Annual Report 2019/20

Coop
Bank of Oromia

Aspiring to be the Leader!

CONGRATULATIONS!

Coopbank has joined the International Cooperative Alliance

The Cooperative Bank of Oromia has joined the International Cooperative Alliance (ICA), an independent non-governmental organization representing co-operatives in the globe. The Alliance was founded in 1895, and its members are national and international co-operative organizations in all sectors of activity, including agriculture, banking, credit and saving, industry, insurance, fishing, social housing, health, public services, consumer services, and tourism. The main objective of the ICA is to promote and strengthen co-operatives all over the world. Furthermore, the alliance endeavors to encourage and defend the values and principles of the co-operative movement, stimulates mutually beneficial relations between its member organizations and favors the economy and social progress of people.

We, Cooperative Bank of Oromia, are a bank established by the co-operative movement to play our share in delivering financial services to the unbanked and underbanked communities as well as to sustain the co-operative institutions. With about 67 percent of our shareholdings being held by co-operative societies, we have a unique operating model and value propositions for co-operatives. We are also one of the largest banks in the Ethiopian banking industry, with huge retail branch networks in rural areas. With these premises, the Bank lodged a membership request to the alliance by fulfilling all the necessary evidence and conditions. Located in Brussels — Belgium, the Membership Committee of the ICA Board afterward agreed to admit our Bank as a member.

Becoming a member of the alliance will benefit the bank for global networking, for learning and adopting the latest best practices globally in cooperative movement, and for global representation and decision-making which enables us to take part in the global decision-making process regarding the strategy of the international cooperative movement. Additionally, the bank has also joined International Cooperative Banking Association (ICBA), an association representing cooperative financial institutions and cooperative banks, affiliated to the ICA.

CERTIFICATES OF MEMBERSHIP

PERFORMANCE DASHBOARD

WHAT WE HAVE ACHIEVED IN

2019/20

ETB 1.42 BILLION
GROSS PROFIT
by 86%

ETB 52.49 BILLION
ASSET
by 26%

ETB 5.11 BILLION
TOTAL CAPITAL
by 55%

ETB 45.51 BILLION
DEPOSITS
by 26%

ETB 34.2 BILLION
LOANS AND ADVANCES
by 40%

6.25 MILLION
DEPOSIT ACCOUNTS
by 20%

420
NUMBER OF BRANCHES
by 8%

8,163
EMPLOYEES
by 2%

109
ATMs
by 30%

377,856
COOPAY E-BIRR SUBSCRIBERS
by 1,062%

747
COOPAY E-BIRR MERCHANTS
by 37,250%

47%
EARNING PER SHARE
by 31%

COOP
Bank of Oromia

Committed to breakthrough!

*841#

coopay | ebirr

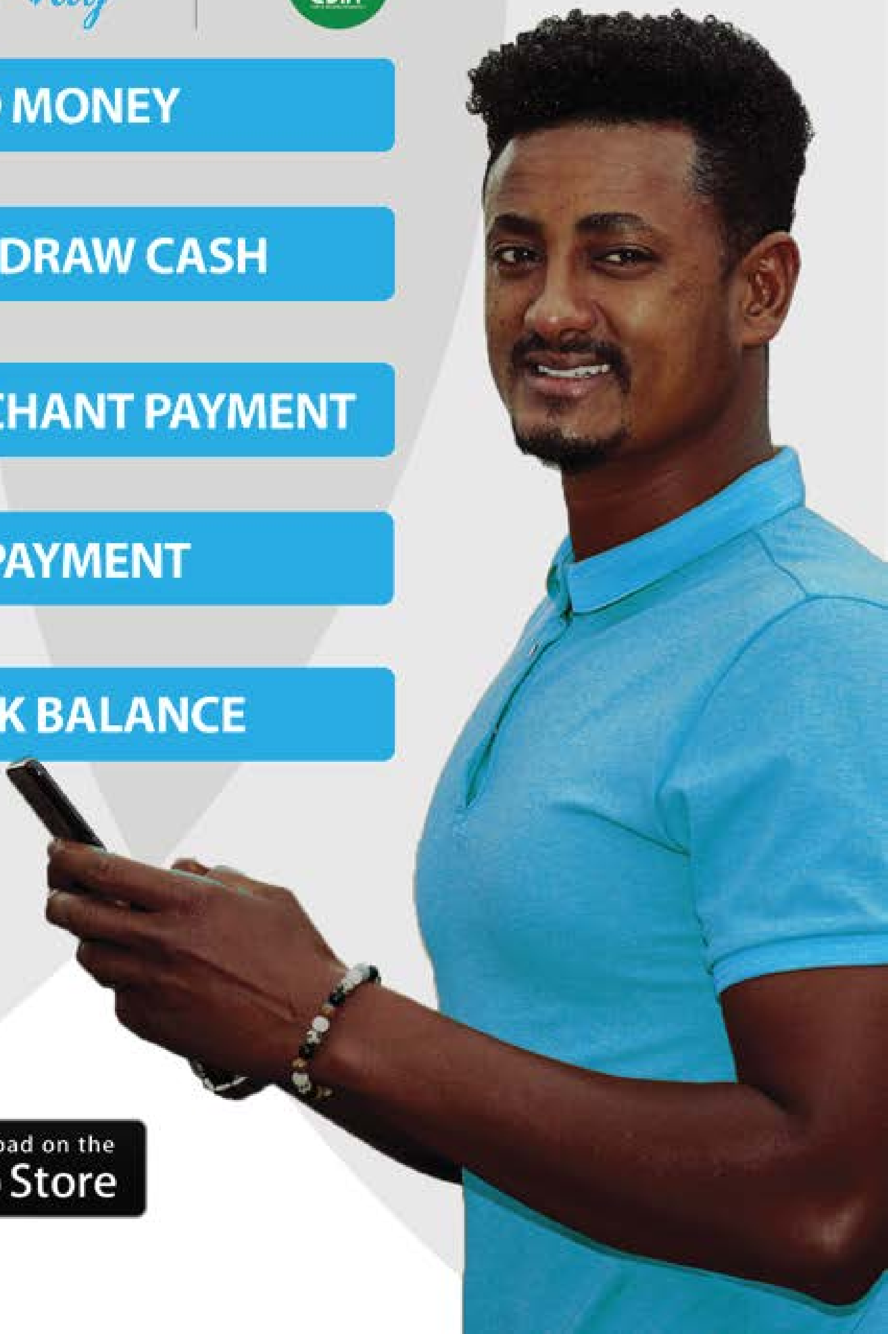
SEND MONEY

WITHDRAW CASH

MERCHANT PAYMENT

BILL PAYMENT

CHECK BALANCE



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IN THIS REPORT

"Committed to strategy and balanced growth, the bank is now positioned for better accomplishment and on a path to provide healthy and sustainable returns for shareholders.

Dear Shareholders;
It is an honor and a privilege to present to you the Annual Report and Financial Statements of our bank for the financial year ended June 30, 2020.

The year under review, 2019/20, was shaped by a series of external and industry challenges that affected the overall macro-economy and our growth momentum. Unfortunately, part of this year has seen disruption of global growth due to the COVID-19 pandemic, with many of the world's biggest economies in recession.

In the year 2019, global economy grew by 2.9 percent reinforced by revitalizing market sentiment of both manufacturing activity and global trade, and a broad-based shift toward accommodative monetary policy.

However, the succeeding year has become a challenging year for the globe and the country with the defining global health crisis and the greatest challenge of our time due to COVID-19 pandemic. The pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast.

A global economic growth is thus projected at -4.9 percent in 2020. The report by IMF (June 2020) further highlights that there are unprecedented decline in global activity and the adverse impact on low-income households is particularly acute.

Domestic macro-economic growth during the year 2019/20 slowed due to the fallout from the pandemic with a growth rate of 6.1 percent. It was also reported that, the GDP has reached $107.4 billion and per capita income surpassed $1,000 USD.

Despite the fact that these external factors severely affected the performance of banking industry and our bank in particular, it was a defining year for the bank during which an incredible performance is unfolded. The fiscal year, on the other hand, was a final year to implement the bank's three-year turnaround strategy.

In the year 2019/20, the Coopbank demonstrated an outsanding progress in all performance metrics and set a solid foundation for the future. Balance sheet of the bank was on average growing by ETB 11.57 billion over the last three fiscal years (2016/17 to 2019/20) to reach ETB 52.49 billion at the end of June 2020. Total capital of the bank reached ETB 5.73 billion, of which ETB 3 billion is the paid-up capital.

During the year, the bank managed to mobilize an additional share capital of ETB 951.3 million.

The bank's lending volumes have also increased to ETB 34.2 billion with additional loan disbursements of ETB 16.66 billion to various sectors of the economy. The bank also produced a moderate performance in customer's deposit. During the review period, the deposit position of the bank reached ETB 45.51 billion, showing an increment of ETB 9.34 billion from the preceding fiscal year.

Being committed to strategy and balanced growth, the bank is now positioned for better accomplishment and on a path to provide healthy and sustainable returns for shareholders. During the year, the bank registered gross profit before tax of ETB 1.42 billion, which is 85.5 percent larger than that of the previous year and an achievement level of 109.31 percent against the annual target. Earnings per share (EPS), therefore, showed a better picture at 47 percent, up from a 36 percent in the previous year. The improved result is gained through synergy of our employees including management and board of directors; and from a substantial increase in earnings and wise management of expenses.

Other than financial achievements, various strategic and non-financial successes were recorded during the year under consideration.

Construction of the transitional headquarters around Bole Rwanda advanced well at the end of June 2020, all structural works were completed, and finishing works were commenced partly including gypsum plastering, installation of curtain wall frames and system duct for mechanical ventilator. Construction project at Waliso town is also going well, with structural work being completed and block work commencing for the ground floor.

On the marketing front, 31 new branches were opened to put total number of branches at 420. Particularly, Coopbank remains one of the front runners in the opening of dedicated branches for Interest-free banking segment demonstrating the bank's strong commitment to delivering values to the target market. Accordingly, 12 dedicated interest free banking branches were opened at different parts of the country.

In general, the year 2020 commemorates 15 years of our existence as a bank, and the result obtained is a manifestation of the remarkable financial health of the Bank.

Looking ahead, the bank shall work to have right people, systems and processes to deliver improved results in the coming years.

Finally, on behalf of board of directors, I would like to extend my thanks to all of our shareholders, partners, NBE and the community for your continued support as we sustained the momentum through these unusual times. Our customers have been the bedrock of our solid financial and non-financial performances and we express our genuine thanks to them for their unwavering loyalty and support. And finally, to say once again, thank you to all of the Coopbank employees, for incredible hard work, enthusiasm and commitment. It is your effort that drives continued success.

Thank you,

Fikru Deksisa (PhD)
Chairman, Board of Directors

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In the year 2019/20, the Coopbank demonstrated an outstanding progress in all performance metrics and set a solid foundation for the future.

REFLECTIONS FROM THE PRESIDENT

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By recognizing the role of digital innovations to enrich customer offerings, improve customer experience, and harness the benefits of faster service, the bank laid important attention to the promotion of the digital ecosystem.

Esteemed Shareholders and other stakeholders;

The fiscal year 2019/20 was another year of global instability, with an economic downturn resulting from the coronavirus outbreak, and continued decline of global output and investment. The domestic economy, on the other hand, sustained modest growth as the reform and domestic production continued to fold momentum. Although the economy expanded significantly for eight months of the fiscal year, the momentum moderated in the last four months due to the pandemic. Aside from the pandemic, during the year, the banking industry was severely challenged with liquidity crunch.

Despite these challenges, the bank continued to maintain a healthy growth in key metrics and improved profitability for the year under review. The year also represents a major landmark for the bank, as it marked its 15th year anniversary.

The bank's balance sheet size grew by 25.6 percent during the period from ETB 41.79 billion to ETB 52.49 billion in line with increase in deposits and loans.

The most important foundation of our earning assets remained customers' deposit which grew by ETB 9.34 billion or 25.82 percent to ETB 45.51 billion ensuing to instituting and maintaining of the relationships with our clients.

During the fiscal year, the bank was able to earn a total foreign currency of USD 363.42 million with export constituting the largest share of 70.8 percent. In fact, export performance of the country has marginally improved during the year with earnings of about 3.03 billion USD, 14 percent or 300 million USD up from the previous fiscal year.

Outstanding loans and advances of the bank increased by 40.3 percent to ETB 34.21 billion in the FY 2019/20, from the 2018/19 end year value of ETB 24.39 billion. The bank made additional injection or disbursement of ETB 16.66 billion mainly to customers in export, domestic trade, service and manufacturing businesses. As for credit quality, the NPL ratio improved once again, dropping to 2.35 percent during the year, keeping below a regulatory standard of 5 percent and our internal plan.

In this fiscal year, the bank have made tremendous progress in earnings. The bank generated a record revenue of ETB 5.74 billion, up by 54.6 percent or ETB 2.03 billion from the previous year's ETB 3.71 billion. Interest income held the major portion of the income with 72.4 percent of the total revenue depicting sustainability to yield sound benefit to the Bank.

On the other hand, the total operating expense were ETB 4.32 billion, increasing by 46.6 percent from the prior year's balance of ETB 2.95 billion. Interest expenses paid on customers' deposit and personnel expenses jointly held a significant share of 61 percent from the expenses.

The bank's regular growth of earning assets, together with our unrelenting focus on efficiency and optimization, enabled the bank to deliver an underlying profit. The gross profit before tax was therefore ETB 1.42 billion, a growth of 85.5 percent from the last year's balance of 767.01 million.

Beside the financials, I feel that we have also accomplished a number of non-financial and strategic matters that are just as important for our continued success. The bank is endeavoring to continuously be in the heart of the community, and hence increased its retail branch network by 31 to 420 new branches. Moreover, by recognizing role of digital innovations to enrich customer offerings, improve customer experience and harness the benefits of faster service, the bank laid important attention to promotion of the digital ecosystem. Accordingly, the bank managed to recruit 747 merchants and 377,856 subscribers to COOPay-ebirr digital banking service.

In the moment of COVID outbreak, the bank granted a donation of ETB 5 million to the National Resources Mobilization Committee and ETB 3 million for Oromia Regional Steering Committee to fight the potential spread of the virus.

In addition, the bank also offered its two buildings in Naqamte and Kuyyu for the same services and provided transport services to its employees in a bid to strengthen efforts in containing the virus. In the same note, the bank made a significant reduction of up to 5 percent loan interest rates and waived some fees aimed at minimizing the impacts of the pandemic.

Aside from the pandemic, the bank was also engaged in supporting other humanitarian, environmental and cultural events/initiatives.

As I look forward, and especially with the commencement of the bank's five-year strategy, we will strengthen competencies of our human capital, intensively work on digitalization, and persistently revise operating models to fine tune needs of our customer service approaches. We will continue our growth and transformation journey in an aspiration to be the Bank of choice for our clients and partners, and bring operational excellence.

Finally, I can say the fiscal year 2019/20 was very fruitful, and all in all I believe we are very well positioned for the forthcoming periods. By this chance, I want to say thank you to all our employees, shareholders, board of directors, customers and partners, and regulatory bodies for your commitment, sharing our journey and for your continued support.

Thank you,

Deribie Asfaw
President

BOARD OF DIRECTORS

Fikru Deksisa (PhD)
Board chairperson

Kebede Asefa
Deputy Chairperson

Abera Hailu
Board Director

Askeberech Belayneh
Board Director

Fekadu Dugasa
Board Director

Garomsa Bayisa
Board Director

Tefera Anbessa
Board Director

Elfinesh Alemayehu
Board Director

Mulugeta Dagne
Board Director

Oumar Wabe
Board Director

Alemu Sime (PhD)
Board Director

Teshome Argeta
Board Secretary

EXECUTIVE MANAGEMENT

Deribie Asfaw
PRESIDENT

Ahmed Hassen
VP, CORPORATE BANKING

Desalegn Tadesse
VP, RETAIL AND SMEs BANKING

Aman Semir
VP, INFORMATION SYSTEM

Gadissa Mamo
VP, FINANCE AND FACILITIES MANAGEMENT

Liko Tolesa
VP, HUMAN CAPITAL AND PROJECTS MANAGEMENT

Tafesse Fana
CHIEF INTERNAL AUDITOR

Gemeda Mi'essa
CHIEF RISK AND COMPLIANCE MANAGEMENT OFFICER

Tadele Tilahun
SENIOR DIRECTOR, STRATEGY AND BUSINESS COMMUNICATIONS

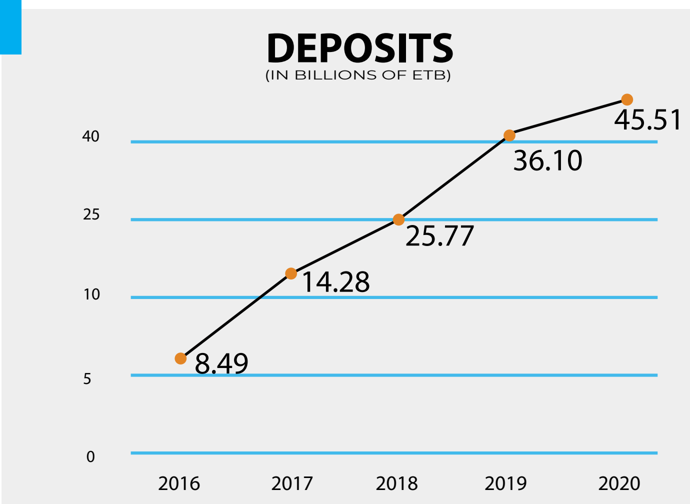
Deposits

Deposit acts as a main source to provide loans to customers and remains a key factor for the growth of the Bank. This is the main reason for banks' strenuous strive to mobilize deposits of different types from different sources. Coopbank has wider access to retail deposits through its branch network and relies on that stable funding source as the primary source of funds for lending.

In fact, customer deposit is the single biggest source of funding for the Bank and accounted for 86.70 percent of the total assets as at June 30, 2020, compared to 86.55 percent, almost equivalent to a year ago. Deposits of the Bank grew by 25.82 percent during the year and reached ETB 45.51 billion as of June 30, 2020, compared to ETB 36.17 billion as at the end of the previous year.

Deposits from retail branch banking networks constitute a substantial portion of the incremental deposit mobilized during the fiscal year.

Structure wise, savings deposit grew by 24.2 percent to ETB 28.51 billion, demand deposits grew by 13.4 percent to ETB 13.29 billion, and fixed time deposit grew to ETB 3.19 billion. Structure wise, savings deposit grew by 24.2 percent to ETB 28.51 billion, demand deposits grew by 13.4 percent to ETB 13.29 billion, and fixed time deposit grew to ETB 3.19 billion.



DEPOSIT BY TYPE (IN BILLIONS OF ETB)

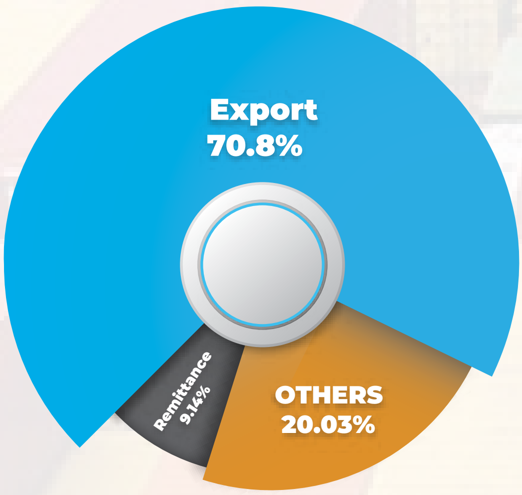
	2019/20	2018/19	2017/18
Demand	13.29	11.71	9.26
Saving	28.51	22.95	15.78
Fixed Time	3.72	1.43	0.73

During the year, the Bank has continued to expand the base of its retail customers so as to improve the Bank's funding profile and enhance the stability of the sources of financing.

International Trade

International trade is one of the first key areas where the Bank had made due efforts and achieved modest progress during the period. Though the year was described with very tough challenges mainly attributed to the covid-19 pandemic, we had managed to enhance our foreign currency generation, mainly from export earnings. But remittance performance weakened during the period mainly due to the covid-19 pandemic impacts. Throughout the fiscal year, we had generated USD 363.42 million, up by 17.1 percent compared to the volume generated at the end of June 2019.

In reference to the foreign currency inflow structure of the Bank, a significant portion of it is from export earnings with 70.8 percent, up by 26.57 percent from the last year. The amount generated from the private transfer (remittance and SWIFT) constituted 22.28 percent, declining by 7.76 percent from the last year.



The Bank had made due efforts to effectively allocate its foreign currency in order to optimize its benefits. A significant amount of payment, with 69.61 percent, was made for import LC, followed by CAD with 16.45 percent, and the remaining 13.94 percent goes to outgoing TT and others.

For the upcoming year, doubling our efforts especially through creating awareness and creating business linkages with key partners, we will enhance the foreign currency generation of the Bank to ensure the steady growth of foreign currency incomings through our Bank.

4th Round Remittance Lotto
1st prize winner

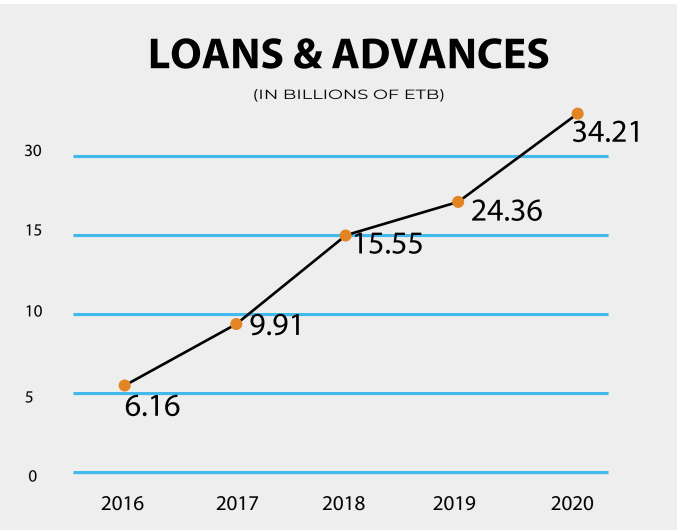
Always there for your diaspora banking needs; Save, Invest, Remit

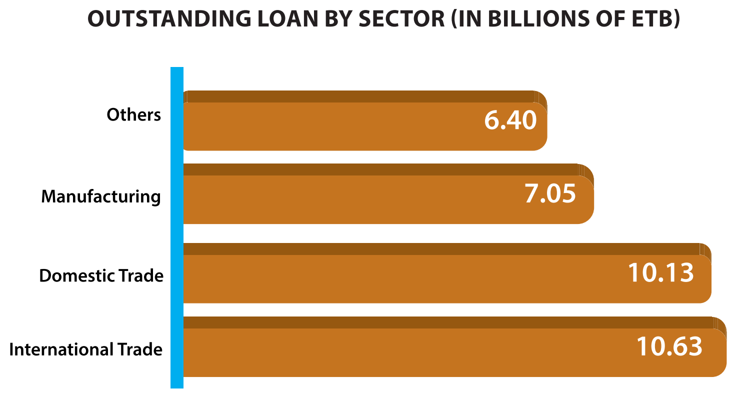
Loans and Advances

In the fiscal year 2019/20, the Bank had dispersed a considerable volume of loans to our customer segments engaged in different economic activities. Accordingly, the Bank injected fresh loans of ETB 16.66 billion to various sectors of the economy, increasing our outstanding loan portfolio to ETB 34.21 billion at the year-end, up by 40.3 percent from June 2019.

Loans to customers accounted for 64.6 percent, about two-thirds, of the total assets underlining the importance of maintaining the growth of our earning assets to ensure the profitability of the Bank. When we look at the outstanding loan portfolio by economic sector, international trade took the largest share of 31 percent, followed by domestic trade and manufacturing with 29.6 percent and 20.6 percent, in their order, at the end of the fiscal year.

Though the fiscal year was a challenging period with an anticipated impact of the pandemic, the Bank's NPL ratio was maintained within the regulatory requirement and even slowing down to 2.35 percent in the year from 2.77 percent at the end of last year.






Oromia Coffee Farmers' Cooperative Union

Project Financed, Gold Water

Profit

As it is a bottom-line element to well address the shareholders' interest, we were very attentive to the Bank's operating profit during the period under review. Balancing the trade-offs between expansion and profitability interests, we were able to generate a record amount of operating profit in the fiscal year 2019/20. The Bank's operating profit for the fiscal year was ETB 1.42 billion, a rise of 85.47 percent from the last fiscal year.

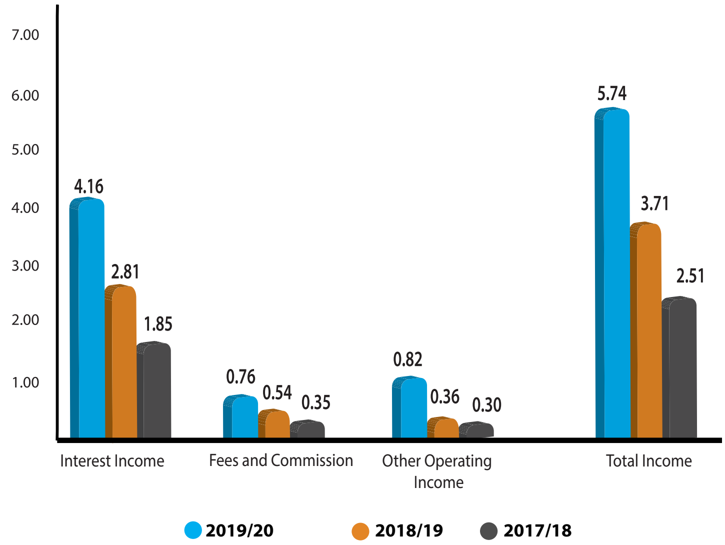
Thus, the Bank's earnings per share (EPS) for the year became 47 percent, up from the last fiscal year's 36 percent. The impressing operating profit performance of the Bank during the period was mainly due to our effective revenue and expense management practices.

During the fiscal year, we were able to generate a revenue volume of ETB 5.74 billion million, up by birr 2.03 billion from the last fiscal year, mainly attributed to the growth of the Bank's loans and advances. The lion portion of the revenue generated goes to interest income with 72.4 percent. The total interest income generated during the period was ETB 4.16 billion with a growth rate of 48.04 percent compared to ETB 2.81 billion of the 2018/19 fiscal year. Consolidated non-interest income generated was ETB 1.58 billion, grew by 75.77 percent from that of the last fiscal year, which is mainly attributed to increased income of commission and service charge from Forex and IFB income.

As to the expense side performance, the total operating expense was ETB 4.32 billion, which increased by 46.6 percent compared to ETB 2.95 billion in the 2018/19 fiscal year. By segregate view, interest expense surged by ETB 509.74 million mainly due to material growth in deposits, constituting 35.77 percent of the total operating expense. Other key operating expense categories such as personnel cost and others also shown an increase of 45.15 percent basically attributed to expansion in a business volume of the Bank.

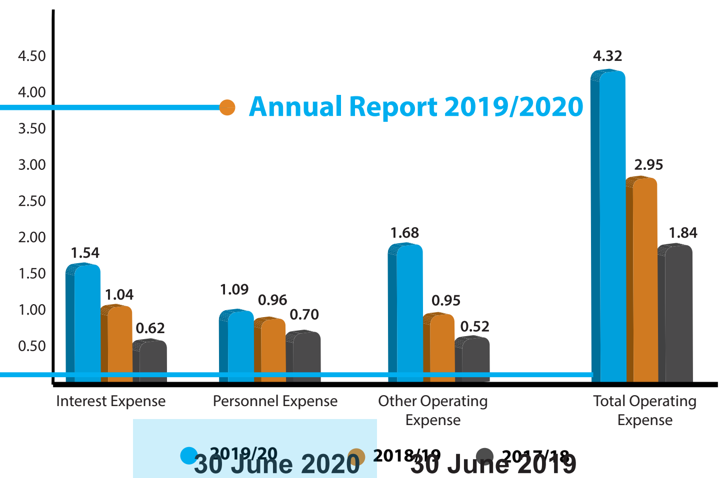
INCOME TREND BY CATEGORY (2017/18 tO 2019/20)

(in billions of ETB)



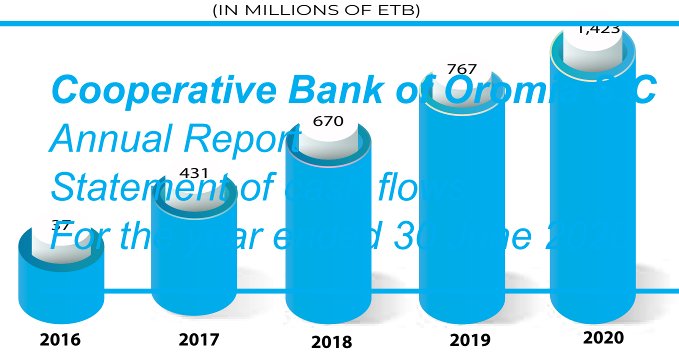
EXPENSE TREND BY CATEGORY (2017/18 TO 2019/20)

(in billions of ETB)



GROSS PROFIT

(IN MILLIONS OF ETB)



Annual Report 2019/2020

Cooperative Bank of Orom... SC

Annual Report

Statement of ... flo...

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Notes	30 June 2020 Birr'000	30 June 2019 Birr'000

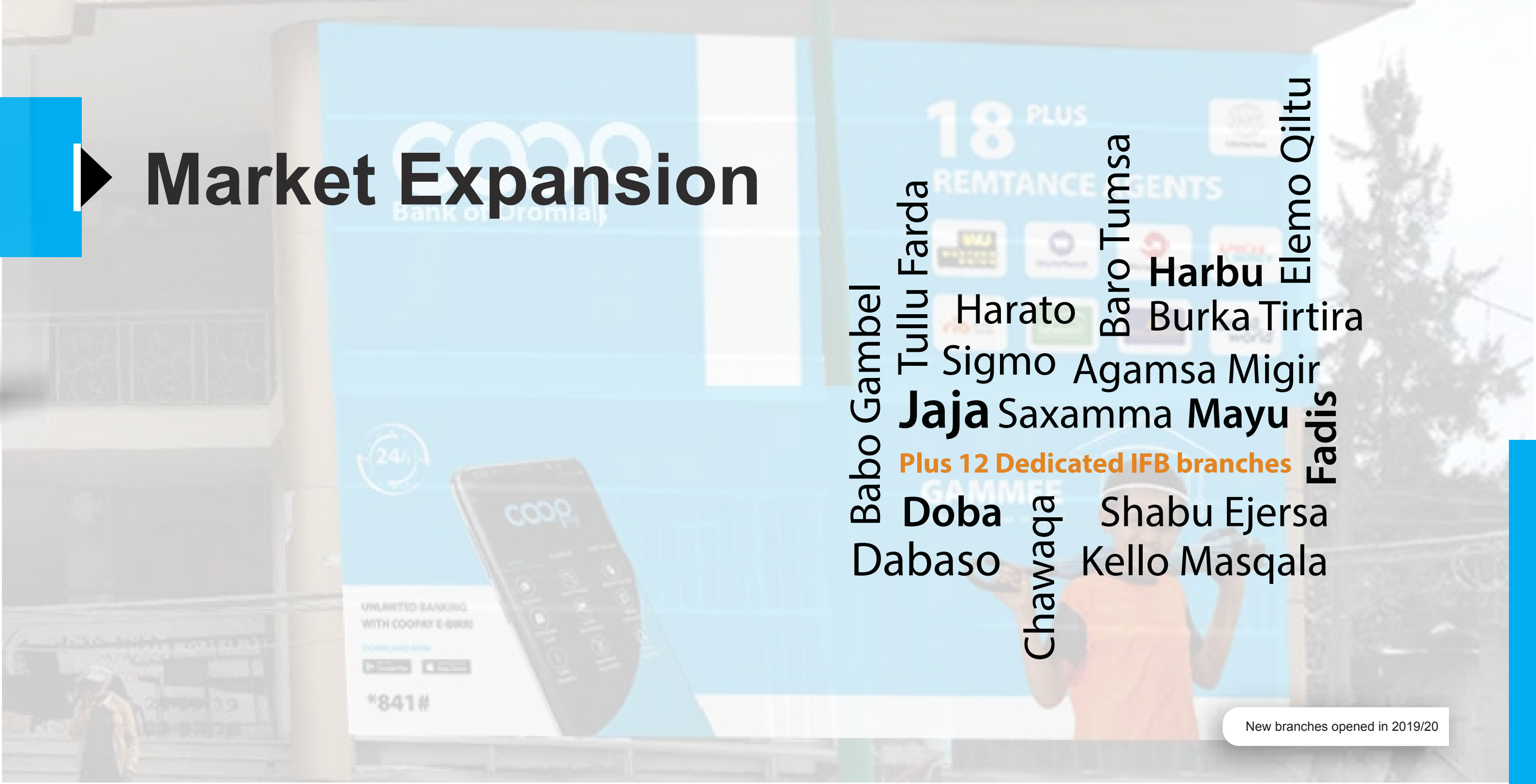
Cash flows from operating activities

Deposit Accounts

As our usual move for about the last four years, a considerable number of deposit accounts were also opened during the reporting period. With the interest to strengthen our customer base, mobilize more additional deposits and contribute to the efforts of reaching the unbanked community, we had employed different methods to recruit new deposit customers. During the fiscal year, we had strengthened our customer base by opening 1.04 million new deposit accounts, expanding it by 19.62 percent from the last year. In effect, the total deposit account of the bank reached 6.25 million at the end of June 2020. In view of the deposit accounts category, 78.24 percent is conventional type and the remaining 21.76 percent goes to IFB deposit accounts. Counting its great importance in the years ahead, we will continue broadening our customer base with due focus on digital onboarding platforms.

Our People on Account Opening

Market Expansion



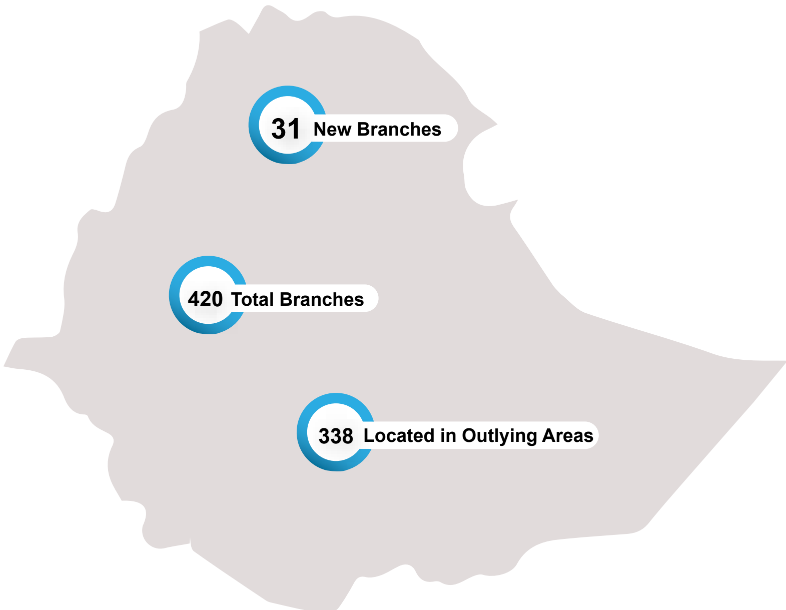
New branches opened in 2019/20

During the fiscal year under review, opposite to our move of the last consecutive years, we had intentionally slowed down our aggressive physical branch expansion. The main reason was to improve our shareholders' financial return/benefit by containing the costs related to aggressive physical branch opening that could otherwise be high. In fact, as the future is more of digital banking, we also have in mind the issue of a gradual shift to digital channel expansion. In the fiscal year 2019/20, 31 new branches were opened in different areas of the country, increasing the Bank's physical branches network to 420 at the end of June 2020.

By location category, about 80.5 percent (338 Branches) of our total branches are located in outlying areas and the remaining 82 in the capital. As of June 2020 end, we are the Bank with the highest rural branch ratio in the private banking market. This is a witness that we are mindful of a closer interaction with the rural community to contribute to the efforts of rural financial inclusion.

On the other hand, the new branches opened during the fiscal year have contributed about 6 percent to the total incremental deposits mobilized during the period in addition to other benefits to the Bank and the community.

In the upcoming year, we will continue our customer outreach efforts giving more emphasis to digital channel expansion without ignoring to open more physical branches in potential areas of the country. Being a co-operative bank, remaining relevant and sticking with mass-market customers will also be one of our key strategic initiatives



Our People

As a service-sensitive business organization, we understand that human capital is the key success factor for our growth and sustainability. We also believe that our service delivery crucially depends on the attitude and competency of our people interacting with our customers. Thoughtful of this, since recent years, we have been increasing the amount of our focus and activity regarding the Bank's human capital development practices.

During the fiscal year 2019/20, one of the key activities performed, which is of course, our first practice in the history of the Bank, was the Bank's human capital management (HCM) strategy formulation. Accordingly, the Bank has established a foundation for developing an empowered, responsive, and competent human capital.

The Bank had also executed other key human resources management activities to enhance the availability, development, and effective utilization of its employees. In effect, the Bank's staff strength was stood at 4,245 as of June 30, 2020. On the other hand, it was also in the year under review in which the Bank recruited five new employment agencies to supply and manage the outsourced employees of the Bank. Accordingly, the total outsourced staff of the Bank reached 3,918 at the end of 2019/20. During the period, the Bank had also conducted different developmental and technical training in the pursuant of enhancing its employees' competence.

As investing in human capital is an organization's lifetime activity, people strategy will remain in our due attention every time in the future. In the upcoming year, finalization and effective implementation of the Bank's human capital management strategy will be our due focus area.

To create and sustain our competitive advantage, we will exert our accelerated efforts to enhance our human resource development practices to some degree in view of the expectation of our stakeholders. Likewise, considering its direct relation with the human capital management practices, we will introduce employee's performance appraisal so as to ensure organizational performance.

Performance Review, Hawassa

Our People on Workshop

Transformational Leadership Outbound Workshop

Technology

Understanding that technology is a core element that supports the Bank to deploy its products and services in a fast and more flexible manner, we have continued to undertake IT investments that could respond to the business needs of the Bank. During the fiscal year, considerable achievements were registered in implementing the COOPay-Ebirr digital ecosystem and data center renovation projects.

To fully root the COOPay-ebirr ecosystem, key activities such as delivering technical and operational training, integrating the system with key institutional customers, activating branches to commence the ecosystem services, and enabling branches to start onboarding merchants and agents have been undertaken in the fiscal year. During the period, the data center renovation project was successfully implemented in order to align its capacity with the current business needs of the Bank.

The other focus area in the fiscal year was ATM machine deployment and put it to function. Accordingly, 25 new ATMs were deployed and configured, and 171,065 cards were distributed in the fiscal year. With respect to the COOPay digital banking performance, 385 agents, 747 merchants, and 377,856 subscribers were recruited.

In the upcoming year, the due focus will be given to upgrading the Bank's core system and implementation of new technology initiatives that will help us enhance our customer experiences. Moreover, we will diligently work to have flexible technology systems that enable us to roll out digital products and services quickly to address customers' ever-evolving needs.

Our Brand and Corporate Social Responsibility

Donations made by the Bank to combat the COVID-19 Pandemic

In the year, we have kept on reinforcing our brand equity through working on awareness, branding and marketing, and exercising social responsibilities. As taking responsibility for the society we work in is deeply rooted in the bank's value and culture, we have continued to discharge corporate social responsibilities to maintain our social engagement and positively interact with the community.

Accordingly, the bank has contributed to the 'school feeding programme' to support students in government schools in the city which would help students keep in school and cut dropouts.

With the outbreak of COVID-19 pandemic and ensuing socio-economic impacts, the bank made unprecedented support to its employees, customers and the community. For our employees, aggressive awareness creations were made through various platforms, hygiene materials and facemasks were supplied, transportation services were availed for employees working in the capital city, and repayment waiver on loan principal were made, among others.

For our clients, beside rescheduling loan settlement framework, the bank made a significant reduction of loan interest, of up to 5 percent, to pass the situation. Likewise, waiver of three-months loan interest on the sectors that are highly affected by the outbreak of the virus including tourism, hospitality and horticulture, and that of ATM commission and extension commission on LCs were made.

In addition to freely offering its two buildings in Naqamte and Kuyyu, the Bank also offered a total of ETB 8 million to resource mobilizing committees organized at national and regional levels to combat the virus.

Furthermore, our employees at various levels have publicly made in-kind and financial supports to the municipalities, local committees, and affected communities to containing the spread of the virus. Generally speaking, in the course of this challenging time, we have maintained our philosophy to be a responsible corporate company which positively contribute to the community since day one, and we live this value continuously through our actions.

On the other hand, the Bank has made various customer engagement and marketing events, including organizing exporters' day and recognizing top foreign currency generators (exporters and money transfer agents), and a fifth-round prize scheme for remittance and other forex users. Such engagement has offered a chance to strengthen our relationship and create a successful customer experience. Finally, the Bank has continued supporting art and culture, environmental, humanitarian and various social ends.

...Our Brand and CSR

Exporters' Day

Donations made by our Districts to Combat the COVID-19 Pandemic

Movie Sponsored by the Bank

Shareholders' Assembly

Coop Bank of Oromia
Baankii Hojii Gamtaa Oromiyaa

Account Holder: Cooperative Bank of Oromia

Pay: Addis Ababa City Government - School Feeding

Birr: Five Million Five Hundred Thousand Birr

5,500,000

Donation for School Feeding

Celebrating 15 YEARS 2005-2020 of Breakthrough ...and Still Counting!

The Bank Celebrated it's 15th Year Anniversary on March 8, 2020

Other Strategic Achievements

Coopbank is the first Bank of its kind in the country with a unique business model and ownership structure. Majority of the Bank's shareholders belong to the farmer-owned co-operatives, and currently, there are 5,212 co-operatives making about 67+ percent of the Bank's paid-up capital. Not only does the Bank's brand and identity embeds the values of co-operatives and togetherness but also serving this segment and rooting its foundation in the communities remains its core mission. The Bank, therefore beside rendering loans to cooperatives, has been engaged in training and building capacities of co-operative leaders and their members. In view of that, group discussion sessions were organized in coffee-growing areas, and 395 participants were also trained at three centers (Naqamte, Dire Dawa, and Hawasa districts) on coffee quality, co-operative proclamations, financial management, and related topics.

On the other hand, the Bank had created strategic partnerships with various corporate institutions, non-governmental organizations, and civil societies that are understood to being involved in work for benefit of the society and whose interests and concerns are similar or complementary to the Bank's mission.

Further strengthening the already established "three lines of defense" model, the Bank had also done various risk management and internal auditing activities to improve its governance processes. Accordingly, such activities as organizing risk monitoring data, managing compliance irregularities, AML/CFT compliance on-site review, and regular auditing of operating units were productively made. In a bid to have efficient and standardized operations, various operating policies, procedures, standards, and working manuals were also developed and revised.

The new corporate strategy of the Bank, which will be in operation for five-years (2020/21 to 2024/25), was also developed and approved during the year. As part of the strategy, the success and limitations of the prior strategy were reviewed and evaluated, detail background assessments comprising external environment, industry, and internal environment analysis were made, and validations of stakeholders and customer value propositions were thoroughly seen.

In the fiscal year 2019/20, the Bank was executing both pre-construction and construction in progress activities. The Bank has thus finalized the acquisition of 6,322 m2 of land at the downtown of the financial district development area in the capital, near the Ethiopian National Theater. The land is acquired for the construction of its headquarters pinnacle in the city.

Construction of a 3B+G+15-storey building has been in-progress for use as a transitional headquarters around Bole Rwanda, which was started in the FY 2017/18. It is advancing with all concrete and structural works completed at the end of June 2020. Finishing works have been commenced, including gypsum, plastering, curtain wall frames installation, and installation of mechanical ventilator system duct.

By giving due emphasis to this strategic theme, various construction works were also started at regional states' towns to enhance investment and fixed assets acquisition of the Bank. In this regard, the construction of a mixed-use building project has been commenced at Waliso town in the fiscal year. The progress of the project is also going well, with structural works completed and block work commenced for the ground floor during the year under consideration.

...Other Strategic Achievements

The Bank will continue constructing and purchasing its own office buildings in various parts of the country. Land acquisitions are under process at Adama, Shashemene, Jimma, Dire Dawa, Ambo, and Hawasa towns. The Bank has put forth in its five-year strategic plan and Human Capital Management strategy to construct an academy to train and develop its human capital. The academy is also intended to render training and development services to the human capital of the co-operative sector at a standard possible to accommodate in both country and other countries in Africa. The Bank will also acquire office buildings in the city through purchase to resolve its recurring problems of office spaces and reduce escalating rental expenses.

INTEREST FREE Banking Report

SHAIKH SALIH NUR AHMED
SAC CHAIRPERSON

USTAZ KAMIL SHEMSU SIRAJ
SAC DEPUTY CHAIRPERSON

SHAIKH ALFADI MUSTEFA
SAC MEMBER

SAC Members Comment on IFB Annual Report

In compliance with the Shari'ah Principles, the Bank's Financial Reporting Standards, and other relevant guidelines issued by the National Bank of Ethiopia, we, being members of the Shari'ah Committee of Cooperative Bank of Oromia – Interest Free Banking Process, do hereby confirm the following.

We are responsible to perform an advisory role on Shari'ah matters related to the Bank's business operations and activities. We have conducted meetings on different times to discuss, elaborate and review various product structures and documentations, transactions, services and operations of the Bank during the financial year ended 30 June 2020.

We, as the SAC (Shari'ah Advisory Committee) of the bank, are in charge of advising the bank on Shari'ah matters to ensure and oversee conformity of operations as well as other matters of interest free banking products and services with Shari'ah rules and principles. We therefore had directed and reviewed various matters pertaining to operations, marketing and strategic matters of the bank (of Interest Free Banking segment) to be compliant with Shari'ah Principles. We had also been trying to harmonize the operations with global practices, and represented the bank in various events for the exchanging ideas.

During the year under review, the bank have made a substantial progress with the opening of 12 dedicated Interest Free Banking branches pursuant to relaxing of Islamic banking rules as part of a larger market liberalization which had restricted operations to a window service. It is believed that opening of these branches will have a significant impact in promoting the financial inclusion and reaching a segment of the population that remains outside the banking system. Members of SAC had also joined in the opening ceremonies of these branches at different parts of the country, and concurrently, the committee being with the top leadership and Interest Free Banking process of the bank, had engaged in awareness creation activities so as to create transparency and understanding of the model to the community at large.

During these sessions, discussions were made with Ulamas and religious leaders about the model and services and products of the bank which is the great forward steps for the growth of the Islamic banking in the industry.

Coming to the operations, we had reviewed the IFB Financing contracts, gave Shari'ah opinions on issues that requires Shari'ah matters and visited IFB windows to check the operational correctness (segregations), on a sample basis.

The year has also shown a continuation of the Bank's remarkable performance in terms of major performance indicators, displaying a constant growth in the market share. The Bank's asset of Interest Free Banking reached ETB 6.4 billion, and profit of ETB 225.1 million was also recorded, during the year. The total number of IFB depositors accounts (Customer Base) of the Bank also reached 1.36 million accounts.

We want to conclude our remark saying thank you to each and every member of the bank for making the bank what it is in this market. Looking forward, the bank should keep its momentum by periodically reviewing its IFB Business/Operational Model, introducing new products, and creating awareness.

To the best of our knowledge (Allah, The Most Gracious, The Most Merciful knows best) based on the information provided and disclosed to us during discussions and meetings, we hereby confirm that the operations of the Bank for the financial year ended 30 June 2020 have been conducted in conformity with the Shari'ah principles.

In order to satisfy the mounting demand for Islamic financial services, the Bank has opened full-fledged interest-free banking branches in different parts of the country. Accordingly, three branches were opened in the capital, and the remaining nine were opened in different regions. In the years ahead, the Bank will open dedicated branches in the potential areas and will periodically look over its business model by benchmarking global practices to meet the demand in the segment. It thus realizes the Bank's goal and strategy of being the leader in the segment and beyond by warranting the satisfaction of our customers.


Fatih Mesjid Branch Inauguration

Baraka Branch Inauguration

Ansar Branch Inauguration

IFB Deposits

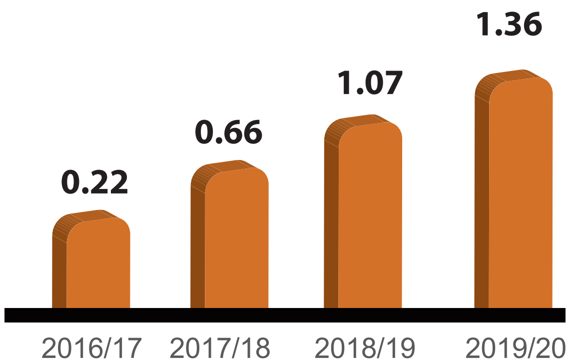
In the FY 2019/20, IFB incremental deposit mobilization has witnessed a record amount of ETB 1.41 billion, with a growth of 28.2 percent against the position of the last fiscal year.

As of June 30, 2020, the total IFB deposit position of the Bank stood at ETB 6.41 billion, having a 14.08 percent share of the Bank's total deposits.

Composition wise, our IFB deposit is structured by Wadia savings, Wadia current, and Mudaraba accounts with shares of 84.84 percent, 14.38 percent, and 0.78 percent, respectively.

IFB CUSTOMER BASE

In the year, reasonable growth in Bank's customer base was also seen in this segment. A total IFB customer base (accountholders) of the Bank reached 1.36 million customers at the end of the 2019/20 fiscal year, depicting a growth of 28.1 percent.



IFB Financing

Walifan Building financed by our IFB

Kemal Abdella International plc financed by our IFB

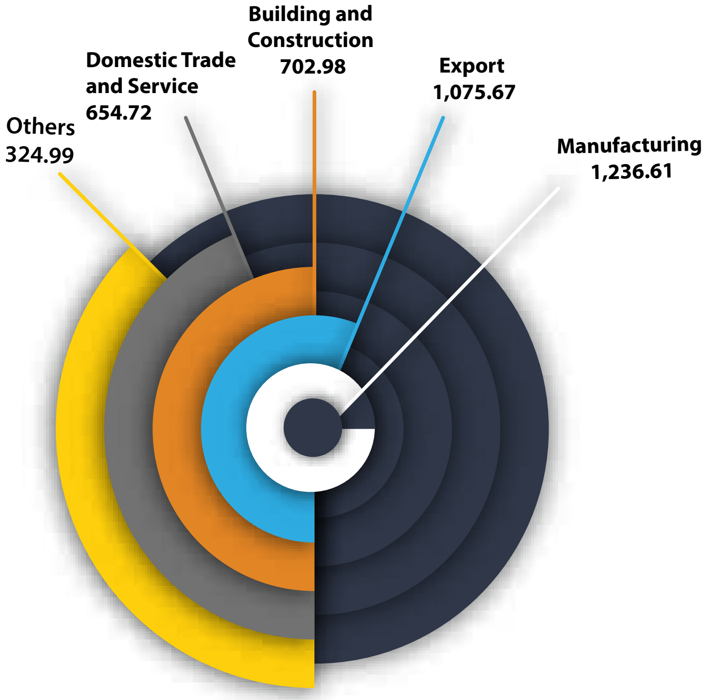
During the FY 2019/20, we have made fresh financings of ETB 2.22 billion for sharia-compliant projects and businesses in different economic sectors of the country, with the majority being given for manufacturing, foreign trade, and domestic trade and services.

IFB financings maintained a very high growth of 79.91 percent against the position of the fiscal year 2018/19.

Currently, the Bank provides Murabah and Qard Al-Hassen financings as well as other financing facilities such as a letter of guarantees. As of June 30, 2020, the Bank's IFB financing position stood almost at ETB 4 billion with 62.32 percent FDR (Financings Deposit Ratio) - the highest in the industry.

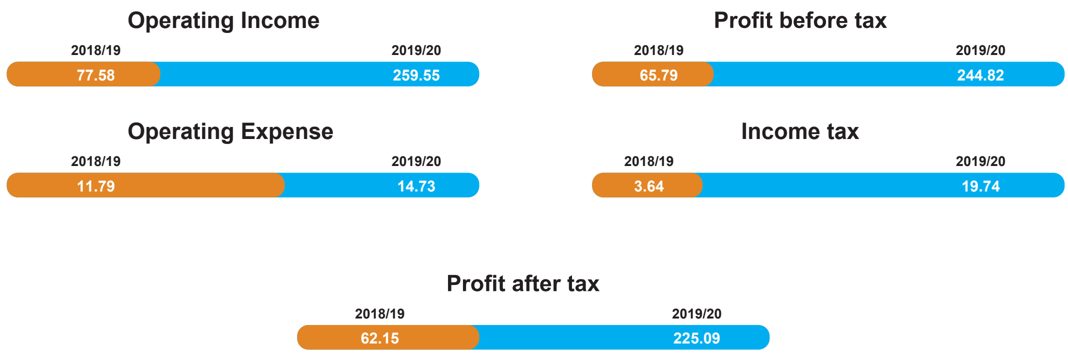
There was a very good financings portfolio management during the period with non-performing financing of only 0.54 percent as at June 30, 2020.

IFB FINANCINGS (IN MILLIONS OF ETB)



Profit from IFB

The Bank has begun recording stable earnings from the window with revenues of ETB 259.55 million and net profit for the year of ETB 225.09 million resulting from the growth of financings and trade service activities. Both operating income and net profit from the window, thus shown a remarkable growth of 234.6 percent and 262.2 percent from the preceding fiscal year.



Halal Card

Making Payments Simpler!

Audit
Report

Cooperative Bank of Oromia S.C
Annual Report
For the year ended 30 June 2020
Contents

Cooperative Bank of Oromia S.C
Annual Report
Directors, professional advisers and registered office
For the year ended 30 June 2020

Company registration number

LBB/008/2004

Directors

Dr Fikru Deksisa	Chairperson	11-Mar-2019
Obbo Kebede Asefa	Deputy chairperson	11-Mar-2019
Adde Askeberech Belayneh	Director	11-Mar-2019
Adde Elfinesh Alemayehu	Director	11-Mar-2019
Obbo Tefera Anbessa	Director	11-Mar-2019
Obbo Oumar Wabe	Director	11-Mar-2019
Obbo Garomsa Bayisa	Director	11-Mar-2019
Obbo Abera Hailu	Director	11-Mar-2019
Obbo Fekadu Dugasa	Director	11-Mar-2019
Obbo Mulugeta Dagne	Director	11-Mar-2019
Dr Alemu Sime	Director	11-Mar-2019
Obbo Teshome Argeta	Board secretary	27-May-2016

Executive management

Obbo Deribie Asfaw	President	14-Dec-2015
Obbo Ahmed Hassen	V/P Corporate Banking Process	1-May-2016
Obbo Aman Semir	V/P Information System	1-May-2016
Obbo Gadissa Mamo	VP-Finance and Facilities Mgt.	17-Sep-2018
Obbo Liko Tolessa	VP-Human Capital and Projects Mgt.	13-Apr-2018
Obbo Desalegn Tadesse	V/P Retail and SME's Banking	1-May-2016
Obbo Tafesse Fana	Chief Internal Auditor	27-May-2016
Obbo Gemeda Miessa	Chief Risk and Compliance Mgt.	27-May-2016
Obbo Tadele Tilahun	Senior Director, Strategy and Businesss Communications	13-Apr-2018

Independent auditor

Kokeb and Melkamu Audit Partnership
Chartered Certified Accountants /UK/
P.O Box 33645
Fax:0115522688
Email:kokmelk@ethionet.et
Addis Ababa
Ethiopia

Corporate office

Cooperative Bank of Oromia sc
Africa Avenue, Flamingo, Get House Building

P.O Box16936
E-Mail: info@coopbankoromia.com.et
Website: www.coopbankoromia.com.et
Addis Ababa, Ethiopia

Company secretary
Obbo Teshome Argeta

Principal bankers
National Bank of Ethiopia

Cooperative Bank of Oromia S.C
Annual Report
Report of the directors
For the year ended 30 June 2020

The directors submit their report together with the financial statements for the period ended 30 June 2020 to the share holders 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 mission of the Bank is to provide Banking solution 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.

Results and dividends

The Bank's results for the year ended 30 June 2020 are set out on the statement of profit or loss and other comprensive income. The profit for the year has been transferred to retained earnings and Risk Reserve. The summarised results are presented below.

	30 June 2020 Birr'000	30 June 2019 Birr'000
Revenue (Interest Income, Commission and operating income)	5,729,008	3,649,428
Profit before tax	1,422,614	767,013
Income tax expense	(239,995)	(109,252)
Profit for the year	1,182,619	657,762
Other comprehensive income / (loss) net of taxes	23,459	8,941
Total comprehensive income / (loss) for the year	**1,206,077**	**666,703**

Obbo Teshome Argeta
Company Secretary
Addis Ababa, Ethiopia

Kokeb & Melkamu Audit Partnership
Chartered Certified Accountants (UK)

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF COOPERATIVE BANK OF OROMIA (S.C.)
Report on the Audit of the Financial Statements

Opinion
Our opinion, the accompanying financial statement present fairly, in all material respects, the financial position of Cooperative Bank of Oromia (S.C). as at June 30,2020, and its financial performance and its cash flow for the year the ended in accordance with International Financial Reporting Standards (IFRSs).
We have audited the financial statement of the company, which comprise the statement of Financial position as at June 30,2020, and statement of profit or Loss and other comprehensive income, statement of changes in Equity and statement of Cash Flow for the year then ended, and notes to the financial statement, including a summary of significant accounting police.

Basis for Opinion

We conduct our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statement section of our report.
We are independent of the company within the meaning of Code of Ethics for professional Accountants issued by the International Federation of Accountants (IFAC) and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of and those charged with governance for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standard and the Banking Business Proclamation No.592/2008 and directives and circulars issued by the National Bank of Ethiopia, and for such internal control as management determines is necessary to enable the preparation of financial statement that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible of assessing the company's ability to continue as going concern, disclosing as applicable matters related going concern and using the going concern basis of accounting. Those charged with governance are responsible for overseeing the company's financial reporting process.

Kokeb & Melkamu Audit Partnership
Chartered Certified Accountants (UK)

Auditors Responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, whether the financial statements are property prepared in accordance with IFRS, the relevant provision of the Commercial Code of Ethiopia 1960 and the Bank Business Proclamation No.592/2008,to issue and auditors report that includes our opinion. Reasonable assurance is a high level of assurance, and not a guarantee that and audit conducted in accordance with IAS(s) will always detect a material statement when it exists. Misstatement can raise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on the legal and regulatory requirement

We have no comment to make on the report of your Board of Directors so far as it relates to the financial statements and pursuant to article 375(2) of the Commercial Code of Ethiopia 1960, and recommend approval of the financial statements.

KoKeb & Melkamu Audit Partnership
Chartered Certified Accountants (UK)
Authorized auditors in Ethiopia

Addis Ababa
October 29, 2020

Cooperative Bank of Oromia S.C

Annual Report

Statement of directors' responsibilities

For the year ended 30 June 2020

The Bank's Management 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"), The Commercial Code of Ethiopia 1960 the directives issued by the National Bank of Ethiopia 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 above mentioned 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 Bank 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 Bank will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:

Dr Fikru Deksisa
Chairperson of the Board of Directors
November 21, 2020

Cooperative Bank of Oromia S.C

Annual Report

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2020

	Notes	30 June 2020 Birr'000	30 June 2019 Birr'000	30 June 2018 Birr'000
Interest income	5	4,146,999	2,749,372	1,787,913
Suspended Interest Income	5	12.730	63.987	62.112
Interest expense	6	(1,544,853)	(1,035,111)	(620,365)
Net interest income		2,614,876	1,778,248	1,229,659
Commission income	7	762,820	544,845	354,076
Commission expense	7	-	-	-
Net fees and commission income		762,820	544,845	354,076
Other operating income	8	819,189	355,210	303,912
Total operating income		4,196,885	2,678,303	1,887,648
Loan and other asset impairment	9	(153,458)	(35,485)	66,077
Impairment Loss on repossessed collateral	9	-	(2,368)	(1,414)
Reversal of Impairment loss on Investment	9	-	13,151	(13,151)
Impairment losses on PPE	9	-	(4,243)	(7,073)
Net operating income		4,043,428	2,649,359	1,929,750
Personnel expenses	10	(1,089,325)	(959,024)	(700,430)
Amortisation of intangible assets	19	(6,938)	(6,359)	(1,817)
Depreciation of property, plant and equipment	20	(94,105)	(74,719)	(58,960)
Other operating expenses	11	(1,430,446)	(842,243)	(498,726)
Total Other Operating Expense		**(2,620,814)**	**(1,882,345)**	**(1,259,934)**
Profit before tax		**1,422,614**	**767,013**	**669,817**
Taxation		(239,995)	(109,252)	(146,400)
Profit after tax		**1,182,619**	**657,762**	**523,416**
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	25	8,699	(11,573)	(7,416)
Revaluation Gain-Equity Investment	16	14,760	20,514	-
Deferred tax (liability)/asset on remeasurement gain or loss		-	-	-
		23,459	8,941	(7,416)
Total comprehensive income for the period		**1,206,077**	**666,703**	**516,000**
Basic Earnings per share (Birr)	27	47	36	42

The notes on pages [6] to [78] are an integral part of these financial statements.

Cooperative Bank of Oromia S.C

Annual Report
Statement of financial position For the year ended 30 June 2020

	Notes	30 June 2020 Birr'000	30 June 2019 Birr'000	30 June 2018 Birr'000
ASSETS				
Cash and balances with banks	13	6,823,461	7,169,649	7,676,779
Loans and advances to customers	14	29,333,460	21,404,500	14,711,523
Interest free Financing	15	3,949,926	2,202,251	433,404
Investment securities:				
-Financial asset at fair value through OCI	16	112,326	74,566	40,269
-Financial assets at Amortized cost	17	8,960,090	8,285,861	5,430,184
Other assets	18	1,653,572	1,736,322	913,932
Right-of-use assets	18	513,928	-	-
Intangible assets	19	33,148	34,765	39,902
Property, plant and equipment	20	983,020	756,717	557,704
Non-Current Asset Held For Sale		125,553	126,173	84,336
Total assets		**52,488,484**	**41,790,805**	**29,888,033**
LIABILITIES				
Deposits from customers	21	44,942,667	35,845,307	25,392,151
Due to other banks	22	568,214	322,984	415,439
Current tax liabilities	12c	208,436	105,366	202,436
Lease liabilities	24	102,722		
Other liabilities	24	1,444,476	2,153,314	1,452,481
Retirement benefit obligation	25	52,927	47,630	26,513
Deferred tax liability	12d	58,165	26,642	23,312
Total liabilities		**47,377,607**	**38,501,243**	**27,512,332**
EQUITY				
Share capital	26	3,000,000	2,048,699	1,597,005
Share premium		8,672	8,672	8,672
Retained earnings	28	793,223	334,524	203,292
Legal reserve	29	912,017	616,350	451,904
Risk reserve	30	393,033	277,384	110,896
Capital reserves	31	3,932	3,932	3,932
Total equity		5,110,876	3,289,561	2,375,700
Total liabilities and equity		**52,488,484**	**41,790,805**	**29,888,032**

The notes on pages [6] to [78] are an integral part of these financial statements.

The financial statements were approved and authorized for issue by the board of directors on November 16, 2020 and were signed on its behalf by:

Dr Fikru Deksisa
Chairperson of the Board of Directors

Deribie Asfaw
President

Cooperative Bank of Oromia S.C

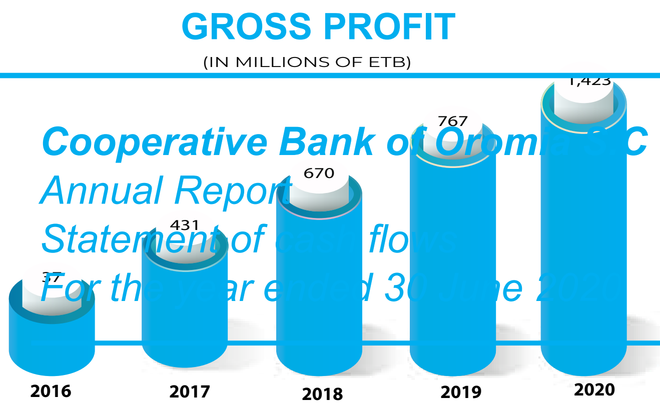
Annual Report

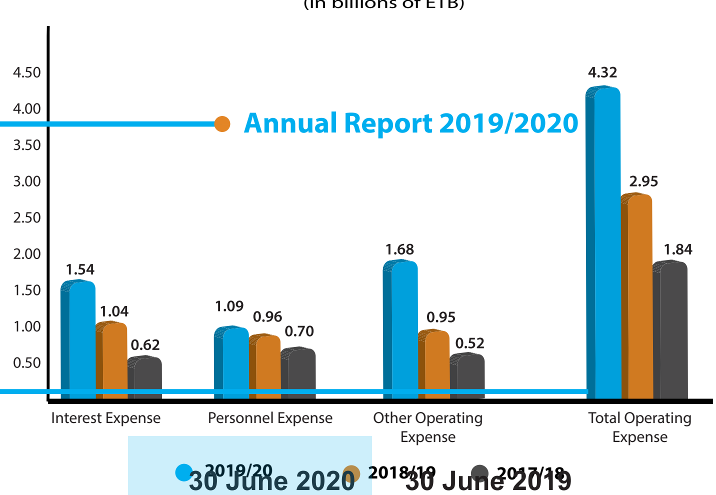
Statement of changes in equity For the year ended 30 June 2020

	Notes	Share capital Birr'000	Share premium Birr'000	Retained earnings Birr'000	Legal reserve Birr'000	Capital contribution Birr'000	Risk Reserve Birr'000	Total Birr'000
As at 1 July 2018		**1,597,005**	**8,672**	**203,292**	**451,904**	**3,932**	**110,896**	**2,375,700**
Profit for the period				657,782				657,782
Suspended Interest Income	5			(63,987)	-	-	63,987	-
Fair value gain-Equity investment	16						20,514	20,514
Other comprehensive income:								
Re-measurement gains on defined benefit plans (net of tax)	25						(11,573)	(11,573)
Total comprehensive income for the period		**1,597,005**	**8,672**	**797,087**	**451,904**	**3,932**	**183,823**	**3,042,424**
Transactions with owners in their capacity as owners								
Issue of shares	26	451,694	-	-	-	-	-	451,694
Tax Paid		-	-	-				-
Dividend Paid		-		(203,292)	-	-	-	(203,292)
Director's share of profit		-	-	(1,265)	-	-	-	(1,265)
Transfer to Risk Reserve				(93,561)			93,561	-
Transfer to legal reserve		-	-	(164,446)	164,446	-	-	-
		451,694	-	(462,564)	164,446	-	93,561	247,137
As at 30 June 2019		**2,048,699**	**8,672**	**334,524**	**616,350**	**3,932**	**277,384**	**3,289,561**
As at 1 July 2019		**2,048,699**	**8,672**	**334,524**	**616,350**	**3,932**	**277,384**	**3,289,561**
Profit for the period	28			1,182,670				1,182,670
Suspended Interest Income	5			(12,730)	-	-	12,730	-
Fair value gain-Equity investment	16						14,760	14,760
Other comprehensive income:								
Re-measurement gains/loss on defined benefit plans (net of tax)	25						8,699	8,699
Total comprehensive income for the period		**2,048,699**	**8,672**	**1,504,463**	**616,350**	**3,932**	**313,574**	**4,495,689**
Issue of shares	26	951,301	-	-	-	-	-	951,301
Tax Paid		-	-	-				-
Dividend Paid		-		(334,524)	-	-	-	(334,524)
Director's share of profit	24	-	-	(1,590)	-	-	-	(1,590)
Transfer to Risk Reserve				(79,459)			79,459	-
Transfer to legal reserve		-	-	(295,667)	295,667	-	-	-
		951,301	-	(711,240)	295,667	-	79,459	615,187
As at 30 June 2020		**3,000,000**	**8,672**	**793,223**	**912,017**	**3,932**	**393,033**	**5,110,877**

The notes on pages [6] to [78] are an integral part of these financial statements.

IFB income.





Cooperative Bank of Orom... SC

Annual Report

Statement of ... flo...

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	Notes	30 June 2020 Birr'000	30 June 2019 Birr'000
Cash flows from operating activities			
Cash generated from operations	32	(789,209)	1,784,560
Dividend Paid		(334,524)	(203,292)
Directors allowance	24	(1,590)	(1,265)
Profit Tax Paid		(105,365)	(202,437)
Withholding tax paid		(36)	(556)
Net cash (outflow)/inflow from operating activities		**(1,230,724)**	**1,377,010**
Cash flows from investing activities			
Purchase of NBE bills and bonds		(674,229)	(2,855,678)
Purchase of equity investments	16	(43,514)	(632)
Purchase of property, plant and equipment	20	(321,680)	(263,956)
Non-Current Asset Held For Sale	20a	621	(41,837)
Purchase of Intangible Asset	19	(5,321)	(1,223)
Net cash (outflow)/inflow from investing activities		(1,044,123)	(3,163,326)
Cash flows from financing activities			
Proceeds from Disposal		3,207	-
Proceeds from issues of shares	26	951,301	451,694
Net cash (outflow)/inflow from financing activities		954,508	451,694
Net increase/(decrease) in cash and cash equivalents		**(1,320,339)**	**(1,334,622)**
Cash and cash equivalents at the beginning of the year	13a	5,304,640	6,396,778
Effects of exchange rate movement on cash and cash equivalents	8	536,234	242,484
Cash and cash equivalents at the end of the year		**4,520,535**	**5,304,640**

The notes on pages [6] to [78] are an integral part of these financial statements.

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

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. 592/2008. The Bank registered office is at:

Africa Avenue
Flamingo get house building
Addis Ababa, Ethiopia

The Bank is principally engaged in providing Banking solution 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.

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 year ended 30 June, 2020 (the Financial Statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). Additional information required by National regulations is included where appropriate.

The financial statements comprises the statement of comprehensive income , the statement of financial position, the statement of changes in equity, the statement of cash flows and the accompanying notes.
The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities. Included in cash and cash equivalents are highly liquid investments.

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

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

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

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.

2.3 New and amended standards adopted by the Bank

In the current year, the Bank has applied a number of amendments to IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January, 2019.

I. IFRS 16 Leases

The bank adopted IFRS 16 Leases from 30 June 2020. IFRS 16 replaces IAS 17 Leases and addresses the classification and measurement of all leases. The banks accounting as a lessor under IFRS 16 is substantially unchanged from its approach under IAS 17; however, for lessee accounting there is no longer a distinction between the accounting for finance and operating leases. For all assets the lessee recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee’s incremental borrowing rate. Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with leases with a lease term of 12 months or less and leases of low-value assets are recognised as an expense in profit or loss on a straight-line basis.
The bank elected to apply the standard retrospectively with the cumulative effect of initial application being recognised at 30 June 2020, comparatives have therefore not been restated. There was no impact on shareholders' equity

Classification and measurement

IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortized cost, fair value through other comprehensive income (‘FVTOCI’) and fair value through profit or loss (‘FVTPL’). It includes the guidance on accounting for and presentation of financial liabilities and derecognition of financial instruments which was previously in IAS 39.
Furthermore for non-derivative financial liabilities designated at fair value through profit or loss, it requires that the credit risk component of fair value gains and losses be separated and included in OCI rather than in the income statement. The Bank does not currently have such instruments.

Impairment

IFRS 9 introduces a revised impairment model which requires entities to recognize expected credit losses ('ECL') on loans, debt securities and loan commitments not held at FVTPL based on unbiased forward-looking information. The measurement of expected loss involves increased complexity and judgment including estimation of lifetime probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk.
The increase in impairment charge is driven by:

The removal of the emergence period that was necessitated by the incurred loss model of IAS 39. All stage 1 assets carry a 12-month expected credit loss provision. This differs from IAS 39 where unidentified impairments were typically measured with an emergence period of between three to twelve months;

The provisioning for lifetime expected credit losses on stage 2 assets; where some of these assets would not have attracted a lifetime expected credit loss measurement under IAS 39;

The inclusion of forecasted macroeconomic scenarios e.g. growth rates, unemployment in the determination of the ECL in components such as Probability of Default (PD); and

The inclusion of expected credit losses on items that would not have been impaired under IAS 39, such as loan commitments and financial guarantees.

II. IFRS 15 Revenue from Contracts with Customer

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ('IFRS 15'), effective for periods beginning on 1 January, 2018 with early adoption permitted. IFRS 15 defines principles for recognizing revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16, leases).
Revenue under IFRS 15 needs to be recognized as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers. Adoption of the IFRS 15 did not have any significant impact on the Bank. The Bank has elected to adopt IFRS 15 using the cumulative effect method, under which the comparative information has not been restated.

2.4 Changes in accounting policies and disclosures

New Standards, amendments, interpretations issued.

The accounting policies adopted are consistent with those of the previous financial year, with the exception of the adoption of IFRS 16 Leases.

IFRS 16 - Leases

FRS 16 Leases, which replaced IAS 17 Leases, does not result in a significant change to lessor accounting; however, for lessee accounting there is no longer a distinction between operating and finance leases. Instead, the lessee is required to recognise both a right of use (ROU) asset and lease liability on-financial position. There is a recognition exemption permitted for leases with a term of 12 months or less. The banks applied IFRS 16 on a modified retrospective basis and took advantage of the option not to restate comparative periods. The bank applied the following transition options available under the modified retrospective approach:

- To calculate the right of use asset equal to the lease liability, adjusted for prepaid or accrued payments

The bank adjusted the carrying amount of the ROU asset at the date of initial application by the previous carrying amount of its onerous lease provision:

- To apply the recognition exception for leases with a term not exceeding 12 months
- To use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

Up on adoption of IFRS 16, the bank applied the transition option which permitted the ROU asset to equal the lease liability, adjusted for prepaid or accrued prepayments. This approach resulted in a lease liability of 102m and an ROU asset of 513m being recognised as at 30 June 2020.

The difference in the lease liability and the ROU asset was a result of the following adjustments:
An increase in the ROU asset as a result of rental prepayments of 95m, and a decrease in the ROU asset as a result of onerous lease provisions previously recognised of 19m and recognised finance cost 7m as at 30 June 2020.
The ROU asset was recorded in other asset and the lease liability within other liabilities.When measuring lease liabilities, the bank discounted lease payments using the incremental borrowing rate at 30 June 2020. The weighted average applied was 7%.

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 recognizes 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 recognized 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.

2.5 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 recognized 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 analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

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

2.6 Recognition of income and expenses

Revenue is recognized 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.

2.6.1 Interest and similar income and expense

The Bank adopted IFRS 15 from 1 July, 2018. Adoption of the standard has had no effect on financial information reported in the current or comparative periods. The Bank applies IFRS 15 to all revenue arising from contracts with clients, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments.

The Bank recognizes revenues to depict the transfer of promised service to customers in an amount that reflects the consideration the Bank expects to be entitled in exchange for the service. Fees and commissions are generally recognized on an accrual basis when the service has been provided and considering the stage of completion. Fees charged for servicing a loan are recognized in revenue as the service is provided, which in most instances occurs monthly when the fees are levied. Loan syndication fees are recognized as part of fees and commissions income when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time- apportionment basis. This is especially so as is the case in most instances for the Bank where the nature of the service provided is such that the client benefits as the services are provided. Where this is not the case and where the nature of the service provided is such that the customer only benefits on completion such fees are recognized at a point in time and usually when control transfers. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan under interest income.

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 difficulties of Computing the effective Interest rate the Bank used contractual interest rate.Once the recorded value of a financial asset or a Bank of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.6.2 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 recognized 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 recognized 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.

2.6.3 Dividend income

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

2.6.4 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 recognized in the income statement and it is further broken down into realized and unrealized potion.

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

2.7 Financial instruments - initial recognition and subsequent measurement

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Bank has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require separate presentation in the statement of profit or loss and OCI of interest revenue calculated using the effective interest method. Previously, the Bank disclosed this amount in the notes to the financial statements.

Additionally, the Bank has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018, but have not been applied to the comparative information.

The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarized below. The full impact of adopting the standard is set out in Note 7.

Transition from IAS 39 to IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except comparative periods which have generally not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at 1 July 2018.

Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.

The Bank used the exemption not to restate comparative periods but considering that the amendments made by IFRS 9 to IAS 1 introduced the requirement to present 'interest income calculated using the effective interest rate' as a separate line item in the statement of profit or loss and OCI, the Bank changed the description of the line item from 'interest income' reported in 2018 to 'interest income calculated using the effective interest method'. The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application;

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of investments in equity instruments not held for trading is at FVOCI.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Bank has assumed that credit risk on the asset had not increased significantly since its initial recognition.

2.7.1 Financial assets

Initial recognition and measurement

On initial recognition, a financial asset shall be classified either as measured at either amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).
The Bank shall measure a financial asset at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

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

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

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

On initial recognition, an equity investment that is held for trading shall be classified at FVTPL. However, for equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.
All other financial assets that do not meet the classification criteria at amortized cost or FVOCI, above, shall be classified as measured at FVTPL.
In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise

Business model assessment

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

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

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis shall be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.
Financial assets shall not be reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

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

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

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

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

Derecognition of financial assets

The Bank shall derecognize a financial asset when:

- The contractual right to the cash flows from the financial asset expires , or
- It transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

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

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

Impairment of financial assets

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

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

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

No impairment loss shall be recognized on equity investments.

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

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

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

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

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

(i) Measurement of ECL

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

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

(ii) Restructured financial assets

Where the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then the Bank shall assess whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

(iii) Credit-impaired financial assets

At each reporting date, the Bank shall assess whether financial assets carried at amortized cost, debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets').
A financial asset shall be considered 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:

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

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

(iv) Presentation of allowance for ECL in the statement of financial position

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

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;

- For loan commitments and financial guarantee contracts: generally, as a provision;where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

- For debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance shall be disclosed and is recognized in the fair value reserve.

Kokeb & Melkamu Audit Work Partnership
Chartered Certified Accountants (UK)

Cooperative Bank of Oromia

(V) Write-off

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

Recoveries of amounts previously written off shall be included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

(vi) Non-integral financial guarantee contracts

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

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

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

Collateral valuation

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

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

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 recognized at the lower of their repossessed value or the carrying value of the original secured asset and included in the relevant assets depending on the nature and the Bank’s intention in respect of recovery of these assets, and are subsequently 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.

2.7.2 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at amortized 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 amortized cost, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest rate (EIR). Amortized cost is calculated by 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 amortized cost comprise of customer deposits, margin held on letter of credit and other liabilities.

Derecognition of financial liabilities

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

2.7.3 Offsetting financial instruments

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

2.7.4 Policy applicable before July 1, 2020

a. Recognition

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

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

b. Classification

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Investments held for trading are those which were either acquired for generating a profit from short-term fluctuations in price or dealer’s margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. Investments held for trading are subsequently re-measured at fair value based on quoted bid prices or dealer price quotations, without any deduction for transaction costs. All related realized and unrealized gains and losses are included in profit or loss. Interest earned whilst holding held for trading investments is reported as interest income.

Foreign exchange forward and spot contracts are classified as held for trading. They are marked to market and are carried at their fair value. Fair values are obtained from discounted cash flow models which are used in the determination of the foreign exchange forward and spot contract rates. Gains and losses on foreign exchange forward and spot contracts are included

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money directly to a debtor with no intention of trading the receivable. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at amortized cost using the effective interest method. Loans and receivables compose of loans and advances and cash and cash equivalents.

ii) Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. A sale or reclassification of more than an insignificant amount of held to maturity investments would result in the reclassification of the entire category as available for sale and would prevent the Bank from classifying investment securities as held to maturity for the current and the following two financial years. Held to maturity investments includes treasury bills and bonds. They are subsequently measured at amortized cost using the effective interest rate method.

iii) Available-for-sale

Available-for-sale financial investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any other category of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in other comprehensive income and presented in the available-for-sale fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is re-classified to profit or loss.

c. *Identification and measurement of impairment of financial assets*

At each reporting date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset than can be estimated reliably.

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. Significant assets found not to be specifically impaired are then collectively assessed for any impairment that may have been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would otherwise not consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the Bank.

In assessing collective impairment the Bank uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rate, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognized through the unwinding of the discount.

Impairment losses on available-for-sale securities are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss.When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

d. *De-recognition*

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognized as a separate asset or liability.

The Bank derecognizes a financial liability when its contractual obligations are discharged or

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include repurchase transactions.

e. *Offsetting of financial assets and financial liabilities*

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

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Bank’s trading activity.

f. *Fair value of financial assets and financial liabilities*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, in the principal, or in its absence, the most advantageous market to which the Bank has access at that date.

Amortized cost measurement

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

2.8 *Interest free Financing and investment products*

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 Mecca 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 generating assets;

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

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 Mudarabah 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. Mutharika (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;

2.9 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.

2.10. 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 recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in income statement as incurred.

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

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

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

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

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

An item of property, plant and equipment and any significant part initially recognized is derecognized 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 derecognized.

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.

2.11 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized 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 amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortization expenses on intangible assets with finite lives is presented as a separate item in the income statement.

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

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

2.12 Non-current assets (or disposal Banks) held for sale

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

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

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

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

2.13 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 Banks of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are 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 recognized 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 recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

2.14 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 amortized over the period in which the service is to be enjoyed.

(b) Other receivables

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

2.15 Fair value measurement

Fair value under IFRS 13, Fair Value Measurement ('IFRS 13') is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on exchanges (for example, NSE, BVRM, GSE) and quotes from approved bond market makers.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer or broker, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met,

the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

For 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.

2.16 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 private organization employees pension 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) Termination benefits

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

(c) Profit-sharing and bonus plans

The Banks recognizes 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 recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.17 Provisions

Provisions are recognized 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 recognized 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 recognized as other operating expenses.

2.18 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.

2.19 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.

2.20 Leases

Under IFRS 16, a lessor is required to determine whether a lease is a finance or operating lease. A lessee is not required to make this determination.

Bank as a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the bank. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the banks incremental borrowing rate appropriate for the right-of-use asset arising from the lease. Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise IT equipment and small items of office furniture.

Bank as a lessor

Assets leased to customers are classified as finance leases if the lease agreements transfer substantially all the risks and rewards of ownership to the lessee but not necessarily legal title. All other leases are classified as operating leases. When assets are subject to finance leases, the present value of the lease payments, together with any unguaranteed residual value, is recognised as a receivable, net of allowances for expected credit losses, within loans and advances to banks and customers. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance lease income. Finance lease income is recognised in interest income over the term of the lease using the net investment method (before tax) so as to give a constant rate of return on the net investment in the leases. Unguaranteed residual values are reviewed regularly to identify any impairment.
Operating lease assets are included within property, plant and equipment at cost and depreciated over their estimated useful lives, which equates to the lives of the leases, after taking into account anticipated residual values. Operating lease rental income is recognised on a straight-line basis over the life of the lease. The Group evaluates non-lease arrangements such as outsourcing and similar contracts to determine if they contain a lease which is then accounted for separately.

2.21 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 recognized 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 recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

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

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

3 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.
This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.
The preparation of the Bank's financial statements requires 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

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 recognized in the financial statements:

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 (applicable from 1 July, 2018)

The Bank reviews its loan portfolios to assess impairment at least monthly. Where impairment has been identified, an allowance for impairment is recorded. The allowance is based on the ECLs 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 loss allowance is measured at an amount equal to lifetime ECL.
If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.
The Bank generally considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. Loss allowances on such low credit risk instrument are recognized at the equivalent of 12-month ECL.
The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as the expected life of the instrument, determination of significant increase in credit risk, selection of appropriate macro-economic variables and other forward- looking information etc.

Determining criteria for significant increase in credit risk and choosing appropriate models and assumptions for the measurement of ECL
The assessment of SICR and the calculation of ECL both incorporate forward-looking information. In assessing SICR, the Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has been applied in this process.
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.

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.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test .
The Bank determines the business model at a level that reflects how Banks of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in business model and so a prospective change to the classification of those assets.

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

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

4 Financial risk management

4.1 Introduction

This note explains the Bank's exposure to financial risks and how these risks could affect the Bank's future financial performance.The Bank has documented financial risk management policies. These policies set out the Bank's overall business strategies and its risk management philosophy. The Bank's overall financial risk management programme seeks to minimize potential adverse effects of financial performance of the Bank. The Board of Directors provides written principles for overall financial risk management and written policies covering specific areas, such as credit risk, market risk (including foreign exchange risk, interest rate risk and equity price risk) and liquidity risk . Such written policies are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the Bank's policy guidelines are complied with. Risk management is carried out by the Bank Risk team under the policies approved by the Board of Directors.

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and 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

The Board of Directors have the ultimate responsibility for establishing and ensuring the effective functioning of the Risk and Compliance Management activities of the Bank.

The board risk and compliance management sub-committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and risk appetite. It is also responsible for performing compliance monitoring and testing, preparing periodic risk and compliance exposure reports to executive management and the board of directors.

The Executive Management is responsible for translating and implementing the Bank's risk management strategy, priorities and policies as approved by the Board of Directors

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

4.1.2 Risk measurement and reporting systems

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

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

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.

4.2 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and other financial assets.
Exposure to credit risk is managed through periodic analysis of the ability of borrowers and potential borrowers to determine their capacity to meet principal and interest thereon, and restructuring such limits as appropriate. Exposure to credit risk is also mitigated, in part, by obtaining collateral, commercial and personal guarantees.
The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Banks of borrowers, and to term of the financial instrument and economic sectors.
The National Bank of Ethiopia (NBE) sets credit risk limit for a single borrower, one related party and all related parties to not exceed 25% of Bank's total capital amount as of the reporting quarterly period respectively.
Credit management is conducted as per the risk management policy and guideline approved by the board of directors and the Risk Management Committees. Such policies are reviewed and modified periodically based on changes and expectations of the markets where the Bank operates, regulations, and other factors.

4.2.1 Management of credit risk

In measuring credit risk of loans and receivables to various counterparties, the Bank considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the 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 utilization of the undrawn commitment at default.

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

4.2.2 Expected credit loss measurement

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

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

(a) Inputs, assumptions and techniques used for estimating impairment

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

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

(b) Significant increase in credit risk

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

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

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

(i) Forward transitions: Days past due

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

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

(ii) Forward transitions: Watchlist & Restructure

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

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

(iii) Forward transitions: Classification

In addition to the days past due, the bank classifies accounts as either 'Performing', 'Substandard', 'Doubtful' or 'Loss'.
This classification is considered together with days past due in determining the Stage classification. The table below summarizes the account classification and days past due.

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

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

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

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

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

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

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

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

(c) Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.
Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3. Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data;

i). Term loan exposures

Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections.
Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance data from credit reference agencies, press articles, changes in external credit ratings. Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities,Internally collected data on customer behavior, Affordability metrics

ii). Overdraft exposures

Payment record this includes:

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

(d) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. The Bank employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

(e) Determining whether credit risk has increased significantly

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

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

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

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

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

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due;
- The average time between the identification of a significant increase in credit risk and default appears reasonable;
- Exposures are not generally transferred directly from 12-month ECL measurement to credit- impaired; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

(f) Definition of default

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

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

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

- Qualitative: e.g. breaches of covenant;
- Quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- Based on data developed internally and obtained from external sources.
- Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

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

(g) Incorporation of forward-looking information

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

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

In line with the expected, as well as experienced, Expected Credit Loss forward - looking volatility arising from the economic impact of the Covid 19 global crisis, the Bank has conducted, and overlaid, additional scenario analysis on the macroeconomic overlay model. This includes application of higher probability weights on the downside scenario, lower probability weights on the upside scenario, as well as stress tests on macroeconomic projections.
The Bank continues to monitor the economic impact of Covid 19 on it's credit risk profile as well as forward - looking Expected Credit Loss estimates and shall update the same on it's IFRS 9 forward - looking estimates as and when significant changes in the overall macroeconomic environment are experienced.
External information considered includes economic data and forecasts published by Business Monitor International, an external and independent macroeconomic data body. This is in addition to industry – level, semi – annual NPL trends across statistically comparable sectors.

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Bank's senior management.
The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.
The key drivers for credit risk for each of the Bank's economic sectors is summarized below:

Sector/Product			**Macroeconomic factors**		
Agriculture and Consumer	INFLATION: Consumer price index, 2010 = 100, aver	EXCHANGE RATE: ETB/USD, aver	GDP EXPENDITURE: Exports of goods and	DEBT: Government domestic debt, ETB bn	STRATIFICATION: Household Spending, ETBbn
Domestic Trade & Service and Transport	GDP: GDP per capita, USD	GDP EXPENDITURE: Imports of goods and services, USD, bn	INFLATION: Consumer price index, 2010 =	EXCHANGE RATE: ETB/USD, aver	FISCAL: Total revenue, USDbn
Building & Construction and Manufacturing	GDP EXPENDITURE: Exports of goods and services,	FISCAL: Current expenditure, USDbn	DEBT: Government domestic debt, ETBbn	-	-
Export and Import	GDP EXPENDITURE: Exports of goods and services, ETBbn	GDP EXPENDITURE: Imports of goods and services, ETBbn	EXCHANGE RATE: Real effective exchange rate, index	GDP EXPENDITURE: Private final consumption, USDbn	DEBT: Total government debt, USDbn

The economic scenarios used as at 30 June 2020 included the following key indicators for Ethiopia for the years 2020 to 2022:

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

Macro-economic factor	2020	2021	2022
INFLATION: Consumer price index, 2010 = 100	397	470.4	517.4
GDP: GDP per capita, USD	783	889	1004
GDP EXPENDITURE: Exports of goods and services, USD per capita	64.4	72.1	80.3
GDP EXPENDITURE: Exports of goods and services, ETBbn	246.7	291.7	342.9
EXCHANGE RATE: ETB/USD	33.31	34.31	35.34
GDP EXPENDITURE: Imports of goods and services, USDbn	25.4	31.4	35.9
FISCAL: Current expenditure, USDbn	8.1	9.6	10.9
GDP EXPENDITURE: Imports of goods and services, ETBbn	845.7	1077.9	1270.6
INFLATION: Consumer price index, 2010 = 100	397	470.4	517.4
DEBT: Government domestic debt, ETBbn	752	872.3	1003.1
EXCHANGE RATE: Real effective exchange	126.32	124.12	122.16
GDP EXPENDITURE: Private final consumption, USDbn	68	81.9	95
STRATIFICATION: Household Spending,	2095.7	2503.8	2991.5
FISCAL: Total revenue, USDbn	9.6	10.3	11.6
DEBT: Total government debt, USDbn	55.2	67.1	77

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

Scenario probability weightings

As at June	2020			2019		
	Upside	Median/Central	Downside	Upside	Median/Central	Downside
Cluster 1	0%	50%	50%	16%	69%	16%
Cluster 2	0%	50%	50%	10%	80%	10%
Cluster 3	0%	50%	50%	13%	74%	13%
Cluster 4	0%	50%	50%	14.50%	71%	14.50%

(h) Modified financial assets

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

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of: its remaining lifetime PD at the reporting date based on the modified terms; with the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit- impaired at that time).
The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank Credit Committee regularly reviews reports on forbearance activities.
For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.
Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

(i) Measurement of ECL

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

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

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

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period.
The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for overdrafts that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

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

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

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

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

(j) Loss allowance

The following tables show reconciliations of loans and advances to customers at amortized cost (on balance sheet exposures) as of June 2020

		2020		
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortized cost (on balance sheet exposures)				
Balance as at 1 July 2019	**402,279**	**8,669**	**308,000**	**718,948**
Transfer to stage 1 (12 months ECL)	15,615	(4,808)	(10,807)	-
Transfer to stage 2 (Lifetime ECL not credit	(881)	1,423	(541)	0
Transfer to stage 3 (Lifetime ECL credit	(6,318)	(441)	6,759	-
Net remeasurement of loss allowance	(86,567)	(477)	137,822	50,778
New financial assets originated or purchased	147,657	807	60,947	209,411
Financial assets derecognized	(105,682)	(3,329)	(49,790)	(158,801)
Balance as at 30 June 2020	**366,103**	**1,843**	**452,389**	**820,336**

		2020		
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan commitments and financial guarantee contracts (off balance sheet exposures)				
Balance as at 1 July 2019	**35,644**	**41**	**38**	**35,722**
Transfer to stage 1 (12 months ECL)	7	(7)	-	-
Transfer to stage 2 (Lifetime ECL not credit	-	-	-	-
Transfer to stage 3 (Lifetime ECL credit	-	-	-	-
Net remeasurement of loss allowance	(732)	-	-	(732)
New financial assets originated or purchased	7,363	-	-	7,363
Financial assets derecognized	(16,814)	(33)	(38)	(16,885)
Balance as at 30 June 2020	**25,469**	**-**	**-**	**25,469**

The following table provides a reconciliation for 30 June 2020 between amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument; and the 'impairment losses on financial instruments' line item in the consolidated statement of profit or loss and other comprehensive income.

		2020			
In Birr'000	**Cash and balances with banks**	**Investment securities (debt instruments)**	**Emergency staff loans**	**Other receivables and financial assets**	**Total**
Other financial assets (debt instruments)					
Balance as at 1 July 2019	**174.05**	**414.28**	**-**	**32,164.42**	**32,752.75**
Net remeasurement of loss allowance	58.58	33.70	228.17	25,596.97	25,917.42
New financial assets originated or purchased	-	-	-	-	-
Balance as at 30 June 2020	**232.64**	**447.97**	**228.17**	**57,761.39**	**58,670.17**

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

In Birr'000	Loans and advances to customers at amortised cost	Investment securities (debt instruments)	Other financial assets	Total charge/(credit)
Net remeasurement of loss allowance	50,778	(732)	25,917	75,964
New financial assets originated or purchased	209,411	7,363	-	216,774
Financial assets derecognized	(158,801)	(16,885)	-	(175,686)
Amounts directly written off during the year	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Balance as at 30 June 2020	**101,388**	**(10,253)**	**25,917**	**117,052**

4.2.3 Credit- related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

4.2.4 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost, FVOCI debt investments and available-for-sale debt assets . Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

The loss allowance for loans and advances to customers also includes the loss allowances for loan commitments and financial guarantee contracts.

		2020			2019
In Birr'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Loans and advances to customers at amortized cost					
Stage 1 – Pass	30,717,653	-	-	30,717,653	23,211,105
Stage 2 – Special mention	-	135,161	-	135,161	474,416
Stage 3 - Non performing	-	-	1,083,717	1,083,717	752,063
Total gross exposure	30,717,653	135,161	1,083,717	31,936,531	24,437,584
Loss allowance	(366,103)	(1,843)	(452,389)	(820,336)	(718,948)
Net carrying amount	**30,351,550**	**133,317**	**631,328**	**31,116,195**	**23,718,635**

In Birr'000		2020			2019
Off balance sheet items	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Stage 1 – Pass	2,476,368	-	-	2,476,368	2,119,615
Stage 2 – Special mention	-	-	-	-	9,192
Stage 3 - Non performing	-	-	-	-	45
Total gross exposure	2,476,368	-	-	2,476,368	2,128,852
Loss allowance	(25,469)	-	-	(25,469)	(35,722)
Net carrying amount	2,450,899	-	-	2,450,899	2,093,131

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

Other financial assets (debt instruments)	*In Birr'000*	2020 Gross exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	4,652,732	(233)	4,652,499
Investment securities (debt instruments)	12 Month ECL	8,959,414	(448)	8,958,967
Other receivables and financial assets	Lifetime ECL	999,711	(57,761)	941,950
Emergency staff loans		150,547	(228)	150,319
Totals		**14,762,405**	**(58,670)**	**14,703,735**

Other financial assets (debt instruments)	*In Birr'000*	2019 Gross exposure	Loss allowance	Net carrying amount
Cash and balances with banks	12 Month ECL	3,481,072	(174)	**3,480,898**
Investment securities (debt instruments)	12 Month ECL	8,285,513	(414)	**8,285,098**
Other receivables and financial assets	Lifetime ECL	574,604	(32,164)	**542,440**
Totals		**12,341,188**	**(32,753)**	**12,308,435**

4.2.5 Credit concentrations

The Bank monitors concentrations of credit risk by social sector. An analysis of concentrations of credit risk at 30 June 2020, 30 June 2019 and 30 June 2018. The Bank concentrates all its financial assets in Ethiopia.

30 June 2020	Public Enterprise Birr'000	Cooperative Birr'000	Private Birr'000	Others Birr'000
Cash and balances with banks	6,823,461	-	-	-
Loans and advances to customers	4,260,433	3,878,851	26,074,580	-
Investment securities:				
-Financial asset at fair value through OCI	112,326	-	-	-
-Financial assets at Amortized cost	8,960,090	-	-	-
Other assets:	-	-	-	-
	20,156,310	3,878,851	7,555,700	658,550

30 June 2019	Public Enterprise Birr'000	Cooperative Birr'000	Private Birr'000	Others Birr'000
Cash and balances with banks	7,169,647	-	-	-
Loans and advances to customers	220,310	3,204,260	20,966,100	-
Investment securities:				
-Financial asset at fair value through OCI	74,566	-	-	-
-Financial assets at Amortized cost	8,285,861	-	-	-
Other assets:	8,343	-	-	-
	15,758,726	**3,204,260**	**20,966,100**	**-**

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	-	-	-	-
- Loans and receivables		-	-	-
Other assets:	-	-	-	-
	7,778,459	**2,946,650**	**12,436,680**	**-**

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

4.2.6 Commitments and guarantees

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

	30 June 2020 Birr'000	30 June 2019 Birr'000	30 June 2018 Birr'000
Loan commitments	3,401,936	2,728,990	1,949,820
Guarantees	5,262,566	939,850	334,340
Letters of credit	1,627,508	1,441,140	766,260
	10,292,009	5,109,980	3,050,420

4.3 Liquidity risk

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

4.3.1 Management of liquidity risk

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

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

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

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

4.3.2 Maturity analysis of financial liabilities

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

30 June 2020	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	12,064,018	-	-	-	-
Due to other banks	300,239	-	-	-	-
Other liabilities	1,388,554	-	-	-	-
Total financial liabilities	13,752,811	-	-	-	-
Loan commitments	3,401,936	-		-	-
Guarantees		5,262,566		-	-
Letters of credit		1,627,508	-	-	-
Total commitments	**3,401,936**	**6,890,073**	**-**	**-**	**-**

Assets used to manage liquidity risk

30 June 2019	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	10,767,394	-	-	-	-
Due to other banks	85,362	-	-	-	-
Other liabilities	1,556,218	-	-	-	-
Total financial liabilities	12,408,974	-	-	-	-
Loan commitments	2,728,996	-		-	-
Guarantees		939,850		-	-
Letters of credit		1,441,140	-	-	-
Total commitments	**2,728,996**	**2,380,990**	**-**	**-**	**-**

Assets used to manage liquidity risk

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	-	-	-	-	-
Total financial liabilities	8,958,528	-	-	-	-
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**	**-**	**-**

4.3.3 Financial assets pledged as collaterals

The Bank does not have any assets pledged as collateral

4.4 Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility.
The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing the return on risk. Overall responsibility for managing market risk rests with the bank Risk Management and the Board's Risk Committee. The bank Risk Management is responsible for the development of detailed risk management policies and procedures (subject to review and approval by the Board's Risk Committee) and for the day to day implementation of those policies.
The Bank does not ordinarily engage in trading activities as there are no active markets in Ethiopia.

4.4.1 Management of market risk

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

(i) Interest rate risk

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

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

(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.

4.5 Capital management

The bank's objectives in managing capital are:

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

Risk-weighted assets are calculated in accordance with regulatory guidelines. Credit risk-weighted assets are measured by applying a hierarchy of risk weights related to the nature of the risks associated with on- and off-balance sheet asset classes.
Operational risk- weighted assets are calculated by applying a scaling factor to the bank's average gross income.
Market risk-weighted assets are calculated by applying factors to the bank's trading exposures to foreign currencies, interest rates, and prices.

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

4.5.1 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 2020 Birr'000	30 June 2019 Birr'000	30 June 2018 Birr'000
Capital			
Share capital	3,000,000	2,048,699	1,597,005
Retained earnings	793,223	334,524	203,292
Capital reserves	3,932	3,932	3,932
Share Premium	8,672	8,672	8,672
Legal reserve	912,017	616,350	451,904
	4,717,844	3,012,176	2,252,201
Risk weighted assets			
Risk weighted balance for on-balance sheet items	37,096,746	30,609,062	20,426,187
Credit equivalents for off-balance sheet Items	4,939,178	5,109,980	3,050,420
Total regulatory capital	42,035,924	35,719,042	23,476,607
Total risk weighted assets			
Risk-weighted Capital Adequacy Ratio (CAR)	**11.22%**	**8.43%**	**10%**
Minimum required capital	**8.00%**	**8.00%**	**8%**

4.6 Fair value of financial assets and liabilities

Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.
IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

4.6.1 Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input 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 categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1: 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.

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

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

	30 June 2020 Carrying amount Birr'000	30 June 2019 Carrying amount Birr'000	Fair Value Birr'000	30 June 2018 Carrying amount Birr'000	Fair Value Birr'000	30 June 2017 Carrying amount Birr'000
Financial assets						
Cash and balances with banks	6,823,461	7,169,649	7,169,649	7,676,779	7,676,779	3,537,671
Loans and advances to customers	29,333,460	21,404,500	21,404,500	14,711,523	14,711,523	9,503,388
Interest free financing	3,949,926	2,202,251	2,202,251	433,404	433,404	22,590
Investment securities	-	-	-			
-Equity Investment	112,326	74,566	74,566	40,269	40,269	53,420
-Amortized Cost	8,960,090	8,285,861	8,285,861	5,430,184	5,430,184	3,348,596
Other asset	1,653,572	1,736,322	1,736,322	913,932	913,932	806,284
Total	49,179,263	39,136,827	39,136,827	28,292,159	28,292,159	17,271,949
Financial liabilities						
Deposits from customers	44,942,667	35,845,307	35,845,307	25,392,151	25,392,151	14,057,645
Due to other banks	568,214	322,984	322,984	415,439	415,439	238,275
Other liabilities	1,444,476	2,153,314	-	-	-	799,018
Total	46,955,357	38,321,605	36,168,291	25,807,590	25,807,590	15,094,938

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

4.6.3 Fair value methods and assumptions

(a) Loans and advances to customers

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

(b) Cash

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

(c) Deposit from banks, due to customers and other deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.
The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.
For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

(d) Other assets

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

(e) Other liabilities

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

4.6.4 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.

4.7 Offsetting financial assets and financial liabilities

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

Chartered Certified Accountants
Kokeb & Melkamu Audit Work Partnership

Cooperative Bank of Oromia

Kokeb & Melkamu Audit Partnership

Chartered Certified Accountants (UK) Interest free banking statement of profit or loss

	30 June 2020 Birr'000	30 June 2019 Birr'000
Commission income	42,037	26,518
Income from trade financing	217,511	51,058
Total operating income	**259,548**	**77,576**
Other operating expenses	(14,725)	(11,785)
	244,823	65,791
Profit before tax	**244,823**	**65,791**
Income tax expense	(19,737)	(3,641)
Profit after tax	**225,086**	**62,150**

Kokeb & Melkamu Audit Partnership

Chartered Certified Accountants (UK)

Interest free banking statement of financial position

	30 June 2020 Birr'000	30 June 2019 Birr'000
ASSETS		
Cash and balances with banks	490,485	570,050
Net loan and advance	3,949,926	2,202,251
Profit Receivable	769,175	466,108
Other assets	1,198,660	1,761,950
Total assets	**6,408,246**	**5,000,359**
LIABILITIES		
Deposits from customers	6,408,246	5,000,359
Total liabilities	**6,408,246**	**5,000,359**

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

		30 June 2020 Birr'000	30 June 2019 Birr'000
5	**Interest income**		
	Loans and advances to customers	3,467,303	2,433,864
	Suspended Interest Income	12,730	63,987
	National Bank of Ethiopia bills and bonds	369,141	214,099
	Due from other banks	310,555	101,409
		4,159,730	**2,813,359**

		30 June 2020 Birr'000	30 June 2019 Birr'000
6	Due to customers	1,544,853	1,035,111
		1,544,853	**1,035,111**

		30 June 2020 Birr'000	30 June 2019 Birr'000
	Net fees and commission income		
7	**Fee and commission income**		
	Foreign currency transactions	604,765	474,075
	Letter of guarantee	91,012	26,361
	Other commission	67,043	44,409
		762,820	**544,845**
	Fee and commission expense	-	-
		762,820	**544,845**

		30 June 2020 Birr'000	30 June 2019 Birr'000
8	**Other operating income**		
	Income from murabaha financing	217,511	51,058
	Dividend income	314	4,151
	Estimation and inspection fee	24,412	20,316
	Gain on disposal of property plant and equipment	2,571	177
	Gain on foreign currency transactions	536,234	242,484
	Other income	36,480	35,276
	Rental income	1,612	1,631
	Telephone, postages and money bags	54	116
		819,189	**355,210**

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

		30 June 2020 Birr'000	30 June 2019 Birr'000
9	**Impairment charge**		
	Loans and advances to customers and other assets - charge for the year	153,458	35,485
		153,458	35,485
	Impairment Loss on repossessed collateral	-	2,368
	Impairment on Investment (Reversal)	-	(13,151)
		153,458	**28,945**

		30 June 2020 Birr'000	30 June 2019 Birr'000
10	**Personnel expenses**		
	Salaries and wages	667,829	609,401
	Staff allowances	85,832	77,690
	Staff Award	515	771
	Pension costs – Defined contribution plan	73,164	61,414
	Pension costs – Defined Benefit plan	13,996	9,544
	Prepaid staff expenses	11,564	8,276
	Other staff expenses	236,425	191,928
		1,089,325	**959,024**

		30 June 2020 Birr'000	30 June 2019 Birr'000
11	**Operating expenses**		
	Advertisement and publicity	57,932	52,565
	Amortisation of leasehold	(3.42)	7
	Audit fee	477	497
	Bank charges	445	896
	Board of directors remuneration	1,290	300
	Cleaning	4,523	1,078
	Data processing	6,269	17,542
	Donations	23,505	36,486
	Entertainment	1,438	2,968
	Fuel	8,238	7,212
	Insurance	18,083	20,313
	Internet	18,774	17,268
	Legal and professional fee	188	99
	Other operating expense	247,390	179,518
	Penalty	469	176
	Per diem	11,067	11,800
	Rent	221,131	160,325
	Repair and maintenance	18,426	15,572
	Representation allowance	50,315	38,002
	Stationeries	42,423	57,120
	Subscription and membership fee	3,093	1,629
	Taxes	7	63
	Telephone and postage	218	277
	Transportation	83,548	77,988
	Water and electricity	6,614	4,745
	Loss on foreign exchange transactions	604,588	137,798
		1,430,446	**842,243**

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

	30 June 2020 Birr'000	30 June 2019 Birr'000
12 Company income and deferred tax		
12a Current income tax		
Company income tax	208,472	105,922
Deferred income tax/(credit) to profit or loss	31,523	3,330
Total charge to profit or loss	239,995	109,252
Total tax in statement of comprehensive income	239,995	109,252

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 st
income tax rate as follows:

	30 June 2020 Birr'000	30 June 2019 Birr'000
Profit before tax	1,422,614	767,013
Add : Disallowed expenses		
Entertainment	1,438	2,968
Donation	23,505	6,426
Legal provision	(760)	2,170
General Assembly	2,485	1,040
Penalty	469	176
Severance pay	16,132	21,117
Provision for loans and advances as per IFRS	153,458	169,144
Depreciation for accounting purpose	(52,356)	(26,311)
Amortization for accounting purpose	1,290	12,765
Total disallowable expenses	**145,660**	**189,496**
Less : Allowable expenses		
Depreciation and amortization for tax purpose	148,114	94,672
Provision for loans and advances for tax NBE 80%	213,577	135,311
Interest income taxed at source foreign	393	640
Reversal on Severance pay	10,835	-
Suspended Interest Income	-	54,358
Interest income taxed at source-NBE Bills	368,831	213,790
Interest income taxed at source-Local Deposit	131,616	100,769
Total allowable expenses	873,367	603,438
Taxable profit	694,907	353,072
Current tax at 30%	**208,472**	**105,922**

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

12c Current income tax liability	30 June 2020 Birr'000	30 June 2019 Birr'000
Balance at the beginning of the year	105,366	202,437
Charge for the year:	208,472	105,922
Income tax expense	(105,366)	(202,437)
Payment during the year	(36)	(556)
Balance at the end of the year	**208,436**	**105,366**

12d Deferred income tax

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	(58,165)	(26,642)
To be recovered within 12 months		
	(58,165)	**(26,642)**

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

Deferred income tax assets/(liabilities):	**At 1 July 2019**	**Credit/ (charge) to P/L**	**Credit/ (charge) to equity**
	Birr'000	**Birr'000**	**Birr'000**
Property, plant and equipment	(32,977)	(26,777)	
Provisions	-		
Unrealised exchange gain	-		
Tax losses charged to profit or loss	-		
Post employment benefit obligation	6,335	(4,746)	
Total deferred tax assets/(liabilities)	(26,642)	(31,523)	-

Deferred income tax assets/(liabilities):	**At 1 July 2018**	**Credit/ (charge) to P/L**	**Credit/ (charge) to equity**
	Birr'000	**Birr'000**	**Birr'000**
Property, plant and equipment	(27,154)	(5,823)	
Provisions	-		
Unrealised exchange gain	-		
Tax losses charged to profit or loss	-		
Post employment benefit obligation	3,842	2,493	
Total deferred tax assets/(liabilities)	(23,312)	(3,330)	-

Cooperative Bank of Oromia S.C

Annual Report

Notes to the financial statements

For the year ended 30 June 2020

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

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

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

	30 June 2020 Birr'000	30 June 2019 Birr'000
13 Cash and balances with bank		
Cash in hand	2,841,296	3,622,263
Deposits with local and foreign banks	1,344,681	1,254,821
	4,185,977	5,244,545
Reserve with National Bank of Ethiopia	2,302,930	1,865,000
Balance held with National Bank of Ethiopia	334,554	60,104
	6,823,461	**7,169,649**

Maturity analysis	30 June 2020 Birr'000	30 June 2019 Birr'000
Current	4,520,531	5,304,649
Non-Current	2,302,930	1,865,000
	6,823,461	**7,169,649**

	30 June 2020 Birr'000	30 June 2019 Birr'000
13a Cash and cash equivalent		
Cash in hand	2,841,296	3,622,263
Deposits with local and foreign banks	1,344,681	1,254,821
Balance held with National Bank of Ethiopia	334,554	60,104
	4,520,531	**5,304,649**

	30 June 2020 Birr'000	30 June 2019 Birr'000
14 Loans and advances to customers		
Agriculture	256,379	243,733
Manufacturing	4,589,077	2,961,512
Export	7,633,928	5,697,577
Merchandise	874,042	801,462
Import	1,538,344	922,635
Domestic trade and service	12,439,299	9,375,811
Building and construction	1,359,163	970,499
Staff loans	1,489,216	1,185,941
Gross amount	**30,179,448**	**22,159,170**
Less: Impairment allowance		
- ECL (Expected Credit Loss)	(845,988)	(754,670)
Net Conventional Loan Balance	**29,333,460**	**21,404,500**

Maturity analysis	30 June 2020 Birr'000	30 June 2019 Birr'000
Current	21,125,289	15,152,818
Non-Current	8,190,862	6,251,681
	29,316,151	**21,404,500**

Kokeb & Melkamu Audit Work Partnership
Chartered Certified Accountants

Cooperative Bank of Oromia

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

	30 June 2020 Birr'000	30 June 2019 Birr'000
15 Interest free Financing		
Agriculture -IFB	43,335	25,980
Manufacturing -IFB	1,223,723	787,760
Export -IFB	1,075,671	-
Import-IFB	43,143	816,750
Domestic trade and service -IFB	855,350	349,610
Building and construction -IFB	702,981	177,160
Others-IFB	5,722	44,991
	3,949,926	2,202,251
	3,949,926	**2,202,251**

The bank has given Qard term and preshipment financing for its customers without profit sharing to generate foreign currency

	30 June 2020 Birr'000	30 June 2019 Birr'000
16 Investment securities		
Equity Investments	97,566	54,052
Fair value gain	14,760	20,514
	112,326	74,566

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

16a The following are the equity investments of the Bank as at 30 June 2020, 30 June 2019, 30 June 2018:

	Percentage holding	30 June 2020 Birr'000	30 June 2019 Birr'000
Oromia Insurance Company s.c	6%	48,495	17,679
Orologo Prefabricated Factory plc	20%	15,000	15,000
Gutu Oromia s.c.	17.7%	3,500	3,500
Elemtu Integrated Milk Industry	7.6%	(470)	4,509
Ethio Swich s.c.	5.1%	30,210	26,802
Premium Switch Solution(PSS)	3.2%	3,840	5,826
Bomoj Meat Industry s.c.	1.58%	1,250	1,250
TBO Printing and Publishing s.c	2.99%	10,500	-
		112,326	74,566

The Bank hold equity investments in Eth-switch of 5.13% (30 June 2020), Premium Switch Solutions 3.2% (30 June 2020), Oromia Insurance Company 6.49% (30 June 2020), Gutu Oromia Business 17.7% (30 June 2020), Orologo Prefabricated PLC 20% (30 June 2020), Elemutu Integrated Milk Industry 7.6% (30 June 2020), Bomoj Meat Processing and Export s.c 1.58% (30 June 2020) and TBO Printing and Publishing s.c 2.99% (30 June 2020). These investments are unquoted equity securities measured at cost.

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

17 **Amortized Cost:**

	30 June 2020 Birr'000	30 June 2019 Birr'000
Ethiopian Government Bills	8,953,375	8,279,456
Ethiopian Government Bonds	6,715	6,405
Gross amount	**8,960,090**	**8,285,861**

Maturity analysis	30 June 2020 Birr'000	30 June 2019 Birr'000
Current	671,050	665,280
Non-Current	8,289,040	7,620,581
	8,960,090	8,285,861

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

18 Other assets

	30 June 2020 Birr'000	30 June 2019 Birr'000
Financial assets		
Uncleared effects of transfers - Foreign	370,769	222,968
Uncleared effects of transfers - Local	176,161	85,369
ATM settlement receivables	23,047	8,343
Money transfer agents	7,046	10,763
Export settlement	257,424	257,424
Advance on murabaha	45,047	18,283
Account receivable	283,881	348,302
Gross amount	**1,163,375**	**951,452**
Less: Specific impairment allowance	(58,488)	(32,753)
	1,104,887	**918,699**
Non-financial assets		
Repossessed collateral	1	-
Fixed asset in store	117	116
Prepaid staff expense	244,625	195,851
Prepayment for new branch opening	12,609	12,476
Prepayments	231,190	552,971
Right-of-use assets	513,928	
General supplies	60,143	56,207
Sundry receivables	-	2
	1,062,613	**817,623**
Gross amount	**2,225,988**	**1,769,205**

Maturity analysis	30 June 2020 Birr'000	30 June 2019 Birr'000
Current	1,267,415	932,162
Non-Current	958,573	837,043
	2,225,988	**1,769,205**

18a Impairment allowance on other assets

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
Balance at the beginning of the year	32,753	-
Charge for the year	25,735	-
Balance at the end of the year	58,488	-

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

19 Intangible Assets	Purchased software Birr'000	Total Birr'000
Cost:		
As at 1 July 2017	**14,537**	**14,537**
Acquisitions	35,163	35,163
Internal development		-
As at 30 June 2018	49,700	49,700
As at 1 July 2018	**49,700**	**49,700**
Acquisitions	1,223	1,223
Internal development		-
As at 30 June 2019	50,922	50,922
As at 1 July 2019	**50,922**	**50,922**
Acquisitions	5,321	5,321
Internal development	-	-
As at 30 June 2020	56,244	56,244
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
As at 1 July 2018	**9,798**	**9,798**
Amortisation for the year	6,359	6,359
As at 30 June 2019	16,157	16,157
As at 1 July 2019	**16,157**	**16,157**
Amortisation for the year	6,938	6,938
As at 30 June 2020	23,095	23,095
Net book value		
As at 30 June 2018	39,902	39,902
As at 30 June 2019	34,765	34,765
As at 30 June 2020	33,148	33,148

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements For the year ended 30 June 2020

	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 2018	**16,150**	**188,011**	**285,176**	**158,622**	**127,666**	**775,625**
Additions	31,966	28,072	67,157	41,535	19,062	187,791
Disposals	-	-	-	-	-	-
Reclassification	-	11,800	34,406	29,958	-	76,164
Transfer to Non-Asset Held to Sale	-	-	(2,888)	(1,844)		(4,731)
As at 30 June 2019	**48,116**	**227,883**	**383,851**	**228,271**	**146,728**	**1,034,849**
As at 1 July 2019	**48,116**	**227,883**	**383,851**	**228,271**	**146,728**	**1,034,849**
Additions	4,717	67,042	66,908	36,892	100,806	276,365
Disposals	-	(1,400)	(1,423)	(384)	-	(3,207)
Reclassification	-	-	24,671	20,644	-	45,315
Transfer to Non-Asset Held to Sale	-	-	(3,262)	(905)		(4,167)
As at 30 June 2020	**52,833**	**293,525**	**470,745**	**284,518**	**247,534**	**1,349,155**
Accumulated depreciation						
As at 30 June 2018	**1,414**	**49,173**	**91,084**	**69,257**	**-**	**210,928**
Charge for the year	1,154	17,922.95	32,865.20	22,777	-	74,719
Disposals	-	(978)	(5,181)	(3,858)	-	(10,017)
Transfer to Non-Asset Held to Sale	-	-	(2,119)	(1,393)		(3,511)
As at 30 June 2019	**2,568**	**66,118**	**116,649**	**86,784**	**-**	**272,119**
As at 1 July 2019	**2,568**	**66,118**	**116,649**	**86,784**	**-**	**272,119**
Charge for the year	960	21,801	41,380	29,964	-	94,105
Disposals	-	(675)	(1,039)	(330)	-	(2,044)
Transfer to Non-Asset Held to Sale	-	-	(1,981)	(746)		(2,728)
As at 30 June 2020	**3,528**	**87,244**	**155,009**	**115,672**	**-**	**361,452**
Accumulated Impairment						
As at 30 June 2018	**-**	**-**	**4,834**	**2,159**	**-**	**6,993**
Charge for the year						
Disposals	-	-	-	-	-	-
Transfer to Non-Asset Held to Sale	-	-	(581)	(400)	-	(981)
As at 30 June 2019	**-**	**-**	**4,253**	**1,759**	**-**	**6,012**
As at 1 July 2019	-	-	4,253	1,759	-	6,012
Charge for the year			(4)			(4)
Disposals	-	-	-	-	-	-
Transfer to Non-Asset Held to Sale	-	-	(1,181)	(145)	-	(1,326)
As at 30 June 2020	**-**	**-**	**3,068**	**1,614**	**-**	**4,683**
Net book value						
As at 30 June 2018	**14,736**	**138,838**	**189,258**	**87,206**	**127,666**	**557,704**
As at 30 June 2019	**45,548**	**161,765**	**262,949**	**139,728**	**146,728**	**756,717**
As at 30 June 2020	**49,305**	**206,281**	**312,668**	**167,232**	**247,534**	**983,020**

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements For the year ended 30 June 2020

20a Non-current assets held for sale

	30 June 2020 Birr'000	30 June 2019 Birr'000	30 June 2018 Birr'000
Balance at the beginning of the year	109,779	1	-
Additional Repossessed collateral from the borrower for the year			-
Transfer from repossessed collateral /Other Asset	15,660	125,933	84,329
Transfer from property, plant and equipment	4,167	4,731	7
ReversaL of property, plant and equipment	(4,053)	(4,492)	-
Disposals of property, plant and equipment	-	-	-
Fair value gain/(loss) on assets held for sale	-	-	-
Balance at the end of the year	**125,553**	**126,173**	**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.
There is no cumulative income or expenses in OCI relating to assets held for sale.

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

21 Deposits from customers

	30 June 2020 Birr'000	30 June 2019 Birr'000	30 June 2018 Birr'000
Demand deposits	12,064,018	10,767,394	8,916,837
Savings deposits	22,747,992	18,573,347	13,748,812
Time deposits	3,718,487	1,500,760	504,573
Wadia demand deposits	921,320	861,365	305,088
Wadia savings deposits	5,487,769	4,138,989	1,913,190
Mobile money savings	3,081	3,450	3,651
	44,942,668	**35,845,307**	**25,392,151**

22 Due to other banks

	30 June 2020 Birr'000	30 June 2019 Birr'000	30 June 2018 Birr'000
Demand deposits	300,239	85,362	41,691
Saving deposits	267,975	237,622	111,782
Time deposits	-	-	261,966
	568,214	**322,984**	**415,439**

24 Other liabilities

	30 June 2020 Birr'000	30 June 2019 Birr'000	30 June 2018 Birr'000
Financial liabilities			
Letter of credit margin payables	755,928	664,259	896,719
ATM settlement payable	28,502	14,061	8,035
CTS Settlement account	676	-	-
Dividend payables	34,849	19,782	112
Blocked accounts	15,428	13,270	11,792
Telegraphic and Money transfer payable	620	4	2,017
Over the Counter Cash Payment (OTCP)	-	800	804
Exchange payable	13,008	12,012	78,720
Provision for fedility Risk	707	-	-
Money transfer agent	6,721	(92,027)	-
Cash payement order payable	196,948	777,091	123,594
Long standing payables	-	-	2
Board of directors remuneration payable	1,590	1,265	998
Staff payables	230,504	142,727	79,943
Advance from suppilers	3	2,905	10,606
Cash collateral on gaurantees	348	69	-
Lease liabilities	102,722	-	-
	1,388,554	**1,556,218**	**1,213,342**

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

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	3,014	2,570	1,815
Stamp duty charges	1,289	956	694
Withholding tax payable	2,515	1,301	768
Other tax payable	22,506	15,225	10,406
Deferred Income Loan Processing Fee	9,473	6,974	3,888
Deferred Income Guarantee Commission	39,682	28,332	5,427
Deferred Income LC Commission	31,092	24,108	24,898
Deferred Income- IFB	31	-	69,632
Sundry payables	49,042	517,630	121,611
	158,644	**597,096**	**239,139**
Gross amount	**1,547,198**	**2,153,314**	**1,452,481**

Maturity analysis	**30 June 2020 Birr'000**	**30 June 2019 Birr'000**	**30 June 2018 Birr'000**
Current	1,066,210	271,074	271,075
Non-Current	480,988	1,882,240	1,181,406
	1,547,198	**2,153,314**	**1,452,481**

25 Retirement benefit obligations

	30 June 2020 Birr'000	**30 June 2019 Birr'000**	**30 June 2018 Birr'000**
Defined benefits liabilities:			
– Severance pay (note 25a)	52,927	47,630	26,513
Liability in the statement of financial position	**52,927**	**47,630**	**26,513**
Income statement charge included in personnel expenses:			
– Severance pay (note 25a)	13,996	9,544	5,390
Total defined benefit expenses	**13,996**	**9,544**	**5,390**
Remeasurements for:			
– Severance pay (note 25a)	8,699	(11,573)	(7,416)
`	**8,699**	**(11,573)**	**(7,416)**

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 2020 Birr'000**	**30 June 2019 Birr'000**	**30 June 2018 Birr'000**
Current	-	-	-
Non-Current	8,699	(11,573)	(7,416)
	8,699	**(11,573)**	**(7,416)**

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

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 June 2020 Birr'000	30 June 2019 Birr'000	30-Jun-2018 Birr'000
A Liability recognised in the financial position	52,927	47,630	26,513

B Amount recognised in the profit or loss	30 June 2020 Birr'000	30 June 2019 Birr'000	30 June 2018 Birr'000
Current service cost	7,801	5,612	3,437
Interest cost	6,195	3,932	1,953
	13,996	**9,544**	**5,390**
C Amount recognised in other comprehensive income:			
Actuarial (Gains)/Losses on demographic assumptions			
Actuarial (Gains)/Losses on economic assumptions	10,835.00	(3,107)	(6,110)
Actuarial (Gains)/Losses on experience	(2,136.00)	(8,466)	(1,306)
	8,699	**(11,573)**	**(7,416)**

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

	30 June 2020 Birr'000	30 June 2019 Birr'000	30 June 2018 Birr'000
At the beginning of the year	47,630	26,513	13,707
Current service cost	7,801	5,612	3,437
Interest cost	6,195	3,932	1,953
Remeasurement (gains)/ losses	(8,699)	11,573	7,416
At the end of the year	**52,927**	**47,630**	**26,513**

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2020 Birr'000	30 June 2019 Birr'000	30-Jun-2018 Birr'000
Discount Rate (p.a)	14.20%	11.25%	12.31%
Long term salary increases	12.00%	12.00%	12.00%

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 47. These rates combined are approximately summarized as follows:

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

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 age 45.

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

	Impact on defined benefit obligation 30 June			Impact on defined benefit obligation 30 June 2019		
	Change in assumption	Impact of an increase Birr'000	Impact of a Birr'000	Change in assumption	Impact of an increase Birr'000	Impact of a decrease Birr'000
Discount rate				0.5%		

	Impact on current service cost 30 June			Impact on current service cost 30 June 2019		
	Change in assumption	Impact of an increase Birr'000	Impact of a Birr'000	Change in assumption	Impact of an increase Birr'000	Impact of a decrease Birr'000
Discount rate				0.5%		

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 recognised within the statement of financial position.

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.

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

	30 June 2020 Birr'000	30 June 2019 Birr'000
26 Share capital		
Authorised:		
Ordinary shares of Birr 100 each	3,000,000	3,000,000
Issued and fully paid:		
Ordinary shares of Birr 100 each	3,000,000	2,048,699

26 Share premium	30 June 2020 Birr'000	30 June 2019 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 2020 Birr'000	30 June 2019 Birr'000
Profit attributable to shareholders	1,182,619	657,762
Weighted average number of ordinary shares in issue	25,134	18,088
Basic & diluted earnings per share (Birr)	47	36.364

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 2020:nil,30 June 2019:nil, 30 June 2018: nil), hence the basic and diluted loss per share have the same value.

	30 June 2020 Birr'000	30 June 2019 Birr'000
28 Retained earnings		
At the beginning of the year	334,524	203,292
Profit/ (Loss) for the year	1,182,670	657,782
Director's share of profit	(1,590)	(1,265)
Transfer to Legal reserve	(295,667)	(164,446)
Transfer to Risk reserve	(92,190)	(157,548)
Transfer to Dividend Payable	(334,524)	(203,292)
At the end of the year	**793,223**	**334,524**

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

29 Legal reserve

	30 June 2020 Birr'000	30 June 2019 Birr'000
At the beginning of the year	616,350	451,904
Transfer from profit or loss	295,667	164,446
At the end of the year	**912,017**	**616,350**

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 Risk reserve

	30 June 2020 Birr'000	30 June 2019 Birr'000
At the beginning of the year	277,384	110,896
Transfer From Retained Earning	92,190	157,548
Revaluation Gain-Equity Investment	14,760	20,514
Other comprehensive income	8,699	(11,573)
At the end of the year	**393,033**	**277,384**

31 Capital reserves

	30 June 2020 Birr'000	30 June 2019 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.

32 Cash generated from operating activities

	Notes	30 June 2020 Birr'000	30 June 2019 Birr'000
Profit before income tax		1,422,614	767,013
Adjustments for non-cash items:			
Net gain/(loss) on foreign exchange	8	(536,233)	(242,485)
Depreciation of property, plant and equipment	20	94,106	74,719
Amortisation of intangible assets	19	6,939	6,359
Net gain/Loss on disposal of property plant and equipm	8	(1,246)	-
Impairment on loans and receivables	14	153,458	35,484
Suspended Interest Income		(12,730)	
Dividend income		(314)	-
Reversal impairment on repossessed collateral		-	(3,627)
Transfer of PPE to Non current asset held for sale		(4,231)	(4,732)
Retirement benefit obligations	25	13,996	9,544
Changes in working capital:			
-Decrease/(increase) in restricted cash	13	(437,930)	(585,000)
-Decrease/ (Increase) in loans and advances	14	(8,020,277)	(7,093,190)
-Decrease/ (Increase) in interest free banking	15	(1,747,674)	(1,764,974)
-Decrease/ (Increase) in other assets	18	(456,782)	(438,620)
Decrease/ (Increase) Non current asset held for sale	20a	620.30	(41,837)
Decrease/Increase in Customers deposits	21	9,097,360	10,453,156
-Decrease/Increase in Due to other banks	22	245,231	(92,455)
-Increase/ (Decrease) in other liabilities	24	(606,116)	700,833
		(789,209)	**1,784,560**

Cooperative Bank of Oromia S.C
Annual Report
Notes to the financial statements
For the year ended 30 June 2020

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 cooperatives having 26.9%, cooperatives union 35.3%, cooperatives federation 3.5% and non-cooperatives; organizations and associations 7.9% and individuals 26.3%. The bank has entered into a number of transactions with related parties as at 30 June 2020.

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
33a Transactions with related parties		
Loans and advances to key management	30,471	25,327
Cooperatives and union	3,872,283	1,866,760
	3,902,754	1,892,087

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 2020.

	30 June 2020 Birr'000	30 June 2019 Birr'000
Salaries and other short-term employee benefits	10,357	8,510
Sitting allowance	516	492
Other expenses	-	549
	10,873	9,551

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 10,000 per month and annual compensation of birr 150,000 per each member of board of directors of the bank.

	30 June 2020 Birr'000	30 June 2019 Birr'000
Profit sharing	1,590	1,266
	1,590	1,266

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 2020 is birr 73,397,372.93 (30 June 2019 birr 53,160,541 ,30 June 2018 birr 85,929,291 ,30 June 2017: Birr 93,358,789,). provision has been made in the financial statements as at 30 June 2020 is birr 1,614,522.00.

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 favorable outcome is probable. The maximum amount expected from these cases as at June 30,2020 is birr 125,426,652.24 (June 30,2019 birr 125,202,516.32, 30 June 2018 Birr 20,405,416 and 30 June 2017 : Birr 15,926,297). However, this has not been recognized as a receivable at the year end as receipt of the amount is dependent on the outcome of the court processes.

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.

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

	30 June 2020 Birr'000	30 June 2019 Birr'000
Guarantees issued	5,262,566	939,850
Letters of credit	1,627,508	1,441,140
Loan approved but not disbursed	3,401,936	2,728,996
	10,292,009	5,109,986

35 Commitments

The Bank has commitments, not provided for in these financial statements as of Birr 3.401 mill 30 June 2020 (30 June 2019:2.728 million 30 June 2018: Birr 1.100 million) for undrawn overdrafts and loans approved but not yet disbursed.

36 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 2020 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.