at the balance sheet date is Birr 632,138,300.

The current year paid up capital has been arrived at as follows:

	<u>Birr</u>
Balance brought forward	442,337,900
Dividend capitalised during the year	119,930,929
Collections from subscribed shares	69,869,471
	<u>632,138,300</u>

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.

7 INTEREST EARNED ON LOANS & ADVANCES

	<u>BIRR</u>	2013 <u>BIRR</u>
Interest earned on Loans and advances	380,008,160	215,995,929
Interest on deposit with local banks	8,442,069	1,085,351
Interest on NBE bills	20,888,964	15,174,597
Interest on treasury bills	10,631,720	6,180,321
Interest on fixed time deposit with NBE	2,258,177	1,114,167
Interest earned on foreign bank deposit	62,153	121,200
	<u>422,291,243</u>	<u>239,671,564</u>



18 COMMISSION INCOME

	<u>BIRR</u>	<u>2013</u> <u>BIRR</u>
Commission on import L/C opening	58,229,443	46,757,148
commission on CPO issued	267,408	152,966
Commission on export LC	3	13,916
Import letter of credit	12,184,103	12,909,244
Service charges	298,678,064	155,748,424
Telephone, Telegram and Telex charges	4,542,262	5,743,917
I.B.C commission	762,106	883,215
Guarantees issued	3,836,591	2,012,546
Demand drafts	13,240,594	14,192,264
Uncleared effects local	455,207	1,522,202
Others	27,214	164,685
	<u>392,222,994</u>	<u>240,100,526</u>

19 OTHER INCOME

	<u>BIRR</u>	<u>2013</u> <u>BIRR</u>
Estimation and inspection fees	404,663	102,910
Postage	337,969	350,760
Rent	459,818	511,657
Insurance		6,217
Excess cash collected	234,489	106,115
Gain on disposal of acquired properties	2,280,009	5,638
Dividend income	4,050,000	744,600
Sundries	3,291,741	2,026,521
	<u>11,058,688</u>	<u>3,854,417</u>



20 GENERAL EXPENSES

	<u>BIRR</u>	<u>2013</u> <u>BIRR</u>
Depreciation	28,992,802	20,754,886
Advertisement and publicity	2,683,785	2,738,960
Check books	171,507	132,788
NBE issue account and correspondent accounts charges	50,600	831,304
Cleaning and supplies	188,253	107,720
Donation and contribution	4,025,000	22,518
Electronic data processing	363,637	218,035
Entertainments	665,341	950,181
Fuel and representation allowances	4,954,693	2,410,404
Repair and maintenance	3,862,585	2,555,935
Insurance	4,819,872	2,980,601
Office rent	34,530,829	20,732,907
Perdiem	2,098,677	1,525,820
Fuel and lubricants	3,018,550	2,104,213
Stationery and printing	10,454,145	7,689,619
Telephone, telegram, telex & postage	7,136,699	3,360,100
Transportation	9,770,824	4,077,710
Wage	12,311,492	5,987,109
Utilities	857,051	528,771
Amortization of deferred charges	85,106	85,106
Amortization of leasehold land	7,983	3,603
Others	3,997,331	3,211,149
Penalty	422,000	10,120
Provision for stamp duty assessed	5,514,872	-
Provision for annual reception	1,953,678	2,000,000
Inauguration	249,369	55,783
Legal service	69,655	10,697
Membership fee	201,000	128,354
One time set up and share subscription fee for Premier System Solutions (PS)	3,020,000	-
Money bags	847	1,372
Circulation fee	167,932	47,158
Licence, registration and subscription fee	229,557	103,880
Revenue stamp	356	1,765
Share related expenses	944	4,480
Bank commission & service charge	1,406,480	666,910
Billing for credit information	779,800	-
Land and building tax	8,055	15,393
Loss on disposal of acquired properties	2,933	26,151
	149,074,239	86,081,301



21 INTEREST EXPENSES

	<u>BIRR</u>	<u>2013</u> <u>BIRR</u>
Interest on saving deposits	86,741,591	58,954,760
Interest on fixed time deposits	14,221,819	9,697,548
	<u>100,963,410</u>	<u>68,652,308</u>

22 SALARIES AND BENEFITS

	<u>BIRR</u>	<u>2013</u> <u>BIRR</u>
Salaries	82,467,724	58,043,805
Provident fund	8,791,949	6,147,755
Staff training and education	575,511	479,879
Staff insurance	973,740	813,887
Medical expenses	1,568,664	1,203,888
Uniform	734,841	688,431
Accrued leave pay	2,459,209	3,379,148
Housing allowance	1,086,511	919,092
Cash indemnity	2,868,703	1,456,808
Bonus	16,620,907	12,674,163
Other staff benefits	1,632,372	1,009,490
	<u>119,780,132</u>	<u>86,816,346</u>

23 DIRECTORS' ALLOWANCE

Directors allowances 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 director 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 CONTINGENT LIABILITIES AND COMMITMENTS

	<u>Birr</u>
Guarantees Issued	35,719,000
Commitment on letter of credit net of margin held	402,289,068
Loan approved but not disbursed	4,790,000
Unutilised Overdraft and other facilities	169,856,386
	<u>612,654,454</u>



25 MEMORANDUM ACCOUNTS

Inward bills for collection	157,981,000
Interest accrued on non performing loans	<u>7,769,000</u>
	<u>165,750,000</u>

26. Earning per share for the year is calculated on the basis of the average number of shares outstanding during the year.

27. Certain comparative figures were reclassified where necessary to facilitate comparison.

