Coop Bank of Oromia

Annual Report 2017/18

Committed to Breakthrough!

Head Office: Africa Avenue, Flamingo Area, Get House Building

+251 11 515 0229

www.coopbankoromia.com.et

WELCOME TO CBO

DIASPORA BANKING!

It is our pleasure to provide a wide range of products and services designed to meet the banking needs of Ethiopians living and/or working abroad.

Our array of diaspora banking products and services, among others, include;

- Diaspora deposit account;
  - Current account
  - Savings account
  - Fixed time account
- Diaspora consumer loans;
  - Mortgage/home loan
  - Automobile loan
  - Personal loan
- Diaspora business loans;
  - Investment financing
  - Working capital
  - Domestic and international trade finance

- **We have a dedicated team and customers' relationship manager who ensures that your day-to-day banking needs are met.**
- **We also offer advisory services you may require from time to time.**

Cooperative Bank of Oromia

Committed to Breakthrough!

We remain the bank of first choice for Ethiopians living abroad!!

Africa Avenue, Flamingo Area, Get House Building
+251 11 515 0229, +251 11 515 0489, 16936 Finfinne/Addis Ababa
coopbank@ethionet.et, www.coopbankoromia.com.et

Scorecard of the 2017/18 Fiscal Year

ETB 30 billion
Balance Sheet size

4.2 million
Accountholders

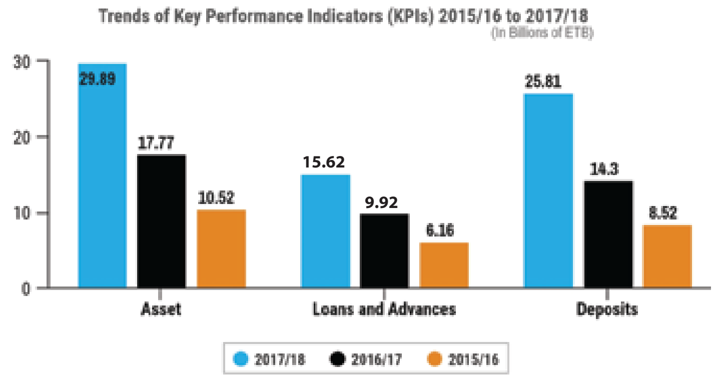
ETB 670 million
Profit Before Tax

ETB 202 million
Profit Tax

42%
Earnings
per Share

3,505
Employees

298
Branches



"We root our foundation in communities to provide banking solutions that create greater customer experience with emphasis to cooperatives and agro-based businesses through proper use of human resource and up-to-date technologies to maximize stakeholders' value."

To be the leading private bank in Ethiopia by 2025.

- Integrity
- Customer Satisfaction
- Learning Organization
- Teamwork
- Cost Consciousness
- Concern for Community

Contents

REMARK FROM
CHAIRPERSON
BOARD OF DIRECTORS

> **While setting a strong foundation to drive sustainable value for our stakeholders over the long-term, strong results were delivered in the year.**

Dear Shareholders;

With another successful year now behind us, it is with great honor to present the bank's annual report for the fiscal year that ended June 30, 2018. The year under review has seen mixed global and macroeconomic settings with many opportunities and challenges. Included in this report are environmental reviews, achievement highlights, financial summaries and future focus.

Global growth, according to the IMF, strengthened by 3.8% in 2017, and forecasted to tick up to3.9% in 2018, with a remarkable bounce in global trade and investment, as well as favorable market conditions. SSA (Sub-Saharan Africa) seen a modest growth pick up of 2.8% in 2017, and projection of up to 3.4% in 2018, largely driven by improved policies in some countries, a more supportive external environment, stronger global growth and improving commodity prices. Yet, challenges for SSA were shrinking fiscal space, rising public debt, current account deficits, and increasing nonperforming loans in many countries.

The domestic economy has continued to expand following a long period of impressive growth mainly buoyed by demand-side growth of private consumption and public investment spending, according to the World Bank. On the other side, the macro-economy remains hampered by foreign exchange shortages, rising external debt and underdeveloped private sector.

It's, therefore, within such milieu that CBO managed to deliver modest growth in key financial and non-financial areas. As a result, the bank maintained its earnings momentum, as was evident from the achievement of headline earnings of ETB 669.82 million profits (before tax), and delivered a return on equity of 42%, which is a significant achievement in the light of an intensive growth startegy pursued. As at end of June 2018, CBO had total assets of about ETB 29.89 billion growing by 68.2% from the preceding year. The bank also produced a resilient performances in other key financial indicators with loans and advances of ETB 15.62 billion, and deposit of ETB 25.81 billion.

In addition, the bank worked hard to sustain its strategic move by harmonizing financial and non-financial metrics, that also takes in a capability to build strong long-term relationships with its key stakeholders. During the year, the bank has diligently laid the foundations for a sustainable and profitable future through continuing investments in its people, technology and infrastructure. The bank replaced its legacy system and has gone live with Switzerland-based Temenos core banking platform on July 01, 2017 so as to create greater experience for our clients, and to be in line with future growth of the bank. Construction of transitional headquarters around Bole Rwanda on the main road to Bole International Airport was also commenced by Chinese Wu Yi Construction Ltd in January 2018.

Overall review of the year, therefore, designates that while setting a strong foundation to drive sustainable value for stakeholders over the long-term, strong results were delivered in the year.

Looking ahead, the bank is ready to meet the opportunities and remain on course for future success, by being attentive on investing and developing its human capital and technology in order to successfully grow in a rapidly evolving environment.

Finally, on behalf of the Board of Directors, I would like to thank the management and employees of the bank in successfully discharging your respective responsibilities. I would also like to take this opportunity to thank all our stakeholders – esteemed shareholders, regulatory authorities, customers, business partners, and the community – for the overall support you have given the bank in enabling us to make our strides towards living our aspirations and mission. We look forward to the continuous support from all stakeholders in ensuring the bank keeps on delivering balanced, sustainable and inclusive growth in the next year and beyond.

Thank you,

Abera Hailu

Board Chairperson

STATEMENT OF THE

PRESIDENT

> **We have recorded a great success in our journey, reaching at most of targeted milestones in the year as a result of the strong commitment to our strategy.**

Esteemed Shareholders;

The 2017/18 financial year was again a good year for the Bank. Although the operating environment offered a number of opportunities, there were some serious challenges like foreign currency shortages largely due to weak export performances which inter alia is attributed to dropping of global agricultural commodity prices. Despite that, the bank has recorded a great success in its journey, reaching at most of the targeted milestones in the year as a result of the strong commitment to its strategy. The bank had a favorable trend in customers' deposits, that grew by 80.4% to ETB 25.81 billion, which is the Bank's most important source of earning asset, resulting from our relationships with clients.

Loans and advances were 58% higher year-on-year to reach ETB 15.62 billion with a broadening portfolio. During the year, a total of ETB 9.29 billion loan was disbursed to various sectors of the economy. At the same time, lending for international trade recorded a solid growth (of 45%) in line with the bank's strategy to channel liquidity towards mobilization of hard currency. With regards to asset quality, the bank aims to grow responsibly by balancing credit growth with preservation of asset quality, in light of the prudent regulatory requirements. Accordingly, non-performing loan ratio has sharply dropped to 3.52% at the end of June 2018 from 5.09% in the earlier year.

Total revenues for the FY 2017/18 stood at ETB 2.51 billion, up by 62.4% year-on-year, principally resulted from interest income earned from the loans and advances. Revenues from interest income of loans contributed 74% to bank's revenues in the year. On the other hand, operating expenses increased by 65% basically due to significant growth in cost of funds, administrative and general expenses. Especially interest expenses paid on savings has tremendously increased by 84.5% from the prior year given an increasing customers' deposit and interest rate adjustment made during the year. Eventually, the bank recorded a profit before tax (PBT) of ETB 669.82 million in the financial year ended June 30, 2018, representing a 55.51% increase over the previous year's profit of ETB 430.71 million. The major driver of the growth in profitability was the significant increase in earnings from core business operations (credit and international banking).

During the year, the bank continued to grow its network ever-more by adding 42 new branches in response to the growing opportunities as well as evolving consumer demand. Likewise, the bank opened a record of 1.8 million accounts across its branch network, reflecting an increasing banking demand, a growing public awareness about the bank, and the bank's continued effort towards financial inclusion.

Firmly embedding 'concern for community' within its core value, the bank has discharged various roles in areas of corporate social responsibilities. To mention a few, the bank was at the forefront in supporting the displaced people through donations and facilitation of "Lammiitu Lammiif" tombola lottery initiative; and in sponsoring various socio-cultural events.

Our Bank is very well positioned with the clear strategic orientation emphasizing on delivering sustainable growth by building on the bank's culture and skills. In particular, the bank aims to leverage on its competitive advantage and network to reach new markets and offer more services to existing customers. During the year, CBO has reviewed a number of strategic initiatives designed to enhance the customer value proposition, by further examining its business model and operating model.

In the years ahead, further sticking to our mission and strategy, creating greater customer experience is a key area of focus for CBO to ensure an evolving banking needs are met through superior customer service, optimized processes and digitization.

In closing, I would like to send a heartfelt appreciation and sincere thanks to all our employees for your commitment and hard work. I would also like to extend my deepest appreciation to our board of directors, customers, business partners as well as regulatory bodies for your continued trust and support.

Thank you,

Deribie Asfaw

President

Adde Xajitu Ibsa

Qero Alamu Charu

1st & 2nd Round ISUZU Winners

CBO Remittance and For-ex Customers Lottery

Board of **Directors**

Abera Hailu

Chairman, Board of Directors

Belachew Hurrissa

Deputy Chairman, Board of Directors

Adanech Abiebie

Director

Dagnachew Shiferaw

Director

Teshome Negusie

Director

Meskerem Debebe

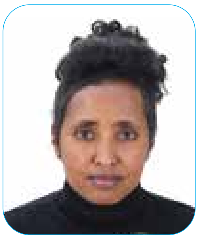
Director

Mulugeta Debebe (PhD)

Director

Shumi Bulessa

Director



Tsehay Kasaye

Director

Oumar Wabe

Director

Teshome Argeta

Board of Director's Secretary

Executive **Management**

Deribie Asfaw

President

Ahmed Hassen

VP, Finance and Trade Services

Desalegn Tadesse

VP, Operations Management

Aman Semir

VP, Information System

Liko Tolessa

VP, HR and Facilities Management

Tafesse Fana

Chief Internal Auditor

Gemeda Mi'essa

Chief Risk and Compliance Officer

Tadele Tilahun

Director, Strategy and Change Management

Deposits

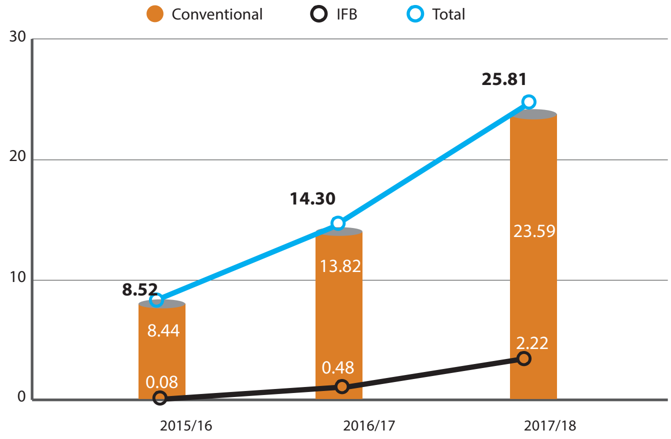
In the fiscal year 2017/18, deposits of the bank registered 80.4% growth to reach ETB 25.81 billion mainly from the ever growing customer-base of the bank, due to relationship initiatives with new and existing customers, and improvements in the bank's customer value propositions. Looking at the growth composition, demand deposit shown robust growth of 95.4%, saving deposit grew by 77.6% while fixed time deposit rose by 13.2%, as compared to the preceding fiscal year.

	Deposit by type (2015/16 to 2017/18) in billions of ETB		
	2015/16	2016/17	2017/18
Demand	2.97	4.74	9.26
Saving	4.85	8.88	15.77
Fixed Time	0.70	0.68	0.77
Total	**8.52**	**14.30**	**25.81**

Regarding its structure, saving deposits constitutes a major share of 61%, followed by demanddeposits (36%) and fixed time deposits (3%).

For the coming year as well, the bank aims to focus on increasing deposits through sustaining resources mobilization initiatives targeting all customer segments of the bank, introducing attractive products and services including electronic banking platforms, and laying emphasis on customer value discipline of operational excellence.

Trend of Deposit by Category (2015/16 to 2017/18)
(In Billions of ETB)



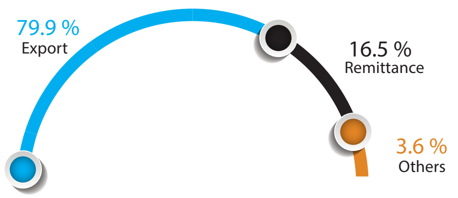
International Trade

Trade services (international banking) continued to be another key area of the bank's operation. Foreign currency generation in 2017/18 increased by 47.4% to reach 279.3 million USD. The rate of growth, which was entirely gradual, is attributed to a progressive development exhibited by exports.

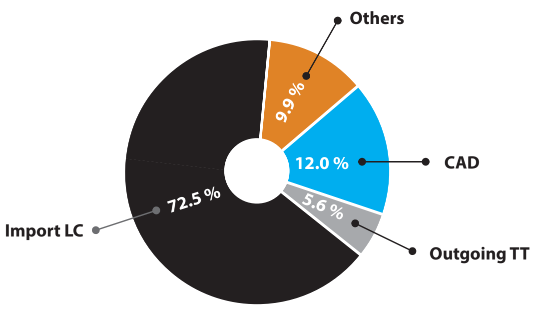
Foreign Currency Inflow by Source
In millions of USD

Category	2017/18	2016/17	% Change
Export	223.14	134.49	65.92%
Remittance	46.10	47.63	(3.2%)
Others	10.03	7.3	37.4%
Total	**279.26**	**189.42**	**47.4%**

Total income earned from trade services sums to ETB 324.41 million, which constitutes 13% of the total income of the bank within the fiscal year.



Regarding foreign currency utilizations, the bank has utilized foreign exchange currency amounting to USD 204.33 million for handling different international banking transactions, 72.5% of which went to LC payments.

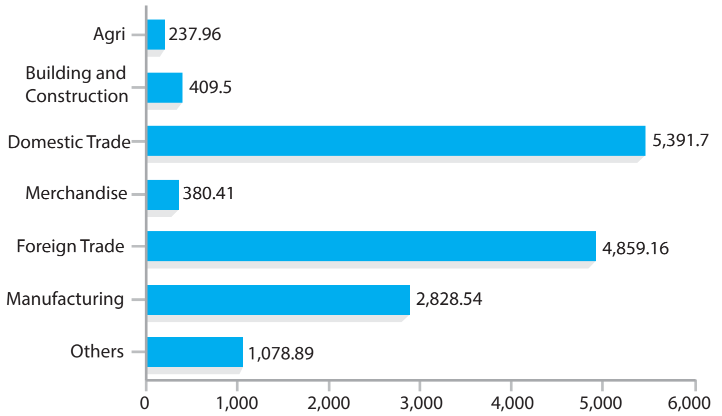


Credit Management

The loan book of the bank has continued to grow and reached ETB 15.62 billion, depicting a growth of 58% (ETB 5.72 billion) from last year balance, with a diversified business portfolio. This performance was underpinned due to increased resources mobilization, which includes customers deposits and loan collections.

Regarding composition of loan disbursements during FY 2017/18, international trade took the largest share of 44.42%, followed by domestic trade and services with 29.68% share. The overall composition of the loan book of the bank is illustrated in the graph below.

Outstanding Loans and Advances by Category in the FY 2017/18
(In Billions of ETB)



With respect to loan quality, the Non-Performing Loans (NPLs) of the bank was in the acceptable range of the regulatory requirement with NPLs to the total loans and advances of 3.52% and NPLs to the total asset of 1.79%.

Oromia Coffee Farmers' Cooperative Union

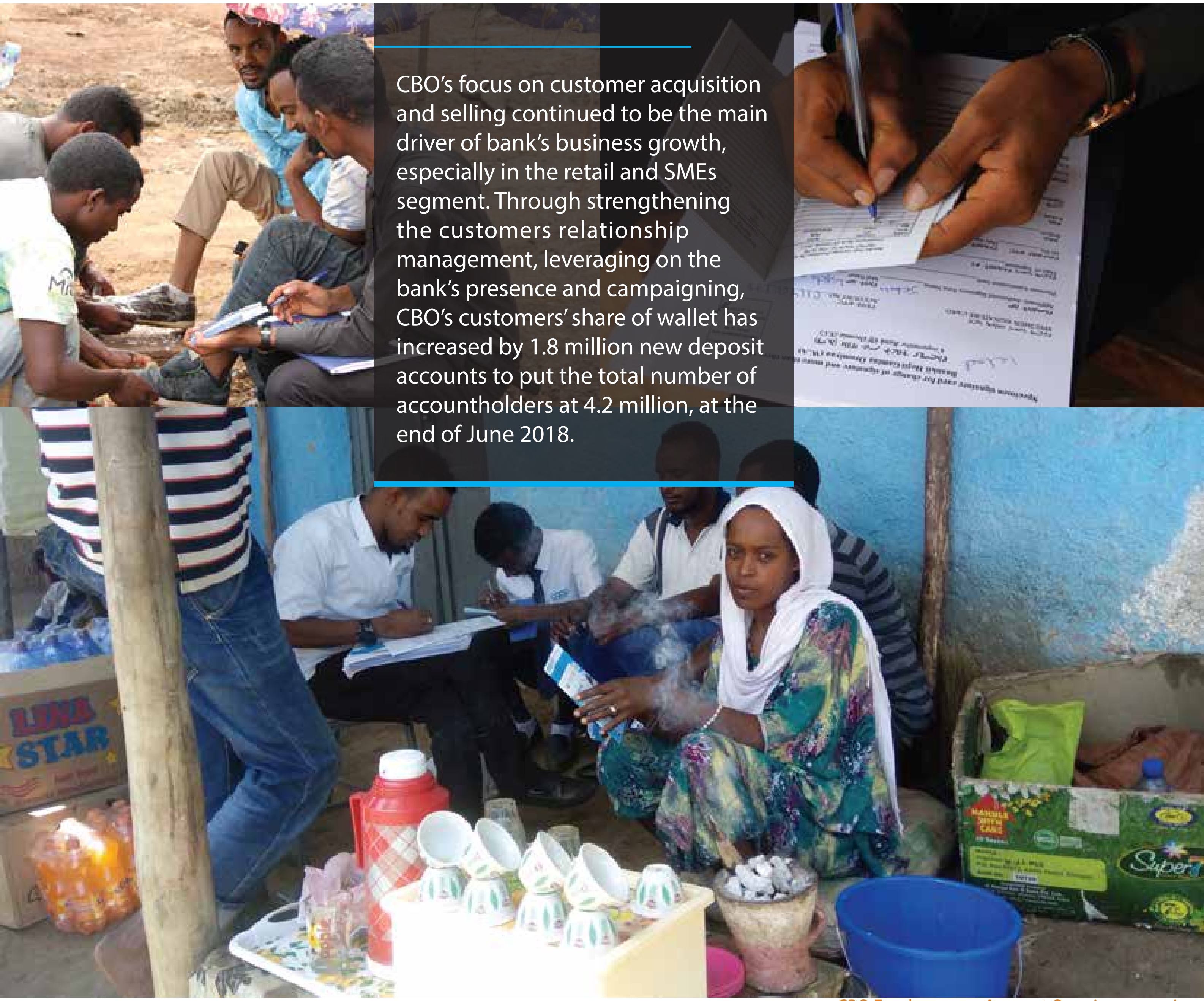
Elemtu Integrated Milk Industry

Adama Steel Factory

Assela Malt Factory

Deposit Accounts (Customer Base)

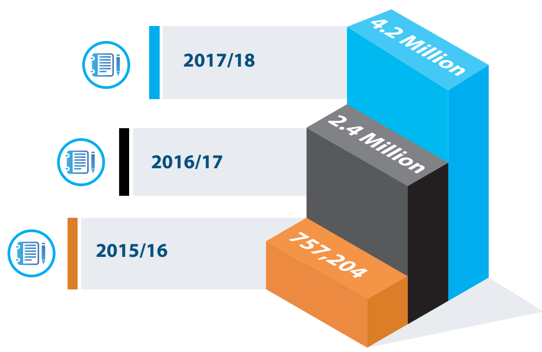
CBO's focus on customer acquisition and selling continued to be the main driver of bank's business growth, especially in the retail and SMEs segment. Through strengthening the customers relationship management, leveraging on the bank's presence and campaigning, CBO's customers' share of wallet has increased by 1.8 million new deposit accounts to put the total number of accountholders at 4.2 million, at the end of June 2018.



CBO Employees on Account Opening campaign

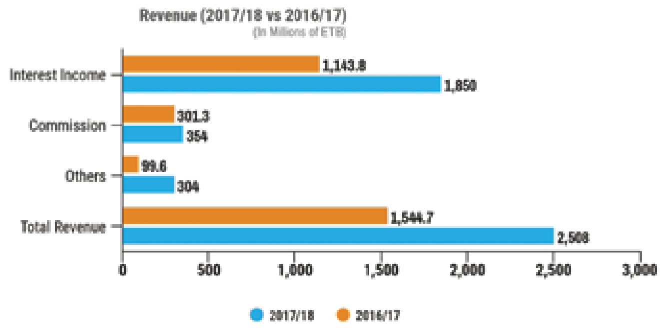
Consistent growth in customer-base of the bank has thereby significantly increased transactional accounts and volumes strongly. The bank, furthermore, believes that establishing customer relationships alongside acquisition of new customers underpins the sustainable growth of its business.

Deposit Accounts (2015/16 to 2017/18)

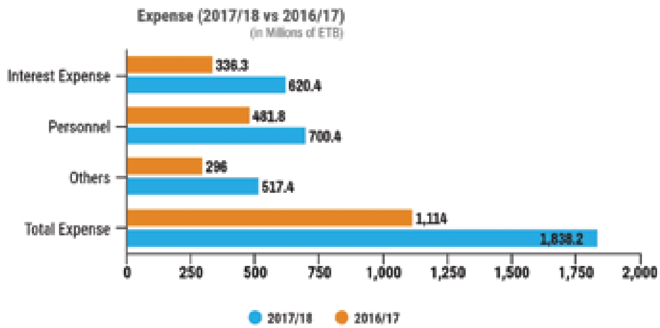


Profit

Total income of the bank has grown by 62% from preceding year to reach ETB 2.51 billion asat June 30, 2018 mainly driven by growth of interest income. Interest income increased by ETB 706 million (61.7%) to reach ETB 1.85 billion in June 30, 2018. Commission income and other income constitute 14 % and 12% of the revenue, respectively.



Total operating expenses amounted to ETB 1.84 billion, depicting 65% rise from the previous fiscal year, yet is in line with the Bank's strategy of continuing to invest in an a growing business. Explicitly, personnel expenses constitute a share of 38% followed by interest expense with 34%, and other operating and general expenses held the remaining 28%.



Gross profit of the bank increased during the year to ETB 669.82 million, expanding by 55.5% (increased by ETB 239.11 million) from the preceding year. The increase in gross profit is primarily due to increased earning asset and productivity. Eventually, net profit after tax for the financial year was ETB 516 million, up 53% on the prior year.

Consequently, the expense-to-income ratio was 73.3% in 2017/18; and earnings per share (EPS) of the bank has picked up to ETB 42 for an invested ETB 100, from ETB 36 on the prior year.

Branch Expansion

During the year under review, the bank has invested significantly in expanding its branches with a primary emphasis on strengthening its market presence, to utilize untapped potential and reach unbanked community through promoting financial inclusion for successful achievement of its mission. Accordingly, during the reporting period, the bank opened 42 new branches and 8 sub-branches, taking the total number of branch network to 298 and 32 sub-branches, as of June 30, 2018. Out of the total branches, 236 are in outlying areas whereas 62 branches are located in the capital.

New Branches Opened in 2017/18 Fiscal Year

Yaya Gullale
Walta'a
Malka Jabdu
Haro dumal
Kara Mile
Saden Soddo
Jahan Jarso
Bulbula
Karra Allo
Amuru
Sayo Nole
Bale Gasgar
Kiramu
Gore
Heban Arsi
Darartu Tullu
Shanan Dhugo
Funya Bira
Bole Lami
Kara Xuxo
Gara Mulata
Baroda
Greece Camp
Bokku
Jara
Mujja
Magala
Bore
qachama
Kokosa
Wanji
Adami
Tabor
Abuna
Kombe
Machara
Aje
Jeldu
Taji
Bantu
Labu
Chafe

Derartu Tulu (Adama)

Tabor (Hawassa)

Labu (Finfinne)

Agency and Card Banking

In addition to branches, the bank provides its service via agency and ATM banking channels. In the fiscal year, 1,230 new agents were recruited that increased the aggregate number of agents to 3,639. Besides, at the end of the reporting period the number of ATM cardholders of the bank has reached 79,119.

Technology

In an effort to enhance operational excellence and support sustainable business growth, the bank has transformed its IT infrastructure by upgrading its Core Banking Solution (CBS) with Temenos' T24. This UniversalSuite CBS solution, which supports the universal banking activities of CBO, helps to explore new banking products/services and align its operation with up-to-date technology options. The solution has also considerably improved the highly restrictive challenges faced in the area of operational efficiency by the legacy system.

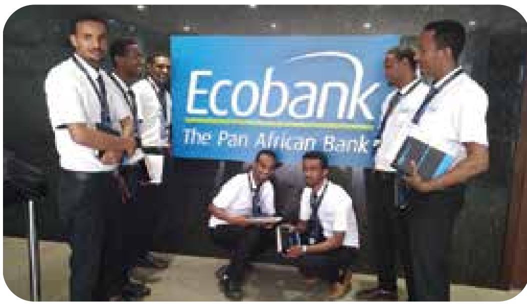
Our People

For employees are the most valuable asset, CBO has continued its commitment of creating an environment where its people can leverage their potential. In line with this, the bank has sustained investing in recruiting, training and developing talents in the year. During the fiscal year 2017/18, the bank's staff strength has increased by 719 employees (24%) to put the total staff strength at 3,505. The employee turnover rate have fallen to 4.85%, which is a positive indication that employees are satisfied with their work.

Over the years, CBO has succeeded well in developing internal talent, which is a factor that will be strengthened through the bank. The training-to-HR ratio, one of the HR metrics of the bank, during the year was 198.6% displaying the bank's commitment to invest in training and developing talents. Furthermore, intensive workshop programs were held on strategy and operational excellence areas.

Induction for graduate trainees


Employees training at EAL



A team from CBO at Kenya for training and experience sharing

Our Brand

The launch of CBO's new brand identity was a key milestone in the year, designed to give rise to the brand experience and create an effective brand identity. The bank then continued to strategically invest in its brand throughout the year, with initiatives that cut across marketing, events and sponsorships. Likewise, the bank in order to realize one of its core values - concern for community, has discharged meaningful roles by partaking in socio-economic, environmental and other humanitarian endeavors.

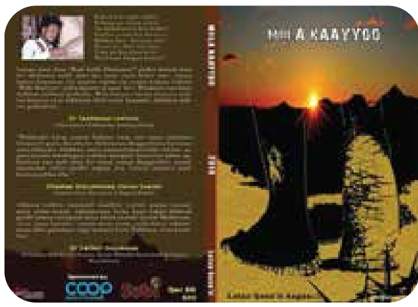
One of the year's highlights was the support made by the bank and its employees for the displaced people. In addition, the bank has played a prominent role in organizing, facilitating and promoting fund raising lottery initiative "Lammiitu-Lammiif" for the same end.

CBO's donation for the displaced people

In like manner, the bank has been engaged in supporting various organs working for the wider community, like for instance, special boarding schools of Oromia Development Association (ODA); to the underprivileged social groups and associations; and sponsorships of different socio-cultural events.

"Lammiitu Lammiif" lottery initiative

Road show for promoting remittance service



CBO sponsored a poem book

Other Strategic Milestones

In the prior year, the bank had revised its corporate strategy in line with its competitive advantage and mission. During the year 2017/18, further breaking down its strategy, the bank succeeded in redefining its business model to create, deliver and capture values via methodically segmenting its target customers. On that account, CBO's business model is structured along four major business segments, which include cooperatives banking, corporate and institutional banking, retail and SMEs banking, and shariah-compliant (interest-free) banking. After proper segmentations were made, effective value propositions were defined for each business segment by emphasizing on key competitive strengths.

The bank has also reformed its operating model which is the execution-focused operational design to deliver on the bank's business strategy. Accordingly, the bank has remodeled its organizational structure which's a complete shift from product-centric to customer-focused approach, aiming to empower the bank align to the customer's experience.

Another key strategic achievement was the initiative drawn on cooperative sector. As a cooperative-owned bank, CBO has done progressive jobs in financing and supporting the movement. To remain important for the sector and live its motto of being 'committed to breakthrough', a business-level strategy has been developed to enable the bank provide values to cooperative societies. The strategy was crafted by integrating background assessments and lessons learnt from benchmarking results of countries with admirable practices in cooperative sector development like Germany, Netherlands, India and Kenya.

Commencement of transitional headquarters construction is also another landmark during the year. The construction of the 16-storey building (3B+G+M+14) around Bole Rwanda on the main road to Bole International Airport was awarded to Chinese contractor Wu Yi Construction Ltd, and its construction was started in January 2018. The construction of the Bank's building at Naqamte town has also advanced to a final stage, during the year.

Visit made for benchmarking Germany's cooperative movement

Hundanne building design (currently under construction)

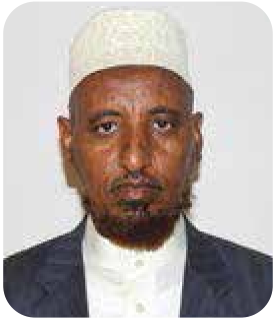
Kick-off transitional Headquarters Construction project.

INTEREST FREE BANKING

Sharia Advisory **Committee**

Shaikh Salih Nur Ahmed

Chairperson



Shaikh Mukhtar Khedir M.Alfaqih

Deputy Chairperson

Shaikh Aman Hussen Kabeto

Member

Shaikh Alfadil Ali Mustefa

Member

We, the sharia Advisory Committee (SAC) members of the Bank have been continuously reviewing various operational and procedural activities from sharia prospective throughout the year on each fundamental accomplishment parameters based on prescribed duties and responsibilities vested therein.

Specifically, we have gone through reviewing the IFB Financing contracts, giving sharia opinions (Fatwa) on issues that requires sharia matters, visiting IFB windows to check the operational correctness (segregations), overseeing the IFB window banking technologies usage, T24 modules, and Halal ATM cards, among others.

We have also witnessed that IFB is achieving its target continuously, even though we believe that there is a lot to do compared to the potential of the market.

The SAC members in collaboration with the Management of the bank had aggressively conducted customer's sessions to create awareness about IFB services and operations to the public at large in the different regions of the country.

During these sessions, discussions were made with Ulamas and religious leaders about IFB products and services which is the great forward steps for the future growth of IFB at all levels.

We have regularly supervised the sharia compliance of the IFB window service transactions and reported the transactions violations, if any, to the Board of Directors with proper advice and corrective measures. And further, SAC issued fatwa on various issues based on the request from the IFB process.

The SAC members are thankful to the president of the bank with special gratitude, executive management, and staffs of Interest Fee Banking process.

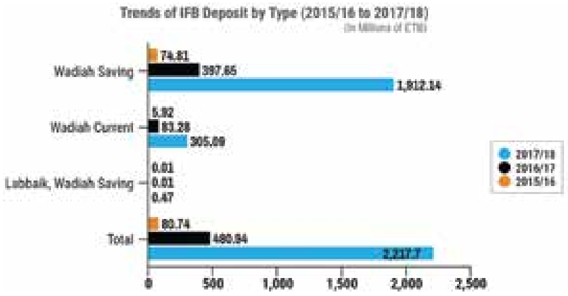
Finally, we confirm that the Interest Free Banking Window services of the bank during fiscal year 2017/2018 ending June 2018 were sharia compliant.

Sincerely,

The Shariah Advisory Committee.

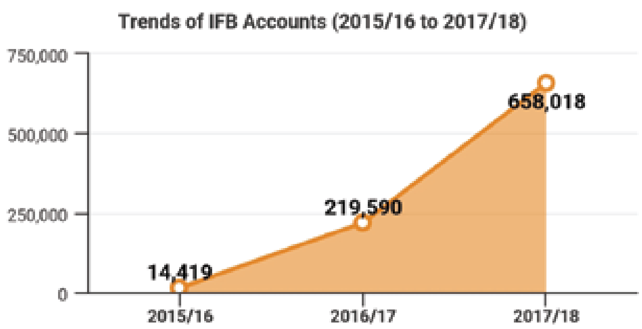
IFB Deposits

The bank was able to mobilize additional interest free banking (IFB) deposit of ETB 1.74 billion in the fiscal year. Consequently, total deposits from the window has reached at ETB 2.22 billion, showing a significant growth of 361.12% from the previous year. Regarding its composition, Wadia Saving constitutes considerable share of 86.2% followed by Wadia current (13.8%).



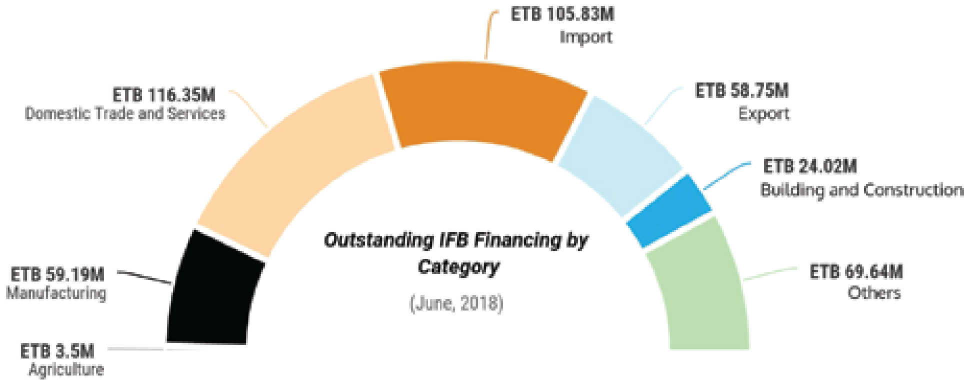
IFB Customer Base

During the fiscal year, 0.41 million new IFB deposit accounts were opened through various marketing and customer relationship initiatives. Accordingly, the total number of accounts from IFB window have reached 0.66 million, exhibiting a growth of 170% as compared to the preceding year.



IFB Financing

Though IFB financing is at an infant stage, the bank has been providing Murabaha and Qard financings. At the end of FY 2017/18, the total outstanding balance of IFB financings stood at ETB 437.28 million.



Other IFB Activities

Interest Free Banking is becoming one of the major segment of the bank in spite of being in an introductory stage in the market. Recognizing this fact, the bank has conducted various capacity building trainings for the Bank's employees of different positions to enhance their competencies in serving the clients and promoting the services. Various customer forums and sessions were also held with stakeholders for marketing the product and to create a clear understanding on the services/products.

Customer session on Interest Free Banking

Audit

Report

Contents

Company registration number

LBB/008/2004

Directors /As of 30 June 2018/

Obbo Abera Hailu	Chairman	22-Dec-2015
Obbo Belachew Hurrissa	Deputy chairperson	22-Dec-2015
Addee Adanech Abebie	Director	22-Dec-2015
Obbo Dagnachew Shiferaw	Director	22-Dec-2015
Addee Meskerem Debebe	Director	22-Dec-2015
Obbo Oumar Wabe	Director	22-Dec-2015
Obbo Shumi Bulessa	Director	22-Dec-2015
Obbo Teshome Negusie	Director	22-Dec-2015
Dr.Mulugeta Debebe	Director	3-Mar-2016
Addee Tsehay Kasaye	Director	21-Sep-2017
Obbo Teshome Argeta	Board secretary	27-May-2016

Executive management */As of 30 June 2018/*

Obbo Deribie Asfaw	President	14-Dec-2015
Obbo Ahmed Hassen	V/P Finance and Trade services	1-May-2016
Obbo Aman Semir	V/P Information systems	1-May-2016
Obbo Bacha Gina	V/P Credit Management	5-Oct-2017
Obbo Liko Tolessa	V/P HR & Facility Management	13-April-2018
Obbo Desalegn Tadesse	V/P Operation Management	1-May-2016
Obbo Tafesse Fana	Chief officer internal audit	27-May-2016
Obbo Gemmeda Miessa	Chief offier risk and compliance	27-May-2016
Obbo Tadele Tilahun	Director, Strategy and Change Mgt	13-April-2018

Independent auditor

Tay and Co
Chartered Certified Accountants & Authorised Auditors
P.O Box 1335
Website: www.tayauditing.com
Ethio-china friendship street
Wongelawit Tadesse building 1st floor
Addis Ababa
Ethiopia

Corporate office

Cooperative Bank of Oromia
Africa Avenue
Flamingo get house building
P.O Box16936
E-Mail: coopbank@ethionet.et
Website: www.coopbankoromia.com.et
Addis Ababa, Ethiopia

Board of Director's secretary

Obbo Teshome Argeta
Cooperative Bank of Oromia
Flamingo get house building
P.O Box16936

The Directors submit their report together with the financial statements for the period ended 30 June 2018 to the members of Cooperative Bank of Oromia share company ("CBO or the Bank"). This report discloses the financial performance of the Bank.

Incorporation and address

Cooperative Bank of Oromia was established in Ethiopia in 2004 in accordance with the Commercial code of Ethiopia 1960 and licensed by the National Bank of Ethiopia with the objective to engage in banking services in accordance with the Banking proclamation number 84/1994. The Bank commenced operations in 2005 and is domiciled in Ethiopia.

Principal activities

The mandate of the Bank is to provide Banking service that create greater customer exprience with emphasis to cooperatives and agro-Based businesses through proper use of human resource and up-to-date technologies to maximize stakeholders value.

Results and dividends

The Bank's results for the year ended 30 June 2018 are set out on page 8. The profit for the year has been transferred to retained earnings and Risk Reserve. The summarised results are

	30 June 2018 Birr'000	30 June 2017 Birr'000
Revenue	2,508,013	1,544,726
Profit / (loss) before tax	669,817	430,711
Tax (charge) / credit	(146,400)	(92,525)
Profit / (loss) for the year	523,416	338,186
Other comprehensive income / (loss) net of taxes	(7,416)	(380)
Total comprehensive income / (loss) for the year	516,000	337,806

Directors

The Directors who held office during the year and to the date of this report are set out on page 1.

Obbo Teshome Argeta
Board of Directors Secretary
Addis Ababa, Ethiopia

TAY And Company Chartered Certified Accountants & Authorized Auditors
011 4707094
011 4421336

Baankii Hojii Gamtaa Oromiyaa
Cooperative Bank of Oromia

In accordance with Financial Reporting Proclamation No. 847/2014, the Accounting and Audit Board of Ethiopia has enforced the Bank to prepare financial statements in accordance with international financial Reporting standards.

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

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

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

B) Explain its transactions and financial position; and

C) Enable the Accounting and Audit Board of Ethiopia to determine whether the Bank had complied with the provisions of the Financial Reporting Proclamation and directives issued for the implementation of the aforementioned Proclamation.

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

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss.

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

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

Signed on behalf of the Directors by:

Obbo Abera Hailu **Chairman of the Board of Directors**	**Obbo Deribe Asfaw** **President**

Independent auditor's report
To the shareholders of Cooperative Bank of Oromia S.C

Opinion

We have audited the financial statements of Cooperative Bank of Oromia S.C, which comprise the statement of the financial position as at 30 June 2018, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
In our opinion, the financial statements present fairly the financial position of the Cooperative Bank of Oromia S.C as at 30 June 2018 and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).
We have no comments to make on the report of the Board of Directors of the Bank in so far as it relates to these financial statements and pursuant to Article 375 of the Commercial Code of Ethiopia 1960 recommend approval of these financial statements

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
The bank has been in IFRS conversion process as a first time adopter. As a result, various new accounting policies have been selected and implemented. The comparative figures as well as opening balances of the previous year were reinstated based on the accounting policies selected. Proper selection and application of the new accounting policies starting from the date of transition i.e. 1 July 2016 have been considered as key audit matters for our audit during the year. As a result, our audit covered verification of the conversion process with effect from 1 July 2016 and consistency of the accounting policies.

Responsibilities of the Management and those Charged with Governance for the Financial Statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of a Company report that is free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Tesfa Tadesse.

TAY & Company
Chartered Certified Accountants &
Authorized Auditors

Addis Ababa
16 November 2018

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000
Interest income	5	1,850,025	1,143,817
Interest expense	6	(620,365)	(336,245)
Net interest income		**1,229,659**	**807,572**
commission income	7	354,076	301,309
commission expense	7	-	-
Net fees and commission income		**354,076**	**301,309**
Other operating income	8	303,912	99,600
Total operating income		**1,887,648**	**1,208,481**
Loan impairment reversal	9	66,077	156,752
Impairment losses on other assets	9	(2,337)	(93,657)
Impairment Loss on repossessed collateral	9	(1,414)	-
Impairment loss on Investment	9	(13,151)	-
Impairment losses on PPE	9	(7,073)	-
Net operating income		**1,929,750**	**1,271,576**
Personnel expenses	10	(700,430)	(481,800)
Amortisation of intangible assets	19	(1,817)	(1,813)
Depreciation of property, plant and equipment	20	(58,960)	(43,312)
Operating expenses	11	(498,726)	(313,940)
Profit before tax		**669,817**	**430,711**
Taxation	12	(146,400)	(92,525)
Profit after tax		**523,416**	**338,186**
Other comprehensive income (OCI) net on income tax			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations	25b	(7,416)	(380)
Deferred tax (liability)/asset on remeasurement gain or loss		-	-
		(7,416)	(380)
Total comprehensive income for the period		**516,000**	**337,806**
Basic & diluted earnings per share (Birr)	27	42	36

The notes on pages [13] to [92] are an integral part of these financial statements.

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
ASSETS				
Cash and balances with banks	13	7,676,779	3,537,671	2,195,303
Loans and advances to customers	14	14,711,523	9,503,388	5,577,697
Interest free banking	15	433,404	22,590	-
Investment securities:				
- Available for sale	16	40,269	53,420	52,181
- Loans and receivables	16	5,430,184	3,348,596	1,806,242
Other assets	18	913,932	806,284	562,700
Intangible assets	19	39,902	6,556	8,369
Property, plant and equipment	20	557,704	487,798	319,115
Deferred Tax Asset	12e	-	-	-
Non-Current Asset Held For Sale	20a	84,337	-	-
Total assets		**29,888,034**	**17,766,303**	**10,521,607**
LIABILITIES				
Deposits from customers	21	25,392,151	14,057,645	8,418,817
Due to other banks	22	415,439	238,275	97,284
Borrowing From NBE	23	-	499,017	-
Current tax liabilities	12c	202,436	97,432	4,125
Other liabilities	24	1,452,482	1,404,109	961,298
Retirement benefit obligation	25	26,513	13,707	9,168
Deferred tax liability	12d	23,312	9,346	10,232
Total liabilities		**27,512,333**	**16,319,531**	**9,500,924**
EQUITY				
Share capital	25c	1,597,006	1,000,000	910,732
Share premium	26	8,672	8,672	8,672
Retained earnings	28	203,292	56,918	(206,507)
Legal Reserve	29	451,904	321,050	269,094
Regulatory Risk Reserve	30	110,896	56,200	34,760
Capital reserves	31	3,932	3,932	3,932
Total equity		**2,375,701**	**1,446,772**	**1,020,683**
Total equity and liabilities		**29,888,034**	**17,766,303**	**10,521,607**

The financial statements on pages [9] to [92] were approved and authorised for issue by the board of directors on 31 October 2018 and were signed on its behalf by:

Abera Hailu
Chairman of the Board of Directors

Deribe Asfaw
President

TAY And Company Certified Accountants & Chartered Authorized Auditors 0114707094 0114421336

Baankii Hojii Gamtaa Oromiyaa Cooperative Bank of Oromia

Statement of changes in equity

For the year ended 30 June 2018

	Note	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	contribution Birr'000	Risk Reserve Birr'000	Total Birr'000
As at 1 July 2016		910,732	8,672	(206,507)	269,094	3,932	34,760	1,020,683
Profit for the period	28	-		338,186	-	-	-	338,186
Suspended Interest Income		-	-	(21,819)	-	-	21,819	-
Other comprehensive income:								
Re-measurement gains on defined benefit plans (net of	25b	-	-	-	-	-	(380)	(380)
Total comprehensive income for the period		**910,732**	**8,672**	**109,860**	**269,094**	**3,932**	**56,200**	**1,358,490**
Transactions with owners in their capacity as								
Issue of shares		89,268	-	-	-	-	-	89,268
Director's share of profit		-	-	(986)	-	-	-	(986)
Transfer to legal reserve	29	-	-	(51,956)	51,956	-	-	-
		89,268	-	(52,942)	51,956	-	-	88,282
As at 30 June 2017		**1,000,000**	**8,672**	**56,918**	**321,050**	**3,932**	**56,200**	**1,446,772**
As at 1 July 2017		1,000,000	8,672	56,918	321,050	3,932	56,200	1,446,772
Profit for the period	28			523,416				523,416
Suspended Interest Income	5			(62,112)	-	-	62,112	-
								-
Other comprehensive income:								
Re-measurement gains on defined benefit plans (net of	25b						(7,416)	(7,416)
Total comprehensive income for the period		**1,000,000**	**8,672**	**518,222**	**321,050**	**3,932**	**110,896**	**1,962,772**
Transactions with owners in their capacity as								
Issue of shares	25c	597,006	-	-	-	-	-	597,006
Tax Paid		-	-	-				-
Dividend Paid	28	-		(183,079)	-	-	-	(183,079)
Director's share of profit		-	-	(998)	-	-	-	(998)
Transfer to legal reserve		-	-	(130,854)	130,854	-	-	-
		597,006	-	(314,931)	130,854	-	-	412,929
As at 30 June 2018		**1,597,006**	**8,672**	**203,292**	**451,904**	**3,932**	**110,896**	**2,375,701**

	Notes	30 June 2018 Birr'000	2017 Birr'000
Cash flows from operating activities			
Cash generated from operations	32	5,821,674	2,145,948
Dividend Paid		(183,078)	-
Directors allowance	24	(998)	(986)
Profit Tax Paid		(27,422)	-
Witholding tax paid	12c	(7)	(104)
Net cash (outflow)/inflow from operating activities		**5,610,169**	**2,144,858**
Cash flows from investing activities			
Purchase of NBE bills and bonds	16	(2,081,587)	(1,542,354)
Purchase of equity investments	16	13,151	(1,239)
Purchase of property, plant and equipment	20	(135,946)	(211,995)
Non-Current Asset Held For Sale		(84,337)	-
Purchase of Intangible Asset		(35,162)	-
Net cash (outflow)/inflow from investing activities		(2,323,881)	(1,755,588)
Cash flows from financing activities			
Proceeds from borrowings	23	(499,017)	499,017
Proceeds from issues of shares	25c	597,006	89,268
Net cash (outflow)/inflow from financing activities		97,989	588,285
Net increase/(decrease) in cash and cash equivalents		**3,384,278**	**977,555**
Cash and cash equivalents at the beginning of the	13	2,807,671	1,754,860
Effects of exchange rate movement on cash and cash equivalents		204,831	75,256
Cash and cash equivalents at the end of the	13	**6,396,780**	**2,807,671**

1 General information

Cooperative Bank of Oromia SC ("CBO or the Bank") is a private commercial Bank domiciled in Ethiopia. The Bank was established in 24 October 2004 in accordance with the provisions of the Commercial code of Ethiopia of 1960 and the Licensing and Supervision of Banking Business Proclamation No. 84/1994 (superseded). The Bank registered office is at:

Africa avenue
Flamingo get house building
Addis Abba, Ethiopia

The Bank is principally engaged in providing Banking solution that create greater customer exprience with emphasis to cooperatives and agro-Based businesses through proper use of human resource and up-to-date technologies to maximize stakeholders value.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.2 Basis of preparation

The financial statements for the period ended 30 June 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements for the period ended 30 June 2018 are the first the Bank has prepared in accordance with IFRS. Refer to note 37 for information on how the Bank adopted IFRS.

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

- available-for-sale financial assets
- assets held for sale – measured at fair value less cost of disposal,

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Director to exercise its judgment in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Director believes that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

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Baankii Hojii Gamtaa Oromiyaa Cooperative Bank of Oromia

2.2.1 *Going concern*

The financial statements have been prepared on a going concern basis. The Director have no doubt that the Bank would remain in existence after 12 months.

2.2.2 *Changes in accounting policies and disclosures*

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 30 June 2018, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

IFRS 9 - Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.
Based on the initial assessment carried out by the Bank, the impact of the application of the new standard is as follows:

Classification and measurement

IFRS 9 require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement. The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

Having completed its initial assessment, the Bank has concluded that:

- Its loans and advances to customers, National Bank of Ethiopia (NBE) bill and other financial assets that are classified as loans and receivables under IAS 39 are expected to be measured at amortised cost under IFRS 9.
- Its equity investments will be classified as FVOCI.

Impairment of financial assets

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Bank will establish a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

To calculate ECL, the Bank will estimate the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Bank under the contract, and the cash flows that the Bank expects to receive, discounted at the effective interest rate of the loan.

In comparison to IAS 39, the Bank expects the impairment charge under IFRS 9 to be more volatile than under IAS 39 and to result in an increase in the total level of current impairment allowances.

Under IFRS 9, the Bank will group its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:
• Stage 1 – Performing loans: when loans are first recognised, the Bank recognises an allowance based on 12-month expected credit losses.
• Stage 2 – Underperforming loans: when a loan shows a significant increase in credit risk, the Bank records an allowance for the lifetime expected credit loss.
• Stage 3 – Impaired loans: the Bank recognises the lifetime expected credit losses for these loans. In addition, in Stage 3 the Bank accrues interest income on the amortised cost of the loan net of allowances.

When estimating lifetime ECLs for undrawn loan commitments, the Bank will:

• Estimate the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment and
• Calculate the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down.

For financial guarantee contracts, the Bank will estimate the lifetime ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

For revolving facilities such as credit cards and overdrafts, the Bank measures ECLs by determining the period over which it expects to be exposed to credit risk, taking into account the credit risk Director actions that it expects to take once the credit risk has increased and that serve to mitigate losses.
The Bank will incorporate forward-looking information in both the assessment of significant increase in credit risk and the measurement of ECLs.

The Bank will consider forward-looking information such as macroeconomic factors (e.g., unemployment, GDP growth, interest rates, etc.) and economic forecasts.

Hedge Accounting

IFRS 9 allows entities to continue with the hedge accounting under IAS 39 even when other elements of IFRS 9 become mandatory on 1 January 2018. The new hedging rules are, however, not expected to impact the Bank.

IFRS 15 - Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 'Revenue', other related standards and interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Bank is yet to assess the expected impact on this standard.

IFRS 16 - Leases

This standard was issued in January 2016 (Effective 1 January 2019) . It sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. it also substantially carries forward the lessor accounting requirements in IAS 17. The Bank is yet to assess the expected impact of this standard.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:
(i) The beginning of the reporting period in which the entity first applies the interpretation or;
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Financial Guarantee

Cooperative Bank of Oromia S.C letter of guarantee facility is a written promise/irrevocable obligations by the Bank to compensate (pay a sum of money) to the beneficiary (local or foreign) in the event that the obligor fails to honor his/her/its obligations in accordance with the terms and conditions of the guarantee/agreement/contract.

Types of Letter of Guarantees Issued by the bank:-

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

Recognition of Financial Guarantee Criteria

Financial guarantee contracts are initially recognized at fair value.
For those financial guarantee contracts issued in stand-alone arm's-length transactions to unrelated parties, fair value at inception will be equal to the consideration received, unless there is evidence to the contrary.

In subsequent periods, the guarantee is to be reported at the higher of:

(1) The amount determined in accordance with IAS 37, or
(2) The amount initially recognized less,
if appropriate, the cumulative amortization (to income) that was recognized in accordance with IAS 18).

2.3 Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

2.4 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Bank, earns income from interest on loans given for domestic trade and services, building and construction, manufacturing, agriculture and personal loans. Other incomes includes margins on letter of credits and guarantees.

2.4.1 Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale interest income or expense is recorded using the Effective Interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the Effective Interest Rate (EIR), but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and Interest and similar expense for financial liabilities.

Due to difficalties of Computing the effective Interest rate the Bank used contractual interest rate

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.4.2 Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income (commission on foreign transactions, advising commission, extension commission) are recognised as the related services are performed.
When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.
Other fees and commission expenses relates mainly to transaction and service fees are expensed as the services are received.

2.4.3 Dividend income

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

2.4.4 Foreign exchange revaluation gains or losses

These are gains and losses arising on settlement and translation of monetary assets and liabilities denominated in foreign currencies at the functional currency's spot rate of exchange at the reporting date. This amount is recognised in the income statement and it is further broken down into realised and unrealised portion.

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

2.5 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.5.1 Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value. In the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset, Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date i.e., the date that the Bank commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into two categories:
• Loans and receivables
• Available-for-sale financial investments

a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest and similar income in income statement. The losses arising from impairment are recognised in income statement in loan impairment charge.

The Bank's loans and receivables comprise of loans and advances to customers, NBE bills and government saving bonds.

b) *Available-for-sale (AFS) financial assets*

Equity investments are classified as AFS. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. The Bank does not have any debt securities classified as available-for-sale.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to income statement in impairment loss on financial investment. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Other operating income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Bank's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either
  (a) the Bank has transferred substantially all the risks and rewards of the asset, or
  (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Bank continues to recognise the transferred asset to the extent of the Bank's continuing involvement. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Impairment of financial assets

The Bank assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter Bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as loans and receivables), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of 'Interest and similar income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'loan impairment charge'.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Bank.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Available-for-sale (AFS) financial instruments

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Director continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Collateral valuation

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

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

Collateral repossessed

Repossessed collateral represents financial and non-financial assets acquired by the Bank in settlement of overdue loans. The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be used for internal operations are initially recognised at the lower of their repossessed value or the carrying value of the original secured asset and included in the relevant assets depending on the nature and the Bank's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy.

2.5.2 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortised cost

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

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

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

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Derecognition of financial liabilities

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

2.5.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where The Bank has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Bank has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as Bankruptcy or the termination of a contract.

2.5.4 Interest free Financing and investment products

The Cooperative Bank of Oromia was begin interest free banking services in February, 2015, focusing on deposits, financing, as well as investment.
Services include Wadiya accounts for cash, Wadiya current accounts for cheques, Muharaba investment savings account and Haji Umra account to save for the pilgrimage to Mecca, Saudi Arabia.

Among its financing services are Muharaba financing, where the bank delivers any good after receiving the full money and specification of the good from its customer; Ejira financing, in which the customer renders payment gradually after the bank delivers the good; Estisna financing for construction, as well as Selam financing, where the bank gives agricultural inputs to take the equivalent amount after harvest.
The other area of interest free banking is investment and includes Musharaka investment, which is a joint venture between the bank and the customer.

Definition of Key Terms

1. Wadiah Saving Account

* Wadiah is amanah (safe custody based on trusts) where IFBW shall be fully responsible for the deposited amount to be available on demand.
* Wadia (safe keeping) account is an account at which a customer deposits its fund and IFBW guarantees refund of the entire amount of deposit, or any part of the outstanding amount, without the obligation to pay any additional return on it, when the account holder demands it;

2. Wadia Demand Deposit Account

• Wadia demand deposit account Is the type of deposit that do not give any returns to the depositor and can be withdrawn by the depositor up on demand. For this deposits the relationship between the IFBW and the depositor is that of debtor and creditor.

3. Hadji-Umraha Saving Account

• Hadji-Umraha Saving account is safe custody based on trusts of the customer to be deposited regularly for the purpose of travelling to Meca Medina, where IFBW shall be fully responsible for the deposited amount to be available on demand.
• Haji-Umura Savings Account is an account which is used to make deposit by customer for the purpose of Haji-Umura travelling;

4. Unrestricted Investment Accounts

It is a type of deposits where full discretion is given to the IFBW to utilize the fund to finance and /or invest in income

5. Restricted Investment Accounts

It is a type of deposits where investment account holder provide specific investment mandate to the IFBW to utilize the fund to finance and/or invest in specific income generating assets;

6. Ijarah

It is a contract between IFBW and customer in which IFBW transfers the usufruct of an asset (right to use and drive profit from a property belonging to another, provided that the property remain uninjured and undiminished) but not its ownership to customer for an agreed period at an agreed rental/lease payment;

7. Istisna'a

It is a sale contract between the ultimate purchaser and seller whereby the seller, based on an order from the purchaser, undertakes to have manufactured/build the subject matter of the contract according to specification and sell it to the purchase for an agreed upon price and method of settlement whether that at time of contracting, by installments or deferred to a specific future time

7.1 Parallel Istisna'a

It is a parallel sale contract concluded by the seller with a builder to fulfill his/her contractual obligations in the first

8. Murabaha (Cost Plus)

It is a sale of goods with an agreed upon profit mark up on the cost between customer and IFBW whereby IFBW purchases the goods ordered by a customer from a third party and then sells these goods to the same customer;

9. Mudarabah

It is a partnership between investment account holders as providers of funds and entrepreneur as Mudarib whereby both parties agreed to share profit as per their agreement and the losses being born by the provider of fund provided that the loss is not occurred due to negligence and mismanagement on the part of entrepreneur (Mudarib);

10. Musharaka (joint venture)

It is a partnership between IFBW and its customer whereby each party contributes to the capital of partnership in equal or varying degrees to establish a new project or share in existing one, on the basis of constant or diminishing ownership, with objective of sharing profit as per their agreement and loss in accordance with their capital contributions;

11. Salam

It is a purchase of a commodity for future delivery in exchange for immediate payment according to specified conditions or sale of a commodity for future delivery in exchange for immediate payment;

11.1 Parallel Salam

It is a Salam contract whereby the seller depends, for executing his /her obligation, on receiving what is due to him/her-in his/her capacity as purchaser-from a sale in a previous Salam contract, without making the execution of the second Salam contract dependent on the execution of the first Salam contract;

2.6 Cash and cash equivalents

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

2.7 Property, plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Bank recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in income statement as incurred.

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

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

Asset class	Depreciation rate (years)
Buildings	50
Motor vehicles	10
Equipment	5-10
Furniture & fittings	10-20
Computer equipment	7

The Bank commences depreciation when the asset is available for use.

Capital work-in-progress is not depreciated as these assets are not yet available for use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in income statement in the period in which the expenditure is incurred .

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expenses on intangible assets with finite lives is presented as a separate item in the income statement.

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

- Computer software – 6 years
- Core application software – 6 years

2.9 Non-current assets (or disposal groups) held for sale

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

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

2.10 Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

2.11 Other assets

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

(a) Prepayment

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

(b) Other receivables

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

2.12 Fair value measurement

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

- Disclosures for valuation methods, significant estimates and assumptions Notes 3 and Note 4.7.1
- Quantitative disclosures of fair value measurement hierarchy Note 4.7.2
- Financial instruments (including those carried at amortised cost) Note 4.7.3

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Bank.

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

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

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

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

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

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

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

2.13 Employee benefits

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

(a) Defined contribution plan

The Bank operates two defined contribution plans;

i) pension scheme in line with the provisions of Ethiopian pension of private organisation employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Bank respectively;
ii) provident fund contribution, funding under this scheme is 8% and 12% by employees and the Bank respectively; based on the employees' salary. Employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

(b) Defined benefit plan

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past-service costs are recognised immediately in income.

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

(c) Termination benefits

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

(d) Profit-sharing and bonus plans

The Banks recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Bank recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.14 Provisions

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

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

2.15 Share capital

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

2.16 Earnings per share

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

2.17 Government grants

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

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

2.18 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Bank as a lessee

Leases that do not transfer to the Bank substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

Bank as a lessor

Leases where the Bank does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Operating lease commitments - Bank as lessee

The Bank has entered into commercial property leases. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it does not retain all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

2.19 Income taxation

(a) Current income tax

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

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

(b) Deferred tax

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

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3 Significant accounting judgements, estimates and assumptions

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

Other disclosures relating to the Bank's exposure to risks and uncertainties includes:
• Capital Director Note 4.6
• Financial risk Director and policies Note 4.1
• Sensitivity analyses disclosures Note 4.5.2

3.1 Judgements

In the process of applying the Bank's accounting policies, Director has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:
Operating lease commitments- Bank as lessee
The Bank has entered into commercial proprty leases. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements such as the lease term not constituting a substantial portion of the economic life of the commercial property , that it does not retain all the significant risks and rewards of ownership of these properties and accounts for the contacts as operating lease.

3.2 Estimates and assumptions

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

Impairment losses on loans and receivables

The Bank reviews its loan portfolios for impairment on an on-going basis. The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. For individually significant financial assets that has been deemed to be impaired, Director has deemed that cashflow from collateral obtained would arise within 24 months where the financial asset is collaterised.

Director uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The use of historical loss experience is supplemented with significant Director judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The detailed methodologies, areas of estimation and judgement applied in the calculation of the Bank's impairment charge on financial assets are set out in the Financial risk Director section.

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment, and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends, and interest rates. The assumptions underlying this judgement are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience. This is note 3.2 for more information.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 4.7.2 for further disclosures.

Depreciation and carrying value of property, plant and equipment

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

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Bank is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Taxes

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

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

4 Financial risk management

4.1 Introduction

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

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

4.1.1 Risk management structure

Risk management is one component of all core banking process of the bank. In its day to day activities the bank is expossed to various types of banking risks, the most important of which are credit risk, liquidity risk, foreign exchange risk, interest rate risk and operational risk. The bank has established a comprehensive risk management system in line with internationally accepted risk principles and best practices with the necessary adoption to suit its core business activities.The Board of Directors have overall responsibility for the establishment and oversight of the banks risk management framework. The president has established the Asset and liability (ALCO) and credit committee which are responsible for developing the monitory the banks risk management policy in their specified area.

The banks risk management and control is based on the following key principles:

* The Board of Directors approve the risk management policy's of the Bank and ensures their implementation.
* The management is responsible for implementing the policy in manner that limits risk associated with each exposure
* Appropriate and effective internal control exists to safeguard Asset and to ensure compliance with relevance laws, regulations and institutional policies
* The risk Management and monitoring is supported by a management informational system that supplies timely and consolidated reports on the financial conditions, operating performance and risk exposure of the bank.
* The independent Risk management and compliance department is established to review compliance with the approved risk management policy and various risk related committees are established which are responsible for the implementation of risk management policies.

4.1.2 Risk measurement and reporting systems

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

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

4.1.3 Risk mitigation

Risk controls and mitigants, identified and approved for the Bank, are documented for existing and new processes and systems.
The adequacy of these mitigants is tested on a periodic basis through administration of control self-assessment questionnaires, using a risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently audited as part of the review process.

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Baankii Hojii Gamtaa Oromiyaa Cooperative Bank of Oromia

4.2 Financial instruments by category

The Bank's financial assets are classified into the following measurement categories: available-for-sale and loans and receivables. Financial liabilities are classified into other liabilities at amortised cost.

Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.

The Bank's classification of its financial assets is summarised in the table below:

30 June 2018	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and balances with banks	13	-	7,676,779	7,676,779
Loans and advances to customers	14	-	14,711,523	14,711,523
Interest free banking	15		433,404	433,404
Investment securities:				-
- Available for sale	16	40,269	-	40,269
- Loans and receivables	16	-	5,430,184	5,430,184
Other assets	18	-	284,480	284,480
Total financial assets		**40,269**	**28,536,370**	**28,576,639**

30 June 2017	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and balances with banks	13	-	3,537,671	3,537,671
Loans and advances to customers	14	-	9,503,388	9,503,388
Interest free banking			22,590	22,590
Investment securities:				
- Available for sale	16	53,420	-	53,420
- Loans and receivables	16	-	3,348,596	3,348,596
Other assets	18	-	271,823	271,823
Total financial assets		**53,420**	**16,684,068**	**16,737,488**

1 July 2016	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and balances with banks	13	-	2,195,303	2,195,303
Loans and advances to customers	14	-	5,577,697	5,577,697
Investment securities:				-
- Available for sale	16	52,181	-	52,181
- Loans and receivables	16	-	1,806,242	1,806,242
Other assets	18	-	263,112	263,112
Total financial assets		**52,181**	**9,842,354**	**9,894,535**

4.3 Credit risk

Credit risk is the probability that a counterparty of the Bank will not meet its obligations in accordance with agreed terms and conditions which may lead to financial loss. The Bank is exposed to credit risk due to activities such as loans and advances, loan commitments arising from lending activities, credit enhancement provided such as financial guarantees and letter of credit. The Bank adopts a conservative approach to credit risk.

4.3.1 Management of credit risk

In measuring credit risk of loans and receivables to various counterparties, the Bank considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the counter party/obligor and its likely future developments, credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations-value of collateral and other ways out. Our credit exposure comprises wholesale and retail loans and receivables which are developed to reflect the needs of our customers. The Bank's policy is to lend principally on the basis of our customer's repayment capacity through quantitative and qualitative evaluation. However we ensure that our loans are backed by collateral to reflect the risk of the obligors and the nature of the facility.

In the estimation of credit risk, the Bank estimate the following parameters:

(a) Probability of Default

This is the probability that an obligor or counterparty will default over a given period, usually one year. This can be calculated on portfolio by portfolio basis or collectively depending on availability of historical data.

(b) Loss Given Default

Loss Given Default is defined as the portion of the loan determined to be irrecoverable at the time of loan default (1 – recovery rate). Our methods for estimating LGD includes both quantitative and qualitative factors.

(c) Exposure at Default

This represents the amount that is outstanding at the point of default. Its estimation includes the drawn amount and expected utilisation of the undrawn commitment at default.

4.3.2 Impairment assessment

The Bank assesses its impairment for the purpose of IFRS reporting using a two-way approach which are Individual assessment and portfolio assessment.

(a) Individual assessment

The Bank reviewed and revised existing impairment triggers for each loan asset portfolio to ensure that a trigger identifies a loss event as early as possible, which would result in the earliest possible recognition of losses within the IFRS framework. The Bank then estimated the impairment based on the shortfall between the present value of estimated future cash flows and the asset carrying amount.

(b) Collective assessment

Impairment is assessed on a collective basis for:
Loans and receivables that are not specifically impaired are assessed under collective impairment. For the purpose of collective impairment, financial assets
1. Homogeneous groups of loans that are not considered individually impaired; and
2. To cover losses whch have been incurred but have not yet been identified on loans subject to individual impairment.

Homogeneous groups of loans
In respect of portifolio of smaller balance, homogeneous loans the Asset is included in a group of financial Asset with similar risk characteristics and collectively assessed fora impairment. Segmentation takes into account factors such as the type of Asset, industry sector, pass due status and other relevant factors. This characteristics are relevant to the estimation of future cash flows for groups such Assets as they are indicatives ability to pay all amount due according to the contractual terms of the Assets being evaluated.

Generally, The impairment triggers used within the impairment calculation for loan , or group of loans is when they reach predefined level of deliquency or where the customer is bankrupt.
The Bank generally bases its analyses on historical experience. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilisation, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry‐specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. The impairment allowance is reviewed by credit management to ensure alignment with the Bank's overall policy.

4.3.3 Credit related commitments risks

The Bank holds collateral against loans and receivables to customers in the form of bank guarantees and property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

4.3.4 Maximum exposure to credit risk before collateral held or other credit enhancement

(a) Types of credit exposure

The Bank's maximum exposure to credit risk at 30 June 2018, 30 June 2017 and 30 June 2016 respectively, is represented by the net carrying amounts in the statement of financial position.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Cash and bank balances	7,676,779	3,537,671	2,195,303
Loans and advances to customers	14,711,523	9,503,388	5,577,697
Interest free banking	433,404	22,590	-
Investment securities:			
- Available for sale	40,269	53,420	52,181
- Loans and receivables	5,430,184	3,348,596	1,806,242
Other assets	284,480	271,823	263,112
	28,576,639	**16,737,488**	**9,894,535**
Credit risk exposures relating to off balance sheets are as follows:			
Loan commitments	1,949,820	24,113	165,784
Letters of credit	766,260	580,468	506,357
Guarantees issued	334,340	329182	345957.817
Total maximum exposure	**1,100,600**	**933,763**	**1,018,099**

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30 June 2018	Maximum exposure to credit risk Birr'000	Secured against real estate Birr'000	Bank guarantee Birr'000	Machinery and equipment Birr'000	Motor vehicles Birr'000	Others Birr'000	Total Birr'000
Cash and balances with banks	7,676,779	-	1,230,913	-	-	6,445,866	7,676,779
Loans and advances to customers:							
-Agriculture	236,940	135,959	-	6,122	36,394	58,465	236,940
-Manufacturing	2,829,014	1,712,265	-	270,290	120,549	725,911	2,829,014
-Export	4,301,072	1,412,449	-	29,627	63,509	2,795,488	4,301,072
-Merchanise	380,414	11,913	-	-	3,877	364,624	380,414
-Import	567,922	420,985	1,068	9,273	20,012	116,585	567,922
-Domestic trade and services	5,416,852	2,990,755	3,069	266,758	917,595	1,238,675	5,416,852
-Building and constructi	410,839	280,183	-	23,855	37,662	69,139	410,839
-Staff loans	922,926	631,671	-	-	2,768	288,487	922,926
	15,065,979	**7,596,179**	**4,136**	**605,924**	**1,202,366**	**5,657,374**	**15,065,979**
Investment securities:							
- Available for sale	40,269	-	-	-	-	-	-
- Loans and receivable	5,430,184	-	5,430,184	-	-	-	10,860,367
	5,470,453	**-**	**5,430,184**	**-**	**-**	**-**	**10,860,367**
Other assets:							
Uncleared effects of	223,003	-	-	-	-	-	223,003
ATM settlement receivabl	5,209	-	-	-	-	-	5,209
Money transfer agents	8,054	-	-	-	-	-	8,054
Export settlement	257,424	-	-	-	-	-	257,424
Sundry receivables	68,594	-	-	-	-	-	68,594
	562,284	**-**	**-**	**-**	**-**	**-**	**562,284**
Loan commitments	1,949,820	-	-	-	-	-	1,949,820
Guarantees issued	766,260	-	-	-	-		766,260
Letter of credit	334,340	-	-	-	-	-	334,340
	31,059,655	**7,596,179**	**6,665,233**	**605,924**	**1,202,366**	**12,103,239**	**59,232,597**

30 June 2017	Maximum exposure to credit risk Birr'000	Secured against real estate Birr'000	Bank guarantee Birr'000	Machinery and equipment Birr'000	Motor vehicles Birr'000	Others Birr'000	Total Birr'000
Cash and balances with banks	3,537,671	-	1,970,895	-	-	-	1,970,895
Loans and advances to customers:							
-Agriculture	120,376	48,124	-	-	11,681	60,571	120,376
-Manufacturing	225,407	211,114	-	-	2,544	11,749	225,407
-Export	2,161,008	453,472	-	10,447	11,852	1,685,236	2,161,008
-Merchanise	455,239	4,769	-	-	277,359	173,111	455,239
-Import	185,457	62,210	-	-	-	123,247	185,457
-Domestic trade and se	6,177,404	4,354,182	2,736	293,206	616,426	910,854	6,177,404
-Building and constructi	74,601	69,497	-	-	2,320	2,784	74,601
-Staff loans	528,301	337,783	-	-	-	190,518	528,301
	9,927,793	**5,541,152**	**2,736**	**303,653**	**922,183**	**3,158,070**	**9,927,793**
Investment securities:							
- Available for sale	53,420	-	-	-	-	40,269	40,269
- Loans and receivable	3,348,596	-	3,348,318	-	-	-	3,348,318
	3,402,016	**-**	**3,348,318**	**-**	**-**	**40,269**	**3,388,587**
Other assets:							
transfers	258,552	-	-	-	-	-	258,552
ATM settlement receivabl	3,441	-	-	-	-	-	3,441
Money transfer agents	12,503	-	-	-	-	-	12,503
Export settlement	257,424	-	-	-	-	-	257,424
Account receivables	46,768	-	-	-	-	-	46,768
	578,688	**-**	**-**	**-**	**-**	**-**	**578,688**
Loan commitments	580,468	-	-	-	-	-	580,468
Guarantees issued	329,182						329,182
Letter of credit	24,113	-	-	-	-	-	24,113
	18,379,931	**5,541,152**	**5,321,949**	**303,653**	**922,183**	**3,198,339**	**16,799,725**

1 July 2016	Maximum exposure to credit risk Birr'000	Secured against real estate Birr'000	Bank guarantee Birr'000	Machinery and equipment Birr'000	Motor vehicles Birr'000	Others Birr'000	Total Birr'000
Cash and balances with banks	2,195,303	-	911,777	-	-	-	911,777
Loans and advances to customers:							
-Agriculture	75,420	45,036	-	3,330	1,942.00	25,112	75,420
-Manufacturing	89,785	81,641	-	3,874	-	4,270	89,785
-Export	1,208,631	793,546	-	8,656	31,514.00	374,915	1,208,631
-Merchanise	182,467	23,662	-	-	10,004.00	148,801	182,467
-Import	51,244	19,904	-	604	-	30,736	51,244
-Domestic trade and se	4,266,566	3,206,825	-	123,945	584,081.00	351,715	4,266,566
-Building and constructi	73,457	68,657	-	-	4,800.00	-	73,457
-Staff loans	211,285	7,285	-	-	-	204,000	211,285
	6,158,855	**4,246,556**	**-**	**140,409**	**632,341**	**1,139,549**	**6,158,855**
Investment securities:							
- Available for sale	52,181	-	-	-	-	39,030.00	39,030
- Loans and receivable	1,806,242	-	1,806,242	-	-	-	1,806,242
	1,858,423	**-**	**1,806,242**	**-**	**-**	**39,030**	**1,845,272**
Other assets:							
Uncleared effects of trans	182,479	-	-	-	-	-	182,479
ATM settlement receivabl	3,071	-	-	-	-	-	3,071
Money transfer agents	10,086	-	-	-	-	-	10,086
Export settlement	263,035	-	-	-	-	-	263,035
Sundry receivables	37,662	-	-	-	-	-	37,662.00
	496,333	**-**	**-**	**-**	**-**	**-**	**496,333**
Loan commitments	165,784	-	-	-	-	-	165,784
Guarantees issued	345,958						345,958
Letter of credit	506,357	-	-	-	-	-	506,357
	11,727,013	**4,246,556**	**2,718,019**	**140,409**	**632,341**	**1,178,579**	**10,430,336**

(b) Assets obtained by taking possession of collateral

Details of non-financial assets obtained by the Bank during the year by taking possession of collaterals held as security against loans and receivables at the year end are shown below.

	1 July 2016	Change	30 June 2017	Change	30 June 2018
	Birr'000		Birr'000		Birr'000
Buildings	31,411	41,536	72,947	5,949	78,896
Motor Vehicles	500	1,800	2,300	1,630	3,930
Machineries	2,800	-	2,800	-	2,800
	34,711	**43,336**	**78,047**	**7,579**	**85,626**

The Bank's policy is to pursue timely realisation of the collateral in a timely manner. The Bank does not generally use the non-cash collateral for its own operations.

(c) Loans and receivables at amortised cost

i Gross loans and advances to customers per sector is analysed as follows:

	30 June 2018	30 June 2017	1 July 2016
	Birr'000	Birr'000	Birr'000
Agriculture	236,940	120,376	75,420
Manufacturing	2,829,014	225,407	89,785
Export	4,301,072	2,161,008	1,208,631
Merchanise	380,414	455,239	182,467
Import	567,922	185,457	51,244
Domestic trade and services	5,416,852	6,177,404	4,266,566
Building and construction	410,839	74,601	73,457
Staff loans	922,926	528,301	211,285
	15,065,979	**9,927,793**	**6,158,855**

ii Gross loans and advances to customers per National Bank of Ethiopia's impairment guidelines is analysed as follows:

	30 June 2018	30 June 2017	1 July 2016
	Birr'000	Birr'000	Birr'000
Pass	14,437,463	8,992,953	4,682,581
Special mention	213,816	320,769	195,467
Substandard	56,253	107,811	515,593
Doubtful	121,364	168,807	446,817
Loss	356,586	298,610	316,014
	15,185,482	**9,888,952**	**6,156,472**

The above table represents a worse case scenario of credit risk exposure of the Bank as at the reporting dates without taking account of any collateral held or other credit enhancements attached. The exposures are based on net carrying amounts as reported in the statement of financial position.
Management is confident in its ability to continue to control and effectively manage the credit risk exposure in the Bank's loan and advances portfolio.

iii Interest free financing per sector is analysed as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Murabaha Financing-Agriculture	3,502	-	-
Murabaha Financing-Building and construction	24,023	-	-
Murabaha Financing-Domestic Trade and Service	96,295	22,590	-
Qard Term Financing- Domestic Trade and Service	20,055	-	-
Murabaha Financing-Manufacturing	59,194	-	-
Qard Revolving Export Preshipment	164,570	-	
	367,639	**22,590**	**-**

iv Interest free financing per National Bank of Ethiopia's impairment guidelines is analysed as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Pass	357,772	22,590	-
Special mention	9,867	-	-
Substandard	-	-	-
Doubtful	-	-	-
Loss	-	-	-
	367,639	**22,590**	**-**

4.3.5 Credit quality analysis

(a) Credit quality of cash and cash equivalents

The credit quality of cash and cash equivalents and short-term investments that were neither past due nor impaired at as 30 June 2018, 30 June 2017 and 30 June 2016 and are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. However, cash and cash equivalents that held in foreign banks can be assessed by reference to credit rating agency designation as shown in the table below;

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
AA-	2,451	-	2,197
A	180,045	131,900	29,476
B	-	-	-
BBB+	71,919	15,553	48,909
NR (not rated)	6,142,365	3,390,752	2,114,720
	6,396,781	**3,538,205**	**2,195,303**

The interpretation of the credit quality is as shown in the table below:

AA *this denotes expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.*

A *denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.*

BBB *indicate that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.*

NR *This indicates financial institutions or other counterparties with no available ratings and cash in hand.*

A "+ "(plus) or "-" (minus) may be appended to a rating to indicate the relative position of a credit within the rating category. This is based on Fitch national long-term issuer default ratings.

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(b) Credit quality of loans and advances to customers

30 June 2018	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Collectively impaired Birr'000	Individually impaired Birr'000	Total Birr'000
Agriculture	170,354	8,892	58,715	-	237,960
Manufacturing	2,729,210	42,357	27,998	28,916	2,828,482
Domestic trade and services	4,906,062	87,751	268,070	129,649	5,391,531
Export	3,910,330	10,291	302,101	66,844	4,289,566
Merchanise	380,415	-	-	-	380,415
Import	486,925	752	70,993	10,523	569,194
Building and construction	387,114	2,315	20,042	-	409,471
Staff loans	1,002,947	52,548	23,369	-	1,078,864
Gross	**13,973,356**	**204,906**	**771,287**	**235,933**	**15,185,482**
Less: Impairment allowance (note 15a)	(186,464)	(1,855)	(57,741)	(112,268)	(358,328)
Net	**13,786,892**	**203,051**	**713,546**	**123,665**	**14,827,154**

30 June 2017	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Collectively impaired Birr'000	Individually impaired Birr'000	Total Birr'000
Agriculture	96,737	883	20,498	-	118,118
Manufacturing	221,618	-	2,535	-	224,153
Domestic trade and services	5,305,345	268,531	384,293	190,706	6,148,874
Export	1,893,655	16,020	112,196	127,261	2,149,132
Merchanise	393,434	-	61,984	-	455,417
Import	152,087	-	34,345	-	186,432
Building and construction	55,546	11,450	4,669	-	71,665
Staff loans	655,350	921	2,670	-	658,942
Gross	8,773,773	297,805	623,190	317,967	10,012,735
Less: Impairment allowance (note 15a)	(208,067)	(6,128)	(77,568)	(132,595)	(424,358)
Net	**8,565,706**	**291,677**	**545,622**	**185,372**	**9,588,377**

1 July 2016	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Collectively impaired Birr'000	Individually impaired Birr'000	Total Birr'000
Agriculture	47,672	1,218	18,057	8,473	75,420
Manufacturing	80,630	4,270	4,886	-	89,786
Domestic trade and services	3,238,641	123,857	467,964	436,103	4,266,566
Export	759,955	44,626	109,329	294,721	1,208,630
Merchanise	165,447	-	9,724	7,297	182,467
Import	19,695	-	17,583	13,966	51,244
Building and construction	66,870	567	-	6,020	73,457
Staff loans	263,281	-	1,226	-	264,508
Gross	**4,642,192**	**174,538**	**628,769**	**766,579**	**6,212,078**
Less: Impairment allowance (note 15a)	(91,282)	(3,799)	(157,039)	(329,038)	(581,157)
Net	**4,550,910**	**170,739**	**471,730**	**437,542**	**5,630,921**

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Individually impaired loans are loans that has well passed their recovery period. The counterparties are under liquidation. Individually impaired staff loans are loans given to staffs that are no longer staff of the Bank hence the recoverability of the loans is doubtful.

(i) Loans and receivables - neither past due nor impaired

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Loans in this category are loans past due for less than 90 (ninety) days.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Neither past due nor impaired	13,973,356	8,773,773	4,642,192
Collective impairment	(186,464)	(208,067)	(91,282)
	13,786,892	**8,565,706**	**4,550,910**

(ii) Loans and receivables- past due but not impaired

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Less than 30 days	-	-	-
Past due by 30 - 60 days	204,906	297,805	174,538
Past due 60-90 days	-	-	-
	204,906	**297,805**	**174,538**

(iii) Loans and receivables - collectively impaired loans

These represent insignificant impaired loans which are assessed on a collective basis.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Gross amount	771,287	623,190	628,769
Collective impairment	(57,741)	(77,568)	(157,039)
	713,546	**545,622**	**471,730**

(iv) Loans and receivables - individually impaired loans

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Substandard	-	71,678	366,964
Doubtful	26,861.90	109,456	242,773
Loss	209,070.94	140,014	156,842
	235,933	321,148	766,579
Specific impairment	(112,268)	(132,595)	(329,038)
	123,665	**188,553**	**437,541**

(v) Allowance for impairment

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Specific impairment	112,268	132,595	329,038
Collective impairment	246,060	291,763	252,120
Total allowance for impairment	**358,328**	**424,358**	**581,157**

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4.3.6 Sensitivity analysis on impairment

The loan portfolio of Cooperative Bank of Oromia ('the Bank') has been adopted for this sensitivity test; this is based on the premise that the outcome of this stress test on the Bank is reflective of the entire portfolio of loans and advances to customers. The credit factors considered for this sensitivity are highlighted below:

Probability of Default (PD): This represents the probability that a currently performing account will decline in credit quality. The probability of default model is designed to provide a measurement of obligor quality by estimating the likelihood default over a short term horizon (usually 12 months). A low probability of default indicates a borrower with good credit quality while a high probability of default indicates a borrower with low credit quality and a high likelihood of default.

Loss Given Default (LGD): The Loss Given Default estimates the expected loss on a default account after all recoveries have being exhausted. In estimating the LGD for the credit portfolio, recoveries made on historic loan loss data by way of loan repayment, recovery efforts and/or sale of collateral was applied.

Approach to sensitivity analysis

In performing the sensitivity analysis, two scenarios were considered as detailed below.

Scenario 1

The PD of the performing book was flexed by 20% while LGD was held constant. This is based on the assumption that obligor quality will deteriorate and this will lead to an increase in default

Scenario 2

The LGD of the performing book and insignificant non-performing loans were flexed by 20% respectively while the PD was held constant. This is premised on deterioration in obligor quality, increase in rate of default as well as difficulty in realizing collaterals pledged.

Outcome of the sensitivity analysis is shown below as well as the impact on profit or loss

	Impairment charge in profit or loss		
30 June 2018	**Current year N'000**	**Scenario 1 N'000**	**Scenario 2 N'000**
Agriculture	(222)	9,965	10,871
Manufacturing	69,361	41,640	42,543
Export	(24,617)	119,839	121,475
Merchandise	(3,872)	2,723	2,723
Import	(2,455)	7,714	8,348
Domestic trade and service	(115,668)	85,319	89,919
Building and construction	7,071	13,757	14,128
Staff loans	4,373	4,477	5,266
	(66,029)	**285,434**	**295,272**

	Impairment charge in profit or loss		
30 June 2017	**Current year N'000**	**Scenario 1 N'000**	**Scenario 2 N'000**
Agriculture	1,558	4,765	5,930
Manufacturing	2,347	5,918	6,080
Export	(32,797)	28,821	31,834
Merchandise	(3,664)	2,438	2,446
Import	1,161	8,204	8,817
Domestic trade and service	(127,931)	(50,331)	(41,949)
Building and construction	2,511	3,172	3,440
Staff loans	15	24	26
	(156,800)	**3,011**	**16,624**

4.3.7 Statement of Prudential adjustments

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the National Bank of Ethiopia (NBE) Directives. This is at variance with the incurred loss model required by IFRS under IAS 39. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.

The proclamation 'Financial Reporting Proclamation No.847/2014 stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted.
However, Banks would be required to comply with the following:

(a) Provisions for loans recognised in the income statement should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under the NBE Directives and the expected impact/changes in other reserves should be treated as follows:

• Prudential provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve (retained earnings) account to a "regulatory risk reserve".

• Prudential provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account

(b) The non-distributable reserve should be classified under Tier 1 as part of the core capital.

In line with the same directive of the NBE, the Bank compared the provision based on the Directive with impairment under IFRS for comparative periods.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Impairment Based on IFRS:			
- On loans and Advance	358,328	424,405	581,157
- On PPE	6,993	-	-
- On Investements	13,151	-	-
- On Other Asset	416,653	414,317	320,660
	795,125	**838,722**	**901,817**
Impairment Based on NBE Directives:			
- On loans and Advance	329,340	321,860	325,660
- On PPE	-	-	-
- On Investements	-	-	-
- On Other Asset	416,653	414,317	320,660
	745,993	**736,177**	**646,320**

4.3.8 Credit concentrations

The Bank monitors concentrations of credit risk by social sector. An analysis of concentrations of credit risk at 30 June 2018, 30 June 2017 and 30 June 2016. The Bank concentrates all its financial assets in Ethiopia.

30 June 2018	Public Enterprise Birr'000	Cooperative Birr'000	Private Birr'000	Others Birr'000
Cash and balances with banks	7,676,779	-	-	-
Loans and advances to customers	101,680	2,946,650	12,436,680	-
Investment securities:				
- Available for sale	40,269	-	-	-
- Loans and receivables	5,430,184	-	-	-
Other assets:	1,330,586	-	-	-
	14,579,498	**2,946,650**	**12,436,680**	**-**

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30 June 2017	Public Enterprise Birr'000	Cooperative Birr'000	Private Birr'000	Others Birr'000
Cash and balances with banks	3,537,671	-	-	-
Loans and advances to customers	32,370	1,748,830	7,555,700	658,550
Investment securities:				
- Available for sale	53,420	-	-	-
- Loans and receivables	3,348,596	-	-	-
Other assets:	1,220,601	-	-	-
	8,192,658	**1,748,830**	**7,555,700**	**658,550**

1 July 2016	Public Enterprise Birr'000	Cooperative Birr'000	Private Birr'000	Others Birr'000
Cash and balances with banks	2,195,303	-	-	-
Loans and advances to customers	3,810	882,790	4,996,250	294,470
Investment securities:				
- Available for sale	52,181	-	-	-
- Loans and receivables	1,806,242	-	-	-
Other assets:	883,360	-	-	-
	4,940,896	**882,790**	**4,996,250**	**294,470**

4.3.9 Commitments and guarantees

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. The table below shows the Bank's maximum credit risk exposure for commitments and guarantees.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Loan commitments	1,949,820	24,113	165,784
Guarantees	334,340	329,182	345,958
Letters of credit	766,260	580,468	506,357
	3,050,420	**933,763**	**1,018,099**

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Baankii Hojii Gamtaa Oromiyaa Cooperative Bank of Oromia

4.3.10 Collateral held and their financial effect

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. Staff loans are secured to the extent of the employee's continued employment in the Bank.

The Bank may take collateral in the form of a first charge over real estate, liens and guarantees. The Bank does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to the Bank's focus on creditworthiness, the Bank aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers.

For impaired loans, the Bank obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement.

The fair value of the collaterals are based on the last revaluations carried out by the Bank's in-house engineers. The valuation technique adopted for properties is in line with the Bank's valuation manual and the revalued amount is similar to fair values of properties with similar size and location.

The fair value of collaterals other than properties such as share certificates, cash, NBE bills etc. as disclosed at the carrying amount as management is of the opinion that the cost of the process of establishing the fair value of the collateral exceeds benefits accruable from the exercise.

4.4 Liquidity risk

Liquidity risk is the risk that the Bank cannot meet its maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank on acceptable terms.

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

4.4.1 Management of liquidity risk

Cash flow forecasting is performed by the finance department. The finance department monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs.

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

4.4.2 Maturity analysis of financial liabilities

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

30 June 2018	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000
Deposits from customers	8,916,837	-	-	-	-
Due to other banks	41,691	-	-	-	-
Other liabilities	1,213,342	-	-	-	-
Total financial liabilities	10,171,870	-	-	-	-
Loan commitments	1,949,820	-	-	-	-
Guarantees	12,324	89,531	174,326	-	-
Letters of credit	136,209	-	-	-	-
Total commitments	**2,098,353**	**89,531**	**174,326**	**-**	**-**

30 June 2017	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000
Deposits from customers	4,577,737	-	-	-	-
Due to other banks	80,823	157,452	-	-	-
Other liabilities	799,018	-	-	-	-
Total financial liabilities	**5,457,578**	**157,452**	**-**	**-**	**-**
Loan commitments	-	24,113	-	-	-
Guarantees	32,310	122,841	174,032	-	-
Letters of credit	44,866	535,602	-	-	-
Total commitments	**77,176**	**682,556**	**174,032**	**-**	**-**

1 July 2016	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000
Deposits from customers	2,908,975	663,554	4,846,288	-	-
Due to other banks	60,836	36,448	-	-	-
Other liabilities	908,979	-	-	-	-
Total financial liabilities	**3,878,790**	**700,002**	**4,846,288**	**-**	**-**
Loan commitments	-	165,784	-	-	-
Guarantees	33,379	103,923	98,035	110,621	-
Letters of credit	51,563	454,794	-	-	-
Total commitments	**84,942**	**724,501**	**98,035**	**110,621**	**-**

4.5 Market risk

Market risk is defined as the risk of loss risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk factors such as interest rates, foreign exchange rates, equity prices, credit spreads and their volatilities. Market risk can arise in conjunction with trading and non-trading activities of a financial institutions.
The Bank does not ordinarily engage in trading activities as there are no active markets in Ethiopia.

4.5.1 Management of market risk

Market risk is the risk that the value of on-and off-balance sheet positions of a bank are adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, etc, resulting in a loss to earning and capital. But as a result of CBO's limited involvement in the international market and in line with major risks identified by the NBE for the banking sector, the vulnerability of the CBO to market risks is mainly associated with: A) Interest rate risk, and B) Foreign Exchange risk.

(i) Interest rate risk

Interest rate is risk that the future cash flow of financial instruments will flactuate because of changes in the market interest rates. Interest margin may increase as a result of such changes but may reduce losses in the event that un expected movement arises.

The bank closely monitor interest rate movement and seek to limit its exposure by managing the interest rate and maturity structure of Asset and liabilities carried on the statement of Financial position. Asset and liability committee is the monitoring body for compliance with the set interest rate gaps.

30 June 2018	**Fixed Interest Birr'000**	**Non-interest bearing Birr'000**	**Total Birr'000**
Assets			
Cash and balances with banks	7,676,779	-	7,676,779
Loans and advances to customers	14,711,523	-	14,711,523
Interest free banking	-	-	-
Investment securities			
- Available for sale	-	40,269	40,269
- Loans and receivables	5,430,184	-	5,430,184
Other assets	-	913,932	913,932
Total	**27,818,486**	**954,202**	**22,388,302**
Liabilities			
Deposits from customers	23,173,873	2,218,278	25,392,151
Due to other banks	261,966	-	261,966
Other liabilities	-	1,213,342	1,213,342
Total	**23,435,838**	**3,431,620**	**26,867,458**

30 June 2017	**Fixed interest Birr'000**	**Non-interest bearing Birr'000**	**Total Birr'000**
Assets			
Cash and balances with banks	3,537,671	-	3,537,671
Loans and advances to customers	9,503,388	-	9,503,388
Interest free banking		22,590	22,590
Investment securities			
- Available for sale		53,420	53,420
- Loans and receivables	3,348,596	-	3,348,596
Other assets		806,284	806,284
Total	**16,389,655**	**882,294**	**17,271,949**
Liabilities			
Deposits from customers	13,579,151	478,494	14,057,645
Due to other banks	157,452	-	157,452
Other liabilities	-	799,018	799,018
Total	**13,736,603**	**1,277,512**	**15,014,115**

1 July 2016	Fixed interest Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and balances with banks	2,195,303	-	2,195,303
Loans and advances to customers	5,577,699	-	5,577,699
Investment securities			
- Available for sale	-	52,181	52,181
- Loans and receivables	1,806,242	-	1,806,242
Other assets	-	263,112	263,112
Total	**9,579,244**	**315,293**	**9,894,537**
Liabilities			
Deposits from customers	8,338,088	80,729	8,418,817
Due to other banks	97,284	-	97,284
Other liabilities	-	908,979	908,979
Total	**8,435,372**	**989,708**	**9,425,080**

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rate non-trading financial assets and financial liabilities held at 30 June 2018, 30 June 2017 and 1 July 2016.

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The Bank is exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr. The Bank's foreign currency bank accounts act as a natural hedge for these transactions. Management has set up a policy to manage the Bank's foreign exchange risk against its functional currency.

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

The total foreign currency denominated assets and liabilities exposed to risk as at year end was Birr 679 million (30 June 2017: Birr 332 million, 1 July 2016: 237 million Birr).

Foreign currency denominated balances

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
USD	623,701	274,819	191,090
EURO	45,870	48,053	43,448
GBP	2,325	1,351	907
DIRAHM	830	2,641	1,914
RIYAL	2,314	5,226	-
CAD	4	-	-
AED	4,562	-	-
	679,606	**332,090**	**237,360**

Sensitivity analysis for foreign exchange risk

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

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Effect of 10% increase in exchange rate on profit or loss (USD)	62,370	27,482	19,109
Effect of 10% decrease in exchange rate on profit or loss (USD)	(62,370)	(27,482)	(19,109)
Effect of 10% increase in exchange rate on profit or loss (EUR)	4,587	4,805	4,345
Effect of 10% decrease in exchange rate on profit or loss(EUR)	(4,587)	(4,805)	(4,345)
Effect of 10% increase in exchange rate on profit or loss (GBP)	233	135	91
Effect of 10% decrease in exchange rate on profit or loss (GBP)	(233)	(135)	(91)
Effect of 10% increase in exchange rate on profit or loss (DIRAHM)	83	264	191
Effect of 10% decrease in exchange rate on profit or loss (DIRAHM)	(83)	(264)	(191)
Effect of 10% increase in exchange rate on profit or loss (RIYAL)	231	523	-
Effect of 10% decrease in exchange rate on profit or loss (RIYAL)	(231)	(523)	-
Effect of 10% increase in exchange rate on profit or loss (CAD)	0	-	-
Effect of 10% decrease in exchange rate on profit or loss (CAD)	(0)	-	-
Effect of 10% increase in exchange rate on profit or loss (AED)	456	-	-
Effect of 10% decrease in exchange rate on profit or loss (AED)	(456)	-	-

4.6 Capital Management

The Bank's objectives when managing capital are to comply with the capital requirements set by the National Bank of Ethiopia, safeguard its ability to continue as a going concern, and to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

4.6.1 Capital adequacy ratio

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

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base

Capital includes capital contribution, retained earnings, legal reserve and other reserves to be approved by the National Bank of Ethiopia.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Capital			
Capital contribution	1,609,610	1,012,604	923,336
Retained earnings	203,292	56,918	(206,507)
Regulatory Risk Reserve	110,896	56,200	34,760
Legal reserve	451,904	321,050	269,094
	2,252,202	**1,377,968**	**1,020,683**
Risk weighted assets			
Risk weighted balance for on-balance sheet items	20,426,187	13,123,807	7,647,051
Credit equivalents for off-balance sheet Items	3,050,420	933,763	1,018,099
Total regulatory capital	**23,476,607**	**14,057,570**	**8,665,150**
Total risk weighted assets			
Risk-weighted Capital Adequacy Ratio (CAR)	**10%**	**10%**	**12%**
Minimum required capital	**8%**	**8%**	**8%**

4.7 Fair value of financial assets and liabilities

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

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

4.7.1 Valuation models

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

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) .

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

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

30 June 2018	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Carrying Birr'000
Financial assets					
Cash and balances with banks	7,676,779	7,676,779	-	-	7,676,779
Loans and advances to customers	14,711,523	-	-	14,711,523	14,711,523
Interest free banking	433,404	-	-	433,404	433,404
Investment securities					-
-Available for sale	40,269	-	-	40,269	40,269
-Loans and receivables	5,430,184	-	-	5,430,184	5,430,184
Other asset	913,932	-	-	913,932	913,932
Total	**29,206,091**	**7,676,779**	**-**	**21,529,312**	**29,206,091**
Financial liabilities					
Deposits from customers	25,392,151	-	-	25,392,151	25,392,151
Due to other banks	415,439	-	-	415,439	415,439
Other liabilities	1,213,342	-	-	1,213,342	1,213,342
Total	**27,020,932**	**-**	**-**	**27,020,932**	**27,020,932**

30-Jun-17	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Carrying Birr'000
Financial assets					
Cash and balances with banks	3,537,671	3,537,671	-	-	3,537,671
Loans and advances to customers	9,503,388	-	-	9,503,388	9,503,388
Interest free banking	22,590	-	-	22,590	22,590
Investment securities			-	-	-
-Available for sale	53,420	-	-	53,420	53,420
-Loans and receivables	3,348,596	-	-	3,348,596	3,348,596
Other asset	806,284	-	-	806,284	806,284
Total	**17,271,949**	**13,041,059**	**-**	**13,734,278**	**17,271,949**
Financial liabilities					
Deposits from customers	14,057,645	-	-	14,057,645	14,057,645
Due to other banks	238,275	-	-	238,275	238,275
Other liabilities	799,018	-	-	799,018	799,018
Total	**15,094,938**	**15,094,938**	**-**	**15,094,938**	**15,094,938**

30-Jun-16

	Carrying amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Carrying Birr'000
Financial assets					
Cash and balances with banks	2,195,303	2,195,303	-	-	2,195,303
Loans and advances to customers	5,577,697	-	-	5,577,697	5,577,697
Interest free banking			-	-	-
Investment securities				-	-
-Available for sale	52,181	-	-	52,181	52,181
-Loans and receivables	1,806,242	-	-	1,806,242	1,806,242
Other asset	263,112	-		263,112	263,112
Total	**9,894,535**	**2,195,303**	**-**	**7,699,232**	**9,894,535**
Financial liabilities					
Deposits from customers	8,418,817	-	-	8,418,817	8,418,817
Due to other banks	97,284	-	-	97,284	97,284
Other liabilities	961,298	-	-	961,298	961,298
Total	**9,477,399**	**9,465,079**	**-**	**9,477,399**	**9,477,399**

4.7.3 Valuation technique using significant unobservable inputs – Level 3

The Bank has no financial asset measured at fair value on subsequent recognition

4.7.4 Transfers between the fair value hierarchy categories

During the three reporting periods covered by these annual financial statements, there were no movements between levels as a result of significant inputs to the fair valuation process becoming observable or unobservable.

4.8 Offsetting financial assets and financial liabilities

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

5 Interest income

	30 June 2018 Birr'000	2017 Birr'000
Loans and advances to customers	1,620,469	990,501
Suspended Interest Income	62,112	21,819
National Bank of Ethiopia bills and bonds	121,133	71,414
Due from other banks	46,312	60,083
	1,850,025	**1,143,817**

6 Interest expense

	30 June 2018 Birr'000	2017 Birr'000
Due to customers	620,365	336,245
	620,365	**336,245**

7 Net fees and commission income

	30 June 2018 Birr'000	2017 Birr'000
Fee and commission income		
Foreign currency transactions	308,716	256,867
Letter of guarantee	27,280	34,345
Cash payment orders and cheques	644	614
Demand drafts	-	5,546
Other commission	17,437	3,937
	354,076	**301,309**
Fee and commission expense	-	-
Net fees and commission income	354,076	301,309

8 Other operating income

	30 June 2018 Birr'000	2017 Birr'000
Income from Murahaba financing	14,839	491
Dividend income	2,713	7,812
Estimation and inspection fee	10,982	560
Gain on disposal of property plant and equipment	1,313	7
Gain on foreign currency transactions	204,831	75,256
Other income	66,174	11,169
Rental income	1,069	1,087
Swift and Correspondence charges	1,124	1,544
Telephone, postages and money bags	867	1,674
	303,912	**99,600**

9 Impairment charge	30 June 2018 Birr'000	2017 Birr'000
Loans and advances to customers - charge for the year (note 15a)	(66,077)	(156,752)
Loans and advances to customers - Reversal for the year (note 15a)	-	
	(66,077)	**(156,752)**
Other assets - charge for the year (note 17)	2,337	93,657
Impairment Loss on repossessed collateral	1,414	-
Impairment loss on Investment	13,151	-
Impairment Loss on PPE	7,073	-
	(42,103)	**(63,095)**

10 Personnel expenses	30 June 2018 Birr'000	2017 Birr'000
Salaries and wages	477,160	370,034
Staff allowances	57,992	44,096
Pension costs – Defined contribution plan	41,830	33,717
Pension costs – Defined Benefit plan	5,390	4,159
Prepaid staff expenses	2,065	3,278
Other staff expenses	115,994	26,516
	700,430	**481,800**

11 Operating expenses	30 June 2018 Birr'000	2017 Birr'000
Advertisement and publicity	41,717	14,343
Amortisation of leasehold	7	7
Audit fee	143	184
Bank charges	1,145	1,531
Board of Directors remuneration	-	250
Cleaning	764	560
Data processing	11,974	7,750
Donations	2,611	2,157
Entertainment	1,989	1,447
Fuel	5,421	4,285
Insurance	10,834	10,672
Internet	17,415	15,162
Legal and professional fee	242	80
Other operating expense	39,856	22,141
Penalty	421	689
Per diem	9,625	8,827
Rent	122,186	96,528
Repair and maintenance	12,397	11,631
Representation allowance	28,139	20,115
Stationeries	58,409	43,332
Subscription and membership fee	872	939
Taxes	11	70
Telephone and postage	325	265
Transportation	58,175	48,500
Water and electricity	3,260	2,318
Loss on foreign exchange transactions	70,788	157
	498,726	**313,940**

	30 June 2018 Birr'000	2017 Birr'000
12 Company income and deferred tax		
12a Current income tax		
Company income tax	132,434	93,411
Deferred income tax/(credit) to profit or loss	13,966	(886)
Total charge to profit or loss	**146,400**	**92,525**
Tax (credit) on other comprehensive income	-	-
Total tax in statement of comprehensive income	**146,400**	**92,525**

12b Reconciliation of effective tax to statutory tax

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

	30 June 2018 Birr'000	2017 Birr'000
Profit before tax	669,817	430,711
Add : Disallowed expenses		
Entertainment	1,989	1,447
Donation	2,611	2,157
Penalty	421	689
Severance pay	12,806	4,539
Provision for loans and advances as per IFRS	36,360	98,745
Depreciation for accounting purpose	(36,495)	(17,908)
Amortization for accounting purpose	7,849	7,011
Total disallowable expenses	**25,541**	**96,680**
Less : Allowable expenses		
Depreciation for tax purpose	78,103	81,118
Provision for loans and advances for tax NBE 80%	5,984	(3,040)
Interest income taxed at source foreign	453	258
Dividend income taxed at source	2,713	7,812
Interest income taxed at source-NBE Bills	120,799	70,049
Interest income taxed at source-Local Deposit	45,859	59,825
Total allowable expenses	**253,910**	**216,022**
Taxable profit	**441,448**	**311,369**
Current tax at 30%	**132,434**	**93,411**

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12c Current income tax liability

	30 June 2018 Birr'000	2017 Birr'000
Balance at the beginning of the year	97,432	4,125
Charge for the year:	(27,422)	-
Income tax expense	132,434	93,411
Payment during the year	(7)	(104)
Balance at the end of the year	**202,436**	**97,432**

12d Deferred income tax

The following table shows deferred tax recorded in the statement of financial position and changes recorded in the Income tax expense:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:			
To be recovered after more than 12 months	(23,312)	(9,346)	(10,232)
To be recovered within 12 months	-	-	-
	(23,312)	(9,346)	(10,232)

12e Deferred income tax assets and liabilities, deferred income tax charge/(credit) in profit or loss ("P/L), in equity and other comprehensive income are attributable to the following items:

Deferred income tax assets/(liabilities):	At 1 July 2017 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to Birr'000	30 June 2018 Birr'000
Property, plant and equipment	(10,708)	(16,446)		(27,154)
Provisions				-
Unrealised exchange gain				-
Tax losses charged to profit or loss				-
Post employment benefit obligation	1,362	2,480		3,842
Total deferred tax assets/(liabilities)	(9,346)	(13,966)	-	(23,312)

Deferred income tax assets/(liabilities):	At 1 July 2016 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to Birr'000	30 June 2017 Birr'000
Property, plant and equipment	(12,982)	2,274	-	(10,708)
Post employment benefit obligation	2,750	(1,388)	-	1,362
Total deferred tax assets/(liabilities)	(10,232)	886	-	(9,346)

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
13 Cash and balances with bank			
Cash in hand	3,163,227	1,566,776	1,283,526
Deposits with local banks	561,511	873,999	105,235
Deposits with foreign banks	669,401	318,456	231,628
	4,394,139	**2,759,231**	**1,620,389**
Reserve with National Bank of Ethiopia	1,280,000	730,000	440,443
Balance held with National Bank of Ethiopia	2,002,640	48,440	134,471
	7,676,779	**3,537,671**	**2,195,303**

Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	6,396,779	2,807,671	1,754,860
Non-Current	1,280,000	730,000	440,443
	7,676,779	**3,537,671**	**2,195,303**

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
13a Cash and cash equivalent			
Cash in hand	3,163,227	1,566,776	1,283,526
Deposit with local banks	561,511	873,999	105,235
Deposits with foreign banks	669,401	318,456	231,628
Balance held with National Bank of Ethiopia	2,002,640	48,440	134,471
	6,396,779	**2,807,671**	**1,754,860**

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
14 Loans and advances to customers			
Agriculture	236,940	120,376	75,420
Manufacturing	2,829,014	225,407	89,785
Export	4,301,072	2,161,008	1,208,631
Merchandise	380,414	455,239	182,467
Import	567,922	185,457	51,244
Domestic trade and service	5,416,852	6,177,404	4,266,566
Building and construction	410,839	74,601	73,457
Staff loans	922,926	528,301	211,285
Gross amount	**15,065,979**	**9,927,793**	**6,158,855**
Less: Impairment allowance (note 14a)			
- Specific impairment	(112,269)	(132,595)	(329,038)
- Collective impairment	(242,187)	(291,810)	(252,120)
- Collective impairment on IFB Loan	(3,874)	-	-
	14,711,523	**9,503,388**	**5,577,697**

Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	10,518,519	6,848,315	5,450,177
Non-Current	4,339,683	2,763,186	200,131
	14,858,202	**9,611,501**	**5,650,308**

14a Impairment allowance on loans and advances to customers

A reconciliation of the allowance for impairment losses for loans and receivables by class, is as follows:

Specific allowance for impairment	As at 1 July 2016 Birr'000	Charge for the year Birr'000	As at 30 June 2017 Birr'000	Charge for the year Birr'000	As at 30 June 2018 Birr'000
Agriculture	2,087	(2,087)	-	-	-
Manufacturing	-	-	-	39,573	39,573
Export	155,059	(84,074)	70,985	(20,868)	50,117
Merchandise	7,297	(7,297)	-	-	-
Import	5,485	(5,485)	-	2,513	2,513
Domestic trade and service	159,110	(97,500)	61,610	(41,545)	20,065
Building and construction	-	-	-	-	-
Staff loans	-	-	-	-	-
	329,038	(196,442)	132,595	(20,327)	112,268
Conventional Banking	329,038	(196,442)	132,595	(20,327)	108,395
Interest Free Banking	-	-	-	-	3,874
	329,038	(196,442)	132,595	(20,327)	112,268

Collective allowance for impairment	As at 1 July 2016 Birr'000	Charge for the year Birr'000	As at 30 June 2017 Birr'000	Charge for the year Birr'000	As at 30 June 2018 Birr'000
Agriculture	5,636	3,645	9,282	(222)	9,059
Manufacturing	3,318	2,347	5,664	29,788	35,452
Export	53,701	51,277	104,978	(3,749)	101,229
Merchandise	2,508	3,633	6,141	(3,872)	2,269
Import	5,280	6,645	11,925	(4,968)	6,957
Domestic trade and service	179,486	(30,431)	149,055	(74,123)	74,932
Building and construction	2,191	2,511	4,702	7,071	11,773
Staff loans	-	15	15	4,373	4,388
	252,120	39,643	291,763	(45,702.53)	246,060
Total	**581,157**	**(156,800)**	**424,358**	**(66,029)**	**358,328**

15 Interest free banking

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Agriculture	3,502		-
Manufacturing	59,194		
Export	58,745		
Import	105,825		
Domestic trade and service	116,350	22,590	
Building and construction	24,023		
Profit Recivable	69,639	-	-
	437,278	22,590	-
Less Collective Impairment	(3,874)	-	-
	433,404	**22,590**	**-**

16 Investment securities

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Available for sale:			
Equity Investments (note 17)	53,420	53,420	52,181
Accumulated Impairment of Investment	(13,151)	0	0
	40,269	53,420	52,181
Loans and receivables:			
Ethiopian Government bills	5,424,087	3,342,834	1,800,783
Ethiopian Government bonds	6,096	5,762	5,459
Gross amount	5,430,184	3,348,596	1,806,242

Maturity analysis	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Current	154,037	296,432	496,387
Non-Current	5,276,147	3,052,164	1,309,855
	5,430,184	3,348,596	1,806,242

17 Equity Investment

The following are the equity investments of the Bank as at 30 June 2018, 30 June 2017, 1 July 2016:

	Percentage holding	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Oromia Insurance company	5%	12,500	12,500	11,261
Orologo Prefabricated	20%	15,000	15,000	15,000
Gutu oromia s.c.	20%	3,500	3,500	3,500
Elemti integrated milk	10%	5,000	5,000	5,000
Ethioswich s.c.	6%	11,370	11,370	11,370
solution(PSS)	3%	4,800	4,800	4,800
Bomoj meat Industry s.c.	1.58%	1,250	1,250	1,250
Accumulated Impairment of Investment		(13,151)	-	-
		40,269	**53,420**	**52,181**

The Bank hold equity investments in Eth-switch of 6% (30 June 2017: 6%, 1 July 2016: 6%), Premium switch solutions 3% (30 June 2017: 3%, 1 July 2016: 3%), Oromia insurance company 5% (30 June 2017: 5%, 1 July 2016: 5%), Gutu Oromia business 20% (30 June 2017: 20%, 1 July 2016: 20%), Orologo Prefabricated PLC 20% (30 June 2017:20%, 1 July 2016: 20%), Elemutu integrated milk industry 10% (30 June 2017:10%, 1 July 2016: 10%) and Bomoj meat processing and export s.c 1.58% (30 June 2017: 1.58%, 1 July 2016: 1.58%). These investments are unquoted equity securities measured at cost.

The fair value of the unquoted equity securities carried at cost cannot be reliably estimated as there are no active market for these financial instruments; they have therefore been disclosed at cost less impairment.

18 Other assets

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Financial assets			
Uncleared effects of transfers - Foreign	223,003	258,552	182,479
Uncleared effects of transfers - Local	138,850	104,393	87,439
ATM settlement receivables	5,209	3,441	3,071
Money transfer agents	8,054	12,503	10,086
Export settlement	257,424	257,424	263,035
Advance on murabaha	-	3,059	-
Account receivable	68,594	46,768	37,662
Gross amount	**701,134**	**686,140**	**583,772**
Less: Specific impairment allowance (note 17a)	(416,654)	(414,317)	(320,660)
	284,480	271,823	263,112

Non-financial assets

Repossessed collateral	-	78,047	34,711
Profit from murabaha financing	-	7,098	-
Fixed asset in store	-	676	-
Prepaid staff expense	159,413	133,566	55,485
Prepayment for new branch opening	6,031	11,029	13,171
Prepayments	423,556	262,295	174,439
General supplies	40,443	41,748	21,008
Sundry receivables	9	2	774
	629,452	534,461	299,588
Gross amount	**1,330,586**	**1,220,601**	**883,360**

Maturity analysis	**30 June 2018 Birr'000**	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**
Current	493,542	762,447	696,467
Non-Current	837,044	458,154	186,893
	1,330,586	**1,220,601**	**883,360**

18a *Impairment allowance on other assets*

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

	30 June 2018 Birr'000	**2017 Birr'000**
Balance at the beginning of the year	414,317	320,660
Charge for the year (note 9)	2,337	93,657
Balance at the end of the year	416,654	414,317

19 Intangible Assets	**Purchased software Birr'000**	**Total Birr'000**
Cost:		
As at 1 July 2016	14,537	14,537
Acquisitions	-	-
Internal development	-	-
As at 30 June 2017	**14,537**	**14,537**
As at 1 July 2017	14,537	14,537
Acquisitions	35,162.79	35,162.79
Internal development		-
As at 30 June 2018	49,700	49,700
Accumulated amortisation		
As at 1 July 2016	6,168	6,168
Amortisation for the year	1,813	1,813
As at 30 June 2017	7,981	7,981
As at 1 July 2017	7,981	7,981
Amortisation for the year	1,817	1,817
As at 30 June 2018	9,798	9,798
Net book value		
As at 1 July 2016	8,369	8,369
As at 30 June 2017	6,556	6,556
As at 30 June 2018	39,902	39,902

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	Building Birr'000	Motor vehicles Birr'000	Office furniture, fittings & equipment Birr'000	Computer equipment Birr'000	Construction in progress Birr'000	Total Birr'000
20 Property, plant and equipment						
Cost:						
As at 1 July 2016	16,150	76,671	153,153	94,165	90,410	430,549
Additions	-	62,058	70,354	32,021	31,116	195,549
Disposals	-	-	-	-	-	-
Reclassifications	-	-	13,785	2,661	-	16,446
As at 30 June 2017	**16,150**	**138,729**	**237,292**	**128,847**	**121,526**	**642,544**
As at 1 July 2017	16,150	138,729	237,292	128,847	121,526	642,544
Additions	-	50,331	34,194	14,400	6,140	105,065
Disposals	-	(1,989)	(172)	-	-	(2,161)
Reclassification	-	940	14,112	15,829	-	30,881
Transfer to Non-Asset Held to Sa	-	-	(250)	(454)		(704)
As at 30 June 2018	**16,150**	**188,011**	**285,176**	**158,622**	**127,666**	**775,625**
Accumulated depreciation						
As at 1 July 2016	810	26,300	47,880	36,444	-	111,434
Charge for the year	297	9,739	18,727	14,549	-	43,312
Disposals	-	-	-	-	-	-
As at 30 June 2017	**1,107**	**36,039**	**66,607**	**50,993**	**-**	**154,746**
As at 1 July 2017	1,107	36,039	66,607	50,993	-	154,746
Charge for the year	307	15,123	24,872	18,658	-	58,960
Disposals	-	(1,989)	(172)	-	-	(2,161)
Transfer to Non-Asset Held to Sa	-	-	(224)	(394)		(618)
As at 30 June 2018	**1,414**	**49,173**	**91,084**	**69,257**	**-**	**210,928**
Accumulated Impairment						
As at 1 July 2017	-	-	-	-	-	-
Charge for the year			4,858	2,215		7,073
Disposals	-	-	-	-	-	-
Transfer to Non-Asset Held to Sa	-	-	(24)	(56)	-	(80)
						-
As at 30 June 2018	**-**	**-**	**4,834**	**2,159**	**-**	**6,993**
Net book value						
As at 1 July 2016	**15,340**	**50,371**	**105,273**	**57,721**	**90,410**	**319,115**
As at 30 June 2017	**15,043**	**102,690**	**170,685**	**77,854**	**121,526**	**487,798**
As at 30 June 2018	**14,736**	**138,838**	**189,258**	**87,206**	**127,666**	**557,704**

20a Non-current assets held for sale

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Balance at the beginning of the year	-	-	-
Additional Repossessed collateral from the borrower for the year	-	-	-
Transfer from repossessed collateral /Other Asset	84,329	-	-
Transfer from property, plant and equipment	7	-	
Disposals of Repossessesd collateral	-	-	-
Disposals of property, plant and equipment	-	-	-
Fair value gain/(loss) on assets held for sale	-	-	-
Balance at the end of the year	**84,336**	**-**	**-**

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

These assets have been valued by in-house engineers responsible for collateral valuation using the market approach determined using Level 3 inputs.

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

21 Deposits from customers

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Demand deposits	8,916,837	4,577,737	2,903,059
Savings deposits	13,748,812	8,478,814	4,765,400
Time deposits	504,573	518,456	663,554
Wadia demand deposits	305,088	80,830	5,916
Wadia savings deposits	1,913,190	397,663	74,813
Mobile money savings	3,651	4,145	6,075
	25,392,151	**14,057,645**	**8,418,817**

22 Due to other banks

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Demand deposits	41,691	80,823	60,836
Saving deposits	111,782	-	-
Time deposits	261,966	157,452	36,448
	415,439	**238,275**	**97,284**

23 Borrowing

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Borrowing from NBE	-	499,017	-
	-	**499,017**	**-**

The Bank has borrowings of 499 million birr in 2017 (2016: Nil) bearing an interest of 59 Million.

24 Other liabilities

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Financial liabilities			
Interest payable on deposits	0	-	-
Letter of credit margin payables	896,719	559,538	455,214
ATM settlement payable	8,035	338	165
Dividend payables	112	-	168,825
Blocked accounts	11,792	10,562	5,573
Telegraphic and Money transfer payable	2,017	1,436	1,264
Over the Counter Cash Payment (OTCP)	804	5,726	44,158
Exchange payable	78,720	41,939	27,241
Money transfer agent	-	-	58,695
Cash payement order payable	123,594	152,362	122,384
Long standing payables	2	6,368	5,607
Board of Directors remuneration payable	998	986	550
Leasehold land liability	(0)	-	-
Staff payables	79,943	9,214	17,033
Termination benefit	-	-	71
Advance from suppilers	10,606	8,009	-
Hamish Jiddiya	-	2,446	-
Cash collateral on gaurantees	-	94	2,199
	1,213,342	**799,018**	**908,979**

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

Non-financial liabilities

Defined contribution liabilities	1,815	1,721	474
Stamp duty charges	694	637	153
Withholding tax payable	768	493	145
Other tax payable	10,406	6,853	5,401
Deeferred Income Loan Processing Fee	3,888	647	118
Deeferred Income Guarantee Commission	5,427	3,441	4,154
Deeferred Income LC Commission	24,898	10,326	6,128
Deferred Income- IFB	69,632	6,607	-
Sundry payables	121,612	574,366	35,746
	-	-	-
	239,140	**605,091**	**52,319**
Gross amount	**1,452,482**	**1,404,109**	**961,298**

Maturity analysis	**30 June 2018 Birr'000**	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**
Current	271,075	235,358	444,404
Non-Current	1,181,407	1,168,751	516,894
	1,452,482	**1,404,109**	**961,298**

	30 June 2018 Birr'000	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**
25 Retirement benefit obligations			
Defined benefits liabilities:			
– Severance pay (note 25a)	26,513	13,707	9,168
Liability in the statement of financial position	**26,513**	**13,707**	**9,168**
Income statement charge included in personnel expenses:			
– Severance pay (note 25a)	5,390	4,159	-
Total defined benefit expenses	**5,390**	**4,159**	**-**
Remeasurements for:			
– Severance pay (note 25a)	(7,416)	(380)	-
`	**(7,416)**	**(380)**	**-**

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

Maturity analysis	**30 June 2018 Birr'000**	**30 June 2017 Birr'000**	**1 July 2016 Birr'000**
Current	-	-	-
Non-Current	(7,416)	(380)	-
	(7,416)	**(380)**	**-**

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25a Severance pay

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

Below are the details of movements and amounts recognised in the financial statements:

		30-Jun-2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
A	***Liability recognised in the financial position***	26,513	13,707	9,168

		30 June 2018 Birr'000	30 June 2017 Birr'000
B	***Amount recognised in the profit or loss***		
	Current service cost	3,437	2,848
	Interest cost	1,953	1,311
		5,390	**4,159**
C	***Amount recognised in other comprehensive income:***		
	Actuarial (Gains)/Losses on demographic assumptions	-	-
	Actuarial (Gains)/Losses on economic assumptions	(6,110)	(2,013)
	Actuarial (Gains)/Losses on experience	(1,306)	1,633
		(7,416)	**(380)**

25b Retirement benefit obligations (continued)

The movement in the defined benefit obligation over the years is as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000
At the beginning of the year	13,707	9,168
Current service cost	3,437	2,848
Interest cost	1,953	1,311
Remeasurement (gains)/ losses	7,416	380
At the end of the year	**26,513**	**13,707**

The significant actuarial assumptions were as follows:

i) *Financial Assumption Long term Average*

	30-Jun-2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Discount Rate (p.a)	12.31%	14.25%	14.30%
Long term salary	12.00%	9.70%	11.60%

ii) *Mortality in Service*

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

Age	Mortality rate Males	Mortality rate Females
20	0.00306	0.00223
25	0.00303	0.00228
30	0.00355	0.00314
35	0.00405	0.00279
40	0.00515	0.00319
45	0.00450	0.00428
50	0.00628	0.00628
55	0.00979	0.00979
60	0.01536	0.01536

iii) *Withdrawal from Service*

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

The sensitivity of the overall defined benefit liability to changes in the weighted principal assumption is:

		Impact on defined benefit obligation			
		30 June 2018		30 June 2017	
	Change in assumption	Impact of an increase Birr'000	Impact of a decrease Birr'000	Impact of an increase Birr'000	Impact of a decrease Birr'000
Discount rate	0.5%	(891)	926	(402)	416

		Impact on current service cost			
		30 June 2018		30 June 2017	
	Change in assumption	Impact of an increase Birr'000	Impact of a decrease Birr'000	Impact of an increase Birr'000	Impact of a decrease Birr'000
Discount rate	0.5%	(168)	175	(88)	91

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The average duration of the severance pay plan at the end of the reporting period is 2.78 years.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
25c Share capital			
Authorised:			
Ordinary shares of Birr 100 each	3,000,000	3,000,000	3,000,000
Issued and fully paid:			
Ordinary shares of Birr 100 each	1,597,006	1,000,000	910,732

26 Share premium

	30 June 2018 Birr'000	30 June 2017 Birr'000
At the beginning of the year	8,672	8,672
Addition during the year	-	-
	8,672	**8,672**

27 Earnings per share

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

	30 June 2018 Birr'000	30 June 2017 Birr'000
Profit attributable to shareholders	523,416	338,186
Weighted average number of ordinary shares in issue	12,373	9,446
Basic & diluted earnings per share (Birr)	**42**	**36**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date (30 June 2017:nil, 1 July 2016: nil), hence the basic and diluted loss per share have the same value.

	30 June 2018 Birr'000	30 June 2017 Birr'000
28 Retained earnings		
At the beginning of the year	56,918	(206,507)
Profit/ (Loss) for the year	523,416	338,186
Director's share of profit	(998)	(986)
Transfer to Legal reserve	(130,854)	(51,956)
Transfer to Risk reserve	(62,112)	(21,819)
Transfer to Dividend Payable	(183,079)	
At the end of the year	**203,292**	**56,918**

	30 June 2018 Birr'000	30 June 2017 Birr'000
29 Legal reserve		
At the beginning of the year	321,050	269,094
Transfer from profit or loss	130,854	51,956
At the end of the year	**451,904**	**321,050**

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

	30 June 2018	30 June 2017
30 Regulatory risk reserve	**Birr'000**	**Birr'000**
At the beginning of the year	56,200	34,760
Transfer From Retained Earning	62,112	21,819
Other comprehensive income	(7,416)	(380)
At the end of the year	**110,896**	**56,200**

The Regulatory risk reserve is a non-distributable reserves required by the regulations of the National Bank of Ethiopia(NBE) to be kept for impairment losses on loans and receivables in excess of IFRS charge as derived using the incurred loss model and closing amount of remeasurement gain/loss on retirement benefit obligation Birr 7.4 Mill for June 2018 and 380,000 for june 2017.

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

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

	30 June 2018	30 June 2017
31 Capital reserves	**Birr'000**	**Birr'000**
At the beginning of the year	3,932	3,932
Additional capital	-	-
	3,932	3,932

Capital reserve represents donation received from the regional government of Oromia without imposed restrictions on utilisation.

	Notes	30 June 2018 Birr'000	30 June 2017 Birr'000
32 Cash generated from operating activities			
Profit before income tax		669,817	430,711
Adjustments for non-cash items:			
Effects of foreign exchange	8	(204,830)	(75,256)
Depreciation of property, plant and equipment	20	58,961	43,312
Amortisation of intangible assets	19	1,818	1,813
Impairment on loans and receivables	14	(66,076)	(156,752)
Impairment of PPE		7,073	-
Reversal of impairment on other assets	18	2,337	93,657
Retirement benefit obligations	25	5,390	4,159
Changes in working capital:			
-Decrease/(increase) in restricted cash		(550,000)	(289,557)
-Decrease/ (Increase) in loans and advances	14	(5,138,186)	(3,768,938)
-Decrease/ (Increase) in interest free banking		(414,688)	(22,590)
-Decrease/ (Increase) in other assets	18	(109,985)	(337,241)
-Decrease/Increase in Customers deposits	21	11,334,506	5,638,828
-Decrease/Increase in Due to other banks	22	177,164	140,991
-Increase/ (Decrease) in other liabilities	24	48,373	442,811

33 Related party transactions

CBO (S.C.) was registered commercially on October 29, 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 Birr 300 million. It started operation on 8th march 2005, with paid up share capital of birr 112 million. CBO is largely owned by cooperatives with primary coperatives having 51.62%, cooperatives union 10.73%, cooperatives federation 0.52% and non-cooperatives; organisations and associations 20.47% and individuals 16.67%. The bank has entered into a number of transactions with related parties as at 30 June 2018.

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
33a *Transactions with related parties*			
Loans and advances to key management	22,203	13,334	10,041
	22,203	**13,334**	**10,041**

33b *Key management compensation*

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Bank. The compensation paid or payable to key management for is shown. There were no sales or purchase of goods and services between the Bank and key management personnel as at 30 June 2018.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Salaries and other short-term employee benefits	4,885	3,259	1,028
Sitting allowance	462	288	111
Other expenses	785	266	6
	6,132	**3,813**	**1,145**

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

33c *Board of Directors compensation*

Directors allowances represent monthly allowance of birr 4,000 per month and annual compensation of birr 100,000 per each member of board of directores of the bank.

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Profit sharing	-	986	550
Transportation allowance	480	250	-
Other expenses	-	-	-
	480	**1,236**	**550**

34 Contingent liabilities

34a *Claims and litigation*

The Bank is a party to numerous legal actions brought by different organizations and individuals arising from its normal business operations. The maximum exposure of the Bank to these legal cases as at 30 June 2018 is birr 85,929,291 (30 June 2017: Birr 93,358,789, 1 July 2016: 12,946,072). No provision has been made in the financial statements as the Directors believe that it is not probable that the economic benefits would flow out of the Bank in respect of these legal actions.

34b Contingent Assets

The Bank is a party to numerous legal actions initiated by the Bank against different organizations, current and former employees of the Bank and individuals arising from its normal business operations. The matter has been referred to the court and, having received legal advice, the Directors believe that a favourable outcome is probable. The maximum amount expected from these cases as at 30 June 2018 is Birr 20,405,416 and 30 June 2017 : Birr 15,926,297 (1 July 2016: nill). However, this has not been recognised as a receivable at the year end as receipt of the amount is dependent on the outcome of the court processes.

34c Guarantees and letters of credit

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

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
Guarantees issued	334,340	329,182	345,958
Letters of credit	766,260	580,468	506,357
	1,100,600	**909,650**	**852,315**

35 Commitments

The Bank has commitments, not provided for in these financial statements, of Birr 11 mill (30 June 2017: Birr 24 million, 1 July 2016: Birr 166 million) for undrawn overdrafts and loans approved but not yet disbursed.

36 Operating lease commitments - Bank as lessee

The Bank leases various properties under non-cancellable operating lease agreements. The lease terms are between two and five years, and majority of these lease agreements are renewable at the end of the each lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
No later than 1 year	3,679	44,979	34,235
Later than 1 year and no later than 2 years	3,645	35,189	22,662
Later than 2 years but not later than 5 years	75,754	14,630	5,411
Total	**83,078**	**94,798**	**62,308**

37 Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Bank as at 30 June 2018 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

	30 June 2018 Birr'000	30 June 2017 Birr'000
Commission income	5,513	1,058
Income from murahaba financing	-	491
Income from trade financing	14,839	-
Service Charges	-	1,386
Other Income	-	55
Total operating income	**20,352**	**2,991**
Other operating expenses	(8,216)	(1)
	12,137	2,989
Profit before tax	**12,137**	**2,989**
Income tax expense	(3,641)	(897)
Profit after tax	**8,496**	**2,092**
Transferred to Head office Account	(8,496)	(2,092)
Net	**-**	**-**

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0114421336
Authorized Auditors

Baankii Hojii Gamtaa Oromiyaa
Cooperative Bank of Oromia

	30 June 2018 Birr'000	30 June 2017 Birr'000	1 July 2016 Birr'000
ASSETS			
Cash and balances with banks	279,000	451,287	73,406
Net loan and advance	363,000	22,590	-
Other assets	1,576,090	17,433	7,694
Total assets	**2,218,090**	**491,310**	**81,100**
LIABILITIES			
Deposits from customers	2,218,000	478,493	80,729
Other liabilities	90	12,817	371
Total liabilities	**2,218,090**	**491,310**	**81,100**

	Birr
Deferred tax (liability) asset brought forward	(831,593)
Add: Temporary difference	11,063,349
Deferred tax Liability as at June 30,2016	**10,231,756**
Fixed asset - carrying amount	237,073,518
Fixed assets - tax base	193,799,665
	43,273,854
Deferred tax liability - Birr 43,273,853.78@ 30%	**12,982,156**
Severance pay - carrying amount	9,168,000
Severance pay - tax base	-
Severance pay temporary difference	9,168,000
Deferred tax Asset - Birr 9,168,000 @ 30%	**2,750,400**
Deferred tax liability - @ 30%	**10,231,756**

SCHEDULES OF PROFIT TAX COMPUTATION

(a) Component of tax expenses

Current tax expense (Note b)	58,994,013
Deferred tax liability(asset) (Note above)	11,063,349
	70,057,362

(b) Current Tax

	Birr
IFRS Accounting profit	36,945,006
Add : Disallowed expenses	
Entertainment	2,272,060
Donation	63,695
Penalty	1,501,638
Obligation (Severance pay temporary difference)	9,168,000
Provision for loans and advances as per IFRs	408,867,228
Depreciation for IFRS accounting purpose	(10,991,065)
Amortization for IFRS accounting purpose	6,168,444
	417,049,999

Less :	
Depreciation for tax purpose	44,111,769
Provision for loans and advances for tax NBE	153,370,000
Interest income taxed at source- foreign	188,925
Dividend income taxed at source	-
Interest income taxed at source-NBE Bills	50,554,395
Interest income taxed at source-Local Deposit	9,123,206
	257,348,295
Taxable profit	196,646,710
Current tax at 30%	**58,994,013**

(c) The movement of Profit Tax Payable	Birr
Balance brought forward	169,096,158
Add : Provision for the year	58,994,013
Less: Direct settlement	169,096,158
Withholding tax paid	1,921
	58,992,092

	Birr
Deferred tax (liability) asset brought forward	(12,982,156)
Add: Temporary difference	22,328,053
Deferred tax liability as at June 30,2017	**9,345,896**
Fixed asset - carrying amount	372,828,423
Fixed assets - tax base	337,136,435
	35,691,988
Deferred tax liability - Birr @ 30%	**10,707,596**
Severance pay - carrying amount	4,539,000
Severance pay - tax base	-
Severance pay temporary difference	4,539,000
Deferred tax Asset - Birr 9,168,000 @ 30%	**1,361,700**
Deferred tax liability - @ 30%	**(9,345,896)**

SCHEDULES OF PROFIT TAX COMPUTATION

(a) Component of tax expenses

Current tax expense (Note b)	93,410,889
Deferred tax (Note above)	(22,328,053)
	71,082,836

(b) Current Tax

	Birr
IFRS Accounting profit	430,711,163
Add : Disallowed expenses	
Entertainment	1,447,006
Donation	2,156,997
Penalty	689,296
Obligation (Severance pay temporary difference)	4,539,000
Awards	-
Provision for loans and advances as per IFRs	98,745,020
Depreciation for accounting purpose	(17,908,304)
Amortization for accounting purpose	7,011,481
	96,680,496
Less :	
Depreciation for tax purpose	81,118,232
Provision for loans and advances for tax NBE 80% As per GAAP	(3,040,000)
Interest income taxed at source foreign	257,945
Dividend income taxed at source	7,811,674
Interest income taxed at source-NBE Bills	70,049,246
Interest income taxed at source-Local Deposit	59,824,931
	216,022,029
Taxable profit	311,369,630
Current tax at 30%	**93,410,889**

(c) The movement of Profit Tax Payable

	Birr
Balance brought forward	58,992,092
Add : Provision for the year	93,410,889
Less: Direct settlement	-
Withholding tax paid	103,997
	152,298,984

Deferred Tax Liability

For the year ended 30 June 2018

	Birr
Deferred tax (liability) asset brought forward	10,707,596
Add: Temporary difference	12,604,307
Deferred tax liability as at June 30,2017	**23,311,904**
Fixed asset - carrying amount	469,940,418
Fixed assets - tax base	379,428,073
	90,512,345
Deferred tax liability - Birr @ 30%	**27,153,704**
Severance pay - carrying amount	12,806,000
Severance pay - tax base	-
Severance pay temporary difference	12,806,000
Deferred tax Asset - Birr 9,168,000 @ 30%	**3,841,800**
Deferred tax liability - @ 30%	**(23,311,904)**

SCHEDULES OF PROFIT TAX COMPUTATION

(a) Component of tax expenses

Current tax expense (Note b)	132,434,361
Deferred tax (Note above)	-12,604,307
	119,830,053

(b) Current Tax

	Birr
IFRS Accounting profit	669,816,844
Add : Disallowed expenses	
Entertainment	1,988,636
Donation	2,611,190
Penalty	421,242
Obligation (Severance pay temporary difference)	12,806,000
Awards	-
Provision for loans and advances as per IFRs	36,359,529
Depreciation for accounting purpose	(36,495,117)
Amortization for accounting purpose	7,849,497
	25,540,977
Less :	
Depreciation for tax purpose	78,102,926
Provision for loans and advances for tax NBE 80%	5,984,000
Interest income taxed at source foreign	452,502
Dividend income taxed at source	2,712,803
Interest income taxed at source-NBE Bills	120,798,631
Interest income taxed at source-Local Deposit	45,859,091
	253,909,952
Taxable profit	441,447,869
Current tax at 30%	**132,434,361**

(c) The movement of Profit Tax Payable

	Birr
Balance brought forward	152,298,984
Add : Provision for the year	132,434,361
Less: Direct settlement	27,422,407
Withholding tax paid	7,214
	257,303,724

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38 First-time adoption of IFRS for the Bank

These financial statements, for the year ended 30 June 2018, are the first the Bank has prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

For periods up to and including the year ended 30 June 2017, the Bank prepared its financial statements in accordance with its accounting framework. Accordingly, the Bank has prepared financial statements which comply with IFRS applicable for periods ending on or after 30 June 2018, together with the comparative period data as at and for the year ended 30 June 2017, as described in the summary of significant accounting policies.

In preparing these financial statements, the Bank's opening statement of financial position was prepared as at 1 July 2016, the Bank's date of transition to IFRS. This note explains the principal adjustments made by the Bank in restating its financial statements prepared under the previous framework, including the statement of financial position as at 1 July 2016 and the financial statements as at and for the year ended 30 June 2017.

In preparing its opening IFRS statement of financial position, the Bank has adjusted amounts reported previously in financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) of Ethiopia and the Commercial code of 1960. An explanation of how the transition from GAAP to IFRS has affected the Bank's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The most significant IFRS impact for the Bank resulted from the implementation of IAS 39 Financial Instruments: Recognition and Measurement which requires the bank to classify its financial instruments into two of the four categories e.i. available for sale and loans and receivables. Also the impairment of financial assets only in cases where there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset (referred to as an "incurred loss" model).

In preparing these financial statements in accordance with IFRS 1, the Bank has applied the mandatory exceptions from full retrospective application of IFRS. The optional exemptions from full retrospective application selected by the Bank are summarised below.

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.
Following from the principles underpinning IFRS 1, the Bank has applied the following exemptions:

a *Deemed cost for property, plant and Equipment and Intangible Assets*

property, plant and equipment and Intangible Assets where carryied in the statement of financial position prepared in accordance with previous framework usinf historical cost. The Bank has elected to regard those values as deemed cost at the transition date as carrying value under GAAP and IFRS is not expected to be materially different.

b *Leases*

The Bank has applied the transitional provision in IFRIC 4 Determining whether an Arrangement Contains a Lease and has assessed all arrangements based upon the conditions in place as at 1 July, 2016 the date of transition.

c *Designation of Previously Recognised Financial Instruments*

The Bank has applied to designate financial assets as available for sale (AFS) as at the date of transition to IFRS.

d *Fair value measurement of financial asset and financial liabilites*

The Bank has applied the exemption requirments of recognising a 'Day 1' gain or loss provision prospectively to transactions occuring after the date of transition 1 July 2016

Exceptions applied

Estimates

The estimates at 1 July 2016 are consistent with those made for the same dates in accordance with Local GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of Local GAAP did not require estimation:

-Pensions
-AFS financial assets – unquoted equity shares

The estimates used by the Bank to present these amounts in accordance with IFRS reflect conditions at 1 July 2016, the date of transition to IFRS.

38a Reconciliation of Statement of total comprehensive income for the year ended 30 June 2017

	Notes	GAAP Birr'000	measurement Birr'000	IFRS as at 30 June 2017 Birr'000
Interest income	K	1,116,611	27,206	1,143,817
Interest expense		(336,245)	-	(336,245)
Net interest income		**780,366**	**27,206**	**807,572**
Commission Income		304,794	(3,485)	301,309
commission expense		-	-	-
Net fees and commission income		**304,794**	**(3,485)**	**301,309**
Other operating income		100,128	(529)	99,600
Total operating income		**1,185,289**	**23,192**	**1,208,481**
Impairment on Loans and advances	B	3,800	152,952	156,752
Impairment losses on other assets		(93,657)	(0)	(93,657)
Net operating income		1,095,432	176,144	1,271,576
Personnel expenses	L	(474,363)	(7,436)	(481,799)
Amortisation of intangible assets	E	(969)	(844)	(1,813)
Depreciation and impairment of property, plant and equipment	D	(66,194)	22,883	(43,311)
Other operating expenses		(314,319)	378	(313,940)
Profit before tax		239,587	191,125	430,713
Income tax expense		(31,769)	(60,756)	(92,525)
Profit after tax		**207,819**	**130,369**	**338,188**
Other comprehensive income (OCI) net on income tax				
Items that will not be subsequently reclassified into profit or loss:				
Remeasurement gain/(loss) on retirement benefits obligations		-	(380)	(380)
Deferred tax (liability)/asset on remeasurement gain or loss		-	-	-
		-	(380)	(380)
Total comprehensive income for the period		**207,819**	**129,989**	**337,808**

38b Reconciliation of equity as at 30 June 2017

	Notes	GAAP Birr'000	classification Birr'000	measurement Birr'000	IFRS as at 30 June 2017 Birr'000
ASSETS					
Cash and bank deposit		2,721,974	(2,721,974)	-	-
Fixed time deposit		765,000	(765,000)	-	-
Cash and balances with ban	A	-	3,537,671	-	3,537,671
Loans and advances to customers	B	9,679,603	-	(176,217)	9,503,386
Interest free Banking		22,590			22,590
Investement in NBE bills and bonds		3,299,727	(3,299,727)	-	-
Government saving bonds		5,150	(5,150)	-	-
Investment securities:					
- Available for sale	C	-	53,420	-	53,420
-Loans and receivables	C	-	3,347,816	780	3,348,596
Property, plant and equipme	D	387,263	16,446	84,089	487,798
Aquired properties		78,047	(78,047)		-
Leasehold land		541	(541)	-	-
Intangible assets	E	12,599	-	(6,043)	6,556
Investemenet in shares		53,420	(53,420)	-	-
Other assets	F	698,327	(25,487)	133,444	806,284
Deferred tax asset		-	-	-	-
Total assets		**17,724,241**	**6,007**	**36,053**	**17,766,301**
LIABILITIES					
Customer deposit	G	14,276,794	(219,148)		14,057,646
Due to other banks	H	-	238,275	-	238,275
Margin on letter of credit		559,538	(559,538)	-	-
Current tax liabilities	I	27,422		70,009	97,431
Other liabilities	I	843,189	546,419	14,498	1,404,106
Borrowings		499,017	-		499,017
Retirement benefit obligation	J	-	-	13,707	13,707
Deferred tax liabilities		1,230	-	8,117	9,347
Total liabilities		**16,207,190**	**6,008**	**106,331**	**16,319,529**
EQUITY					
Share capital		1,000,000	-	-	1,000,000
Share premium		8,672	-	-	8,672
Retained earnings	M	183,397	-	(126,478)	56,919
Legal reserve	N	321,050	-	-	321,050
Risk reserve		-	-	56,200	56,200
Capital reserves		3,932			3,932
		1,517,051	-	(70,278)	1,446,773
Total equity and liabilities		**17,724,241**	**6,008**	**36,053**	**17,766,302**

39c Reconciliation of equity as at 1 July 2016

	Notes	GAAP Birr'000	classification Birr'000	measurement Birr'000	IFRS as at 1 July 2016 Birr'000
ASSETS					
Cash and bank deposit		2,133,871	(2,133,871)	-	-
Fixed time deposit		55,996	(55,996)	-	-
Cash and balances with ban	A	-	2,195,304	-	2,195,304
Loans and advances to customers	B	5,851,658	-	(273,960)	5,577,698
Investement in NBE bills and bonds		1,775,522	(1,775,522)	-	-
Government saving bonds		5,150	(5,150)	-	-
Investment securities:					
- Available for sale	C	-	52,181	-	52,181
-Loans and receivables	C	-	1,806,519	(277)	1,806,242
Property, plant and equipme	D	246,739	11,031	61,345	319,115
Leasehold land		549	(549)	-	-
Intangible assets	E	13,568		(5,200)	8,368
Investemenet in shares		52,181	(52,181)	-	-
Other assets	F	549,101	(41,765)	55,363	562,699
Deferred tax asset		3,013	-	(3,013)	-
Total assets		**10,687,348**	**1**	**(165,742)**	**10,521,607**
LIABILITIES					
Customer deposit	G	8,488,327	(69,510)	-	8,418,817
Due to other banks	H	-	97,284		97,284
Margin on letter of credit		455,214	(455,214)	-	-
Current tax liabilities		-	-	4,125	4,125
Deferred tax liability		-	-	10,231	10,231
Other liabilities	I	522,861	427,440	10,999	961,300
Retirement obligation	J	-	-	9,168	9,168
Total liabilities		**9,466,402**	**0**	**34,523**	**9,500,925**
EQUITY					
Share capital		910,732	-	-	910,732
Share premium		8,672	-	-	8,672
Retained earnings	M	28,517	-	(235,024)	(206,507)
Risk reserve		-		34,760	34,760
Capital reserves		3,932	-	-	3,932
Legal reserves	N	269,094	-	-	269,094
		1,220,946	-	(200,264)	1,020,682
Total equity and liabilities		**10,687,348**	**0**	**(165,741)**	**10,521,607**

39d Notes to the reconciliation of equity as at 1 July 2016 and 30 June 2017 and total comprehensive income for the year ended 30 June 2017.

		2017	1 July 2016
A	**Cash and balances with banks**	**Birr'000**	**Birr'000**
	Cash and balances with banks as per previous GAAP	-	-
	Reclassification:		
i	Reclassification of cash and bank deposits	2,721,974	2,133,871
ii	Reclassification of fixed time deposit	765,000	55,996
iii	Reclassification of accrued interest on deposits with local banks from other asset:	50,697	5,437
	Cash and balances with banks as per IFRS	3,537,671	2,195,304

Notes on reclassification

i Under prevous framework, cash and balances with banks were presented as '*cash and bank deposits*" and fixed time "*deposit*".

ii Under IFRS, both balamces have been presented under cash and balances with banks for a more apropriate

iii Under previous GAAP, interest relating to deposits with other local banks were recognised seperately under other asset. Under IFRS, the accrued interest relating to deposits with local banks have been reclassified to the relevant cash equivalent balance.

		2017	1 July 2016
B	**Loans and advances to customers**	**Birr'000**	**Birr'000**
	Loans and advances to customers under previous GAAP	9,679,603	5,851,658
	Remeasurement:		
i	Remeasurement of interest on staff loans	7,548	12,148
ii	Remeasurement of fair value of prepaid staff asset	(84,576)	(65,365)
iii	Remeasuement of impairment provision on loans and advances	152,953	(255,498)
iv	Remeasurment of interest income on impaired loans	21,819	34,755
iiv	Rollover adjustments	(273,960)	-
	Loans and advances to customers as per IFRS	9,503,387	5,577,698

Notes on remeasurement

i The adjustement on interest from staff loan arose from loans that were issued below market interest rate. Under IFRS, such loans must be recognised at fair value by discounting all future at market rate of similar loan facilities which in this case was the average of the walk-in rates that a customer will get a similar loan for all Ethiopian banker's association member banks.

ii This relates to adjustments to recognise staff loans at fair value on initial recognition.

		2017	1 July 2016
C	**Investment securities**	**Birr'000**	**Birr'000**
1	***Loans and recievables***		
	Loans and recievables under previous GAAP	-	-
	Reclassification		
i	Reclassification of NBE bills and bonds	3,299,727	1,775,522
ii	Reclassification of government saving bonds	5,150	5,150
iii	Reclassification of interest receivable from other assets	42,939	25,847
		3,347,816	**1,806,519**

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	Remeasurement		
iv	Remeasurement of interest on NBE bills and bonds using EIR	1,057	(277)
v	Rollover adjustment	(277)	-
	Loans and receivables as per IFRS	3,348,596	1,806,242
2	***Available for sale***		
i	Available for sale under previous GAAP	-	-
ii	Relassification of investement in shares	53,420	52,181
	Remeasurement		
	Impairment on available for sale investments	-	-
	Available for sale as per IFRS	53,420	52,181

Notes on reclassification (loans and receivables)

i Under the previous GAAP, NBE bills were classified as a separate line item 'NBE Bills' on the face of the financial statements. The NBE Bills have been reclassified as loans and receivables under investment securities under IFRS.

ii Under the previous GAAP, Governement saving bonds were classified as a separate line item 'Governement saving bonds' on the face of the financial statements. The governement saving bonds have been reclassified as loans and receivables investment under IFRS.

Notes on Re-measurement

iii Under pervious GAAP, the interest relating to NBE bills and government saving bonds were recognised seperately as accrued interest under other assets. Under IFRS, the accrued interest were reclassifed to the relevant asset.

iv The adjustement on NBE bills relates to the recognition of these securities at amortised cost using the effective interest rate method.

v **Notes on reclassification (avaliable-for-sale)**

Under previous GAAP, the unquoted equity securities were presented as 'investement in shares on the face of the financial statement. This has been reclassified to investment securities as available-for-sale financial instrument.

		2017 Birr'000	1 July 2016 Birr'000
D	**Property, plant and equipment**		
	Property plant and equipment under previous GAAP	387,263	246,739
	Reclassification:		
i	Reclassification of non-current asset from other assets	16,446	11,031
		16,446	11,031
	Remeasurement:		
ii	Remeasurement of accumulated depreciation on property plant and equipment	22,747	61,401
iii	Non-capitalisable cost on capital work in progress	(3)	(56)
	Roll over adjustments	61,345	-
		84,089	61,345
	Property, plant and equipment as per IFRS	487,798	319,115

Notes on reclassification

i Under previous framework, assets that were available for use but not yet put in use by the Bank were classified under other asset and not depreciated. Under IFRS, these assets have been reclasified to the appropriate class of property, plant and equipment and deprciated as appropriate.

Notes on remeasurement

ii The adjustment on property, plant and equipment represent accumulated depreciation coumptued on "*fixed asset in store*" and adjustements to adequately recognise the depreciation after the re-estimation of useful life and residual values.

		2017	1 July 2016
E	**Intangible assets**	Birr'000	Birr'000
	Intangible asset under previous GAAP	12,599	13,568
i	Remeasurment adjustement- accumulated amortisation	(843)	(5,200)
	Rollover adjustment	(5,200)	-
		6,556	**8,368**

ii Under previous framework, the functionality of the banking software was completed as at February 2013. However the bank did not being amortisation until November 2015. Under IFRS, this gave rise to the additional amortisation recognised to intangible assest coupled with the re-estimation of useful life.

		2017	1 July 2016
F	**Other assets**	Birr'000	Birr'000
	Other assets under previous GAAP	698,327	549,101
	Reclassification:		
i	Reclassification of fixed asset in store to property, plant and equipment (see note D)	(16,446)	(11,031)
ii	Reclassification of interest recivable on NBE bills and bonds	(42,939)	(25,847)
iii	Reclassification of interest on deposit with other banks (see note A)	(50,697)	(5,436)
iv	Reclassification of leashold land	541	549
v	Reclassification of acquired properties	78,047	34,711
vi	Reclassification of Montrag	6,007	
		(25,487)	(41,765)
	Remeasurement:		
vi	Remeasurement of prepaid staff asset	78,081	55,485
	Leasehold land	2	(122)
vii	Rollover adjustment	55,363	-
	Other assets as per IFRS	**806,284**	**562,699**

Notes on remeasurement

iii The adjustement on prepaid staff expense arose from the fair valuation of the below market rate staff loans. The difference between the amount disbursed and the fair value of the loan represent prepaid staff asset.

		2017	1 July 2016
G	**Deposit from customers**	Birr'000	Birr'000
	Deposit from customers under previous GAAP	14,276,794	8,488,327
	Reclassification:		
i	Reclassification of accured interest from other liabilities	-	26,326
ii	Reclassification due to other banks	(219,148)	(95,836)
		(219,148)	(69,510)
	Deposit from customers as per IFRS	**14,057,646**	**8,418,817**

Notes on reclassification

i Under previous GAAP, interest accrued on interest bearing customer deposits were recognised seperately as part of other liabilities. Under IFRS, interest payable is included in the carrying amount of the financial liability it relates to.

ii Under previous GAAP, deposits due to other banks were recognised as part of customer's deposit. Under IFRS, this has been reclassified out and seperately presented to know the banks obligaton to other banks.

		2017	1 July 2016
H	**Due to other Banks**	Birr'000	Birr'000
	Due to other banks under previous GAAP	-	-
	Reclassification:		
i	Relassification from deposit with customers (see note G)	219,148	95,836
ii	Relassification from other liabilities	19,127	1,448
	Due to other banks as per IFRS	**238,275**	**97,284**

I Other liabilities

		2017 Birr'000	1 July 2016 Birr'000
	Other liabilities under previous GAAP	843,189	522,861
	Reclassification:		
i	Reclassification adjustement- margin on letter of credit	559,538	455,214
ii	Reclassification of accrued interest to deposits from customers (see note G)	(19,126)	(27,774)
iii	Reclassification of Montrag	6,007	
		546,419	**427,440**
	Remeasurment		-
iii	Remasurment of court cases	(515)	720
iv	Leashold land	-	(122)
v	Transaction cost on loans and advances to customers	529	119
	Deeferred Income LC Commission	4,198	4,154
	Deeferred Income Guarantee Commission	(713)	6,128
vi	Roll over adjustments	10,999	-
		560,917	**10,999**
	Other liabilities as per IFRS	**1,404,106**	**961,300**

Reclassification

i Under previous GAAP, Margin held on letters of credit was recognised seperately as a line item on the financial statement. Under IFRS the Margin held on letters of credit has been reclassified to other liabilities.

Taxation	2017 Birr'000	1 July 2016 Birr'000
Current tax liability as per previous framework	27,422	-
Remeasurment		
Recognition of additional tax resuling from IFRS adjustments	70,009	4,125
Current income tax liability under IFRS	**97,431**	**4,125**
Deferred tax asset/(liability) under pervious framework	1,230	(3,013)
Remeasurment		
Remeasurment of deferred tax	8,117	13,245
Deferred tax liability under IFRS	**9,347**	**10,232**

J Retirement benefit obligation

	30 June 2017 Birr'000	1 July 2016 Birr'000
Defined benefit oblligation under previous framework	-	-
Remeasurement		
Recognition of defined benefit obligation	4,539	9,168
Rollover adjustments	9,168	-
Retirement benefit obligation under IFRS	13,707	9,168

Note on remeasurement

Under the previous framework severance pay was recognised as an accrued liability. Under IFRS defined benefit plans are to be estimated by actuaries. The actuarial report obtained from QED has been used to adjust for the estimates of the defined benefit plan.

K Interest income

	30 June 2017 Birr'000
Interest income under previous GAAP	1,116,611
Remeasurement	
Interest income on impaired loans	21,819
Interest income on staff loans	4,331
Interest income on NBE bills	1,057
Personnel cost under IFRS	**1,143,818**

Note on remeasurement

Under the previous framework severance pay was recognised as an accrued liability. Under IFRS defined benefit plans are to be estimated by actuaries. The actuarial report obtained from QED has been used to adjust for the estimates of the defined benefit plan. The related current year cost and interest cost has been charged to personnel cost.

L Personnel expenses

	30 June 2017 Birr'000
Personnel expenses under previous GAAP	474,363
Remeasurement	
Amortisation of prepaid staff expense	3,278
Defined benefit plan	4,159
Personnel expenses under IFRS	**481,800**

Note on remeasurement

Under the previous framework severance pay was recognised as an accrued liability. Under IFRS defined benefit plans are to be estimated by actuaries. The actuarial report obtained from QED has been used to adjust for the estimates of the defined benefit plan. The related current year cost and interest cost has been charged to personnel cost.

Other comprehensive income	30 June 2017 Birr'000
Other comprehensive income under previous GAAP	-
Remeasurement	
Acturial gains/losses	380
Other comprehensive income under IFRS	380

Note on remeasurement

Under the previous framework severance pay was recognised as an accrued liability. Under IFRS defined benefit plans are to be estimated by actuaries. The actuarial report obtained from QED has been used to adjust for the estimates of the defined benefit plan. The related current year cost and interest cost has been charged to personnel cost.

		2017 Birr'000	1 July 2016 Birr'000
M	**Retained earnings**		
	Retained earnings under previous GAAP	183,396	28,517
	Remeasurement:		
i	Remeasurement of interest on NBE bills and bonds using EIR	780	(277)
ii	Remeasurement on accumulated depreciation on property, plant and equipment (see note D)	84,148	61,401
iii	Remeasuement of interest	16,473	12,148
iv	Remeasurement of fair value of prepaid staff asset		
v	Remeasurment of impairment on loans and advances	(102,545)	(255,498)
vi	Recognition of defined benefit obligation	(13,327)	(9,168)
vii	Remeasurement on amortisation of intangible asset (see note E)	(6,043)	(5,200)
viii	Remeasurment of interest income on impaired loans	-	-
ix	Remasurment of court cases	(205)	(720)
x	Transaction cost on loans and advances to customers	(648)	(119)
xi	Remeasurement of prepaid staff asset		
xii	Recognition of impairment on available for sale investments	-	-
xiii	Recognition of current income tax payable	(70,009)	(4,125)
xiv	Non-capitalisable cost on capital work in progress	(60)	(57)
xv	Being amortisation of cumulative prepaid employee benefit	(13,158)	(9,880)
xvi	Being adjustment to recognise Deeferred Income on Guarantee Commission	(3,441)	(4,155)
xvii	Being adjustment to recognise Deeferred Income on LC Commission	(10,326)	(6,129)
xviii	Tax payable on suspended Interest Income	-	-
xix	Recognition of deferred tax liability	(8,117)	(13,245)
	Total remeasurment	(126,478)	(235,024)
	Transfer to legal reserve	-	-
	Retained earnings as per IFRS	**56,918**	**(206,507)**

v This refers to 25% of the total adjustments that affected the profit for the year.

		2017 Birr'000	1 July 2016 Birr'000
N	**Legal reserves**		
	Legal reserves under previous GAAP	321,050	269,094
	Transfer from retained earnings	-	-
	Legal reserves as per IFRS	**321,050**	**269,094**