



AWASH INTERNATIONAL BANK S.C.



PAVING THE WAY TO DEVELOPMENT!
ከ ቀን የ ፅደቅ ፈር ቀያሽ

ANNUAL REPORT
(July 1, 2010 – June 30, 2011)

Awash International Bank S.C

Vision

“To be the most preferred Bank of the People.”

Mission

“To provide efficient, competitive, diversified and profitable banking services to a continuously growing number of customers in a socially responsible manner supported by appropriate modern banking technology as well as qualified, trained and motivated team of management and employees imbued with highly professional and ethical standards.”

Values

- Building public trust & confidence;
- Treating customers as guests of honor;
- Growing together with customers;
- Discharging social responsibilities;
- Developing competent leadership with the right vision as well as competent and qualified employees imbued with strong team spirit;
- Building a strong and healthy bank of which the current and future generations will be proud of.



**ANNUAL REPORT FOR
FINACIAL YEAR ENDED 30 JUNE 2011**



**Any Inquiry should be directed to:
Planning and Business Development Department**

**P.O. Box 12638
Addis Ababa, Ethiopia
Tel. +251-11- 557 01 67/ 74
Fax: +251-11-557 0165/ 26**

E-mail: aib.businessdev@ethionet.et / awash.bank@ethionet.et

Website: www.awash-international-bank.com



TABLE OF CONTENTS

Chairman's Statement	1
President's Statement	6
Report of the Board of Directors	8
Financial Performance	8
Operational Performance	11
Other Developments	16
Looking Ahead	20
Auditors' Report	22



THE BOARD OF DIRECTORS



Wole Gurm
Chairman



Amsalu Bizuneh
V/ Chairman



Asegedech W/Mariam
Director



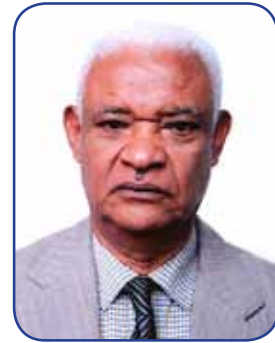
Beniam Terfa
Director



Elias Bedada
Director



Girma Borishie
Director



Kibret Shuma
Director



Terefe Mengesha
Director



Yared Abera
Director



Wole Gurmu
Chairman, Board of Directors

Chairman's Statement

On behalf of the incumbent Board of Directors and on my own behalf, I would like to extend my sincere and warm greetings to the highly respected Shareholders and other stakeholders on the occasion of the 16th Annual General Meeting of the Shareholders of Awash International Bank S.C. (AIB). I have also the honor to present the Annual Report of the Board for the financial year ended June 30, 2011 in line with Article 392/1 of the Commercial Code of Ethiopia.

Years come and pass with their specific challenges and opportunities. The year under review (July 1, 2010 - June 30, 2011) can be characterized by the prevalence

of challenges over opportunities, globally and nationally. At the global level, the world witnessed wild financial turbulences and turmoils, decreases in import volumes of primary commodities from developing economies, frequent natural calamities, rampant political upheavals, and a sharp rise of petroleum prices once again, to mention just a few.

At the domestic level, scarcity of commodities, stiffer competitions in the banking industry; unprecedented price inflations as well as the continuation of old financial regulatory measures and the introduction of new ones (credit cap, bond purchases and currency devaluation), can very well feature and describe the working environment of the last financial year. As such, the past financial year was indeed challenging.

Nevertheless, our Bank managed to skillfully and successfully pass through the turbulences and hardships. Thanks to the patronage of our esteemed shareholders, the stewardship of the Board of Directors, the dedication and dynamism of the corporate Management, the hard work and team-spirit displayed by our staff at all levels, the sustainable relations created with our clients, and the support and cooperation of pertinent organs of the state, AIB registered spectacular and commendable performances during the financial year. It crossed important milestones on its historic journey towards its ultimate and final goal. Among other things, the major landmarks include the successful completion of the construction works and the colorful inaugurations of Awash Towers (HQs buildings) as well as those of Nekemte and Shashamane buildings; the purchase of a new multi-purpose G +4-storey building in Harar town; the ever-increasing continuation of the lead in commanding the largest network (70 branches) in the private banking industry by adding six more branches to the constellation; the growth of the paid up capital base of the Bank by about 33.5% to pass Birr 734 million; the realization of a sum of Birr 8 billion in our general deposit mobilization efforts (25% growth); the reaching Birr 4 billion line in total loans and advances (27% growth); the achievement of a net profit after tax of Birr 360.6 million to give an earning per share of 560 (13.6 % growth), and more distinctly and interestingly the successful maintenance of



both the long and short positions of our foreign currency holdings within the limits set by NBE. One might add here the recent introduction of a fair, transparent and efficient system of forex management in the international banking area of the Bank, totally closing the means to any fraudulent acts.

Other milestones consist of the organization and institutionalization of the Control and Risk Management arms of the Bank, independently reporting to the Board of Directors as per the NBE instructions. The encouraging progress achieved in our endeavor to introduce the state-of-the-art banking technology consists of the formulation and implementation of several policy documents and procedural manuals for transparency, efficiency, safety and accountability; the introduction of safe boxes rental services; and the reduction of brain drain through prudent policy and administrative measures.

In spite of our noticeable performances during the 2010/11 financial year, we are not under the illusion that we have achieved our level best. We shall not remain complacent because of our modest achievements. The Board of Directors, the Management and the employees of the Bank will continue making concerted and unreserved efforts to take AIB towards a higher level of development with the view to building it into the most trusted and dependable Bank in the Country. Here are the areas of our focus during the 2011/12 financial year:

- a. In tune with the decision of the 11th Extraordinary General Meeting of Shareholders held on November 20, 2010, all efforts will be made to raise the Bank's paid up capital to Birr one billion within three years. This figure is double of the minimum capital requirement of Birr 500 million to be reached by mid-2016, as recently set by NBE. Given the country's ambitious development strategy and the authorities' expressed intent to see a strong capital base for banks, we are under no illusion that our Shareholders will be satisfied with a paid up capital of Birr one billion;
- b. AIB's branch network will continue to grow with the opening of 15 new branches during the current financial year, thus maintaining the leadership of the Bank in that respect among private banks;
- c. All efforts will be made for the speedy completion of buildings in hand, to start the construction of two large buildings in Addis Ababa and one at Hawassa as well as acquiring plots of land in strategic locations, both in Addis Ababa and outlying cities with the view to strengthening the physical assets base of the Bank;
- d. The finalization and the implementation of ICT projects, i.e. Core Banking and other banking applications, Premiere Switch Solutions (shared with two other banks) and the integration of AIB's system with the national payment system, will be enhanced and consolidated during the current financial year, thus putting at rest the issue of the long awaited modernization of the services of the Bank;
- e. In light of tight regulatory requirements in regard to the implementation of the directive on bills market, new avenues of income generation and cost control efforts will be explored on a continuous basis;
- f. All efforts will be made to identify and introduce new types of banking products and services with the view to broadening the income base of the Bank;



- g. While continuously lending within the prevailing constraints, the amount and ratio of non-performing loans will be further reduced and maintained under the acceptable limit set by the supervisory authority;
- h. The scope, relevance, quality, participation and financing of human resources development programs will be re-assessed with the view to enhancing the education, training and skill building of staff at various levels;
- i. Special attention will be given to the capacity building of the executive management, senior and middle level management as well as high level technical staff by arranging tailor-made training programs at home and abroad;
- j. Efforts will be made to further transform the Management, to build a team spirit and participatory system, to further promote transparency and accountability with the objective of reforming the whole gamut of the Management;
- k. Close follow-up will be put in place for the completion of the revision of the organizational structure and remuneration package to make the Bank more efficient, competitive and convenient;
- l. Given the conventional practices elsewhere, the challenges we have encountered during the last few years in our Bank and the requirements of the law and the supervisory authority, we will focus on further strengthening the Bank's Risk Management and Control systems with the view to ensuring compliance with pertinent laws, directives and internal policies and procedures;
- m. The 2nd Five Years Strategic Plan will be launched to serve as a broader guide or road map of our actions necessary to transform AIB over the years upto 2016; and
- n. We will pay special attention to the building of a healthy relationship between the Board, the Management and the entire staff, based on the conventional principles and practices of corporate governance.

Through these measures, I hope our collective dream will be realized.

Finally, on behalf of the Board of Directors and on my own behalf, I would like to extend my thanks to the National Bank of Ethiopia for its support, our Customers for their good will to work with AIB, our Shareholders for their patronage and the Management and Staff of the Bank for their dedication and contribution. THANK YOU once again!!



The Highlights of the New AIB/ AIC Headquarters Building Inauguration Ceremony





Executive Management



Tsehay Shiferaw
President



Bacha Gina
A/Vice President, Credit & Risk Mgt.



Dereje Zebene
V/P, International Banking



Yohannes Merga
V/P, Corporate Services



Abebe Deressa
Manager, Planning & BD Dept.



Alemayehu Kinfe
Manager, Treasury Dept.



Habtamu Aberra
Manager, Branch Operation Dept.



Belihu Duressa
A/Manager, HR & Admin. Dept.



Fekadu Shigute
Manager, Import Dept.



Hailemariam Abzo
Manager, Property Admin. Dept.



Kinfemichael W/Tensae
Manager, Control Dept.



Matheos Bayisa (Dr.)
Manager, MIS Dept.



Tadesse Gemeda
Manager, Export & Transfer Dept.



Tezera Amare
Manager, Asset Quality Mgt. Dept.



Tilahun Geleta,
Manager, Finance Dept.



Yeneakal Yehualashet
Manager, Legal Service Dept.



President's Statement



Tsehay Shiferaw
President

I have the pleasure and honor to make this brief statement on the annual performance of Awash International Bank s.c (AIB) for the financial year 2010/11. Despite the unfavorable global and domestic economic situations that posed unprecedented challenges on the banking industry, our Bank has registered an outstanding performance in all operational areas in the financial year just ended.

The total assets of the Bank grew significantly by Birr 2.1 billion, from Birr 9.0 billion as at June 30, 2010 to Birr 11.10 billion as at June 30, 2011. The paid up capital of the Bank grew by 33% and reached Birr 734 million. The Bank's total deposits, including margins held on Letters of Credit, grew by 25% compared to the preceding year's amount and reached Birr 8 billion. In spite of the credit ceiling set by the National

Bank of Ethiopia, total loans and advances of the Bank grew by Birr 831 million, showing a rise of 27% over those of the preceding financial year. The Bank also maintained a lower single digit non-performing loans ratio as set by the regulatory body.

The total income of the Bank reached Birr 927.6 million, which is a 35% increase over that of the previous financial year. Though AIB paid a windfall tax of about Birr 200 million on gains from foreign exchange transaction and translation during the financial year, the Bank registered a net profit after tax of Birr 360.6 million, which is higher than that of the preceding year by 38% or Birr 113.1 million. Thus, our Bank managed to register a record earning per share of 560 as compared to that of last year's figure of 493 or a rise of 13.6%. In the face of complex dynamics driving the banking industry, which is characterized by high volatility, I do believe that this performance is indeed rewarding and good news for our esteemed Shareholders.

In expanding AIB's outreach to its customers and new markets, some bold steps were taken during the financial year. Six new branches were opened bringing the total number to 70. This fact demonstrates not only AIB's leading position in the number of branches among private commercial banks but also conveys the Bank's firm commitment to speed up the expansion of modern banking services throughout the Country.

The Bank is also leading in the construction of its own headquarters building. During the financial year under review, we were also able to complete the construction of Shashamene and Nekemte branch buildings. The construction of existing branch buildings in Adama and Ghimbi towns are also underway. As a strategy of owning its own buildings in various parts of the country, the Bank was able to purchase a G+4 building in Harar. Despite some challenges in undertaking construction works in hand, the preparation for the construction of own buildings in Addis Ababa and other outlying towns such as Hawassa are also in progress.



Moreover, in an effort to provide efficient banking services, an ICT project management office that ensures the successful implementation of various banking applications was established during the financial year. As part of this multifaceted effort, the replacement of existing old Core Banking System (Bank master) and the deployment of other banking applications will soon be put in place. Parallel to this task, the implementation of Card Banking Project with NIB International Bank s.c. and United Bank s.c. is expected to be completed within a short period of time. They all add a new dimension to the modernization of banking services we provide to our customers.

In spite of several challenges such as global economic downturn, resurgence in prices and food shortages, natural calamities, and domestic economic issues, including rampant inflationary situation, introduction of purchase of NBE bills directives and strong competition from other banks, we look forward to further achieve good results during the current financial year. Towards that end, strengthening deposits mobilization efforts through expanding branch network, introduction of new technologies that improve AIB's customer services, and building the image of the Bank will be our priorities.

To cope up with the dynamism of the industry, the preparation of the Bank's Second Five Year Strategic Plan (2011/12 to 2015/16) is underway to identify concrete goals, strategies and actions that could help in the transformation of the Bank.

The implementation of our strategic plan is inconceivable without the concerted efforts of our management team and employees. Such concerted efforts will be supported by continuous education and consciously designed technical training programs. Furthermore, special attention will be given to build team spirit at various levels of the management and work places with the view to enhancing the efficiency of banking services for the benefit of our customers and Shareholders. Such measures are necessary in view of the growing competition in the banking industry as well as the anticipated and un-anticipated domestic and global economic conditions over the years ahead. We shall not be contented with our achievements. On the contrary, we shall endeavor to make a paradigm shift in order to transform Awash International Bank s.c. into a truly modern financial institution.

Finally, I would like to extend my sincere thanks to the Board of Directors of AIB for its wise and able leadership and to the National Bank of Ethiopia for its guidance and support. The cooperation of our esteemed Shareholders and customers deserve special recognition. I hope that their commitment to their Bank will be further consolidated and strengthened. I would also like to take this opportunity to thank the management team and the employees of our Bank for their dedicated service and cooperation. I am indeed honored and proud to work with them. Without the unreserved and continuous support of these organs, we would have not achieved all these remarkable results. Thank you.



REPORT OF THE BOARD OF DIRECTORS

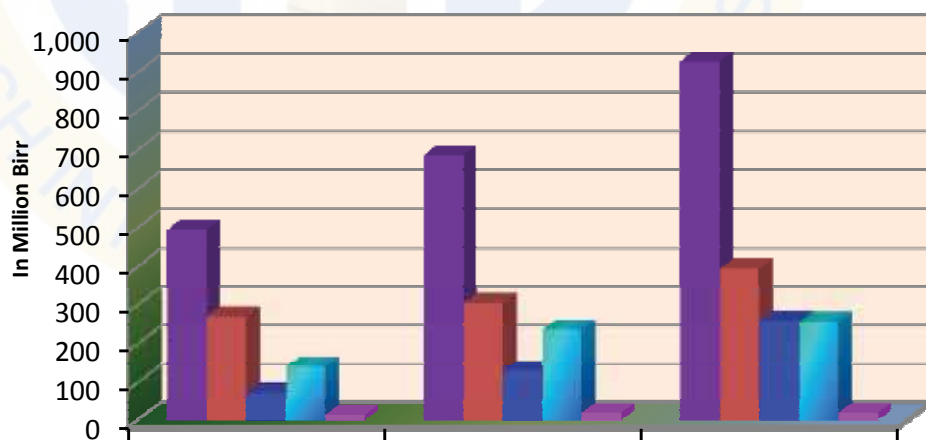
The Board of Directors of Awash International Bank S.C. (AIB) is pleased to hereby present the Annual Report together with the audited financial statements of the Bank for the financial year ended June 30, 2011 to the Sixteenth Ordinary Annual General Meeting of Shareholders.

1. Financial Performance

1.1 Operating Income

Spurred by increases in all components of operation, the total income of the Bank grew by 35% compared to the preceding year and reached an all time high amounting to Birr 927.5 million. The lion's share of operating income (42.5%) was accounted for by interest income, followed by commissions and services (27.7%), gains on foreign exchange dealings (27.6%) and other income (2.2%). The share of interest income declined to 42.5% in 2010/11 from 44.2% in 2009/10 epitomizing the credit ceiling set by the National Bank of Ethiopia (NBE). Likewise, the share of gains on foreign exchange dealings declined to 27.6% in 2010/11 from 34.1% last year, mainly reflecting the impact of windfall gains tax on the additional income earned due to the devaluation of Birr and the subsequent payment of about Birr 200 million as windfall gains tax.

Figure 1: Composition of Income as at June 30, 2011



	2008/09*	2009/10	2010/11
Total Income	495,474,562	686,706,099	927,549,687
Interest income	269,061,944	303,329,442	394,708,733
Commission & Service charges	72,307,358	129,133,093	257,139,119
Gain on foreign exchange dealings	140,216,148	234,503,151	255,682,502
Other Income	13,889,112	19,740,413	20,019,333

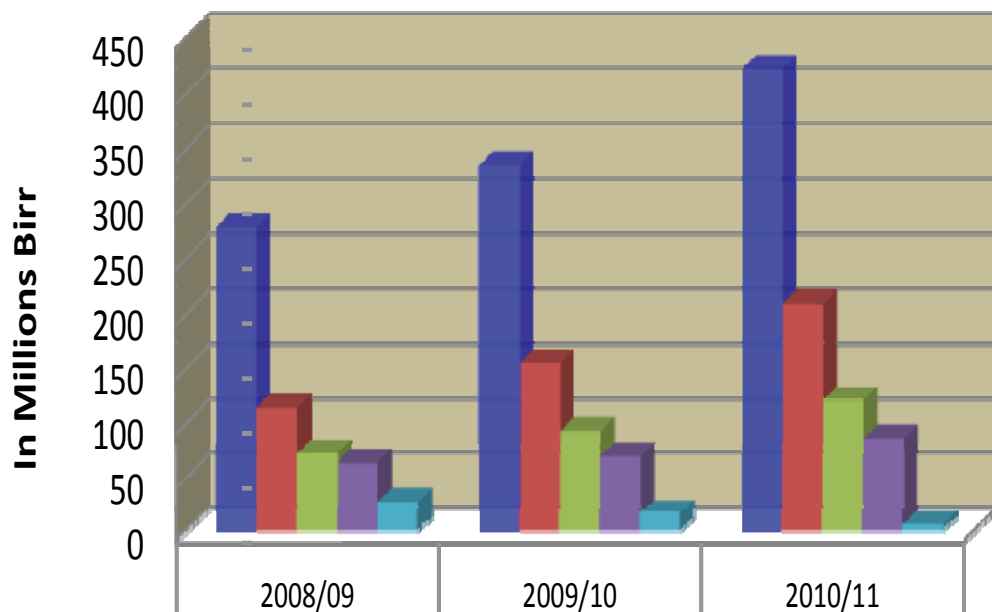
* Figures for 12 months of 2008/09 financial year are extrapolated from audited Financial Statements for 18 months ended 30/06/09.

1.2 Operating Expenses

Total expenses of the Bank in 2010/11 stood at Birr 422.5 million, up by 25.8% as compared with last year, mainly due to a substantial increase in interest expenses. Indeed, interest expenses increased by 35.2% in 2010/11 and reached Birr 209.5 million from Birr 154.9 million in 2009/10, partly due to the growth in the volume of interest bearing deposits and partly due the upward revision of the minimum deposits rate from 4% to 5 % by the National Bank of Ethiopia effective December 1, 2010.

Interest expenses continued to be an important component of the Bank's operating expenses accounting for 49.6% of total expenses. Other major constituents of total expenses were salaries and benefits (28.7%), administrative and general expenses (20.5%), and provision for doubtful loans and advances (1.2%).

Figure2: Composition of Expenses as at June 30, 2011

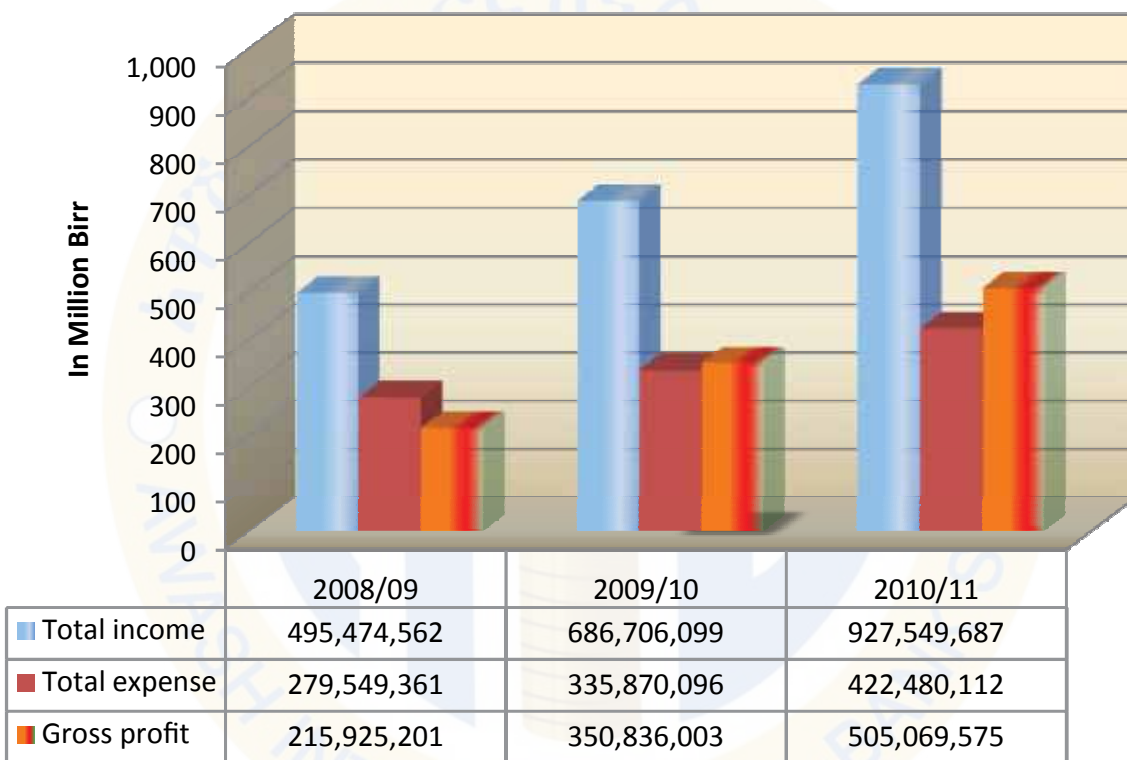


	Financial Year		
	2008/09	2009/10	2010/11
Total expense	279,549,361	335,870,096	422,480,112
Interest expense	114,323,584	154,923,346	209,473,117
Salaries & benefits	72,214,496	93,611,908	121,146,802
General & admin. expenses	64,005,281	69,435,842	86,647,193
Provision for doubtful loans & advances	29,006,000	17,899,000	5,213,000

1.3 Operating Profit

Reflecting the robust growth in income and the all out efforts to contain expenses, the Bank registered a record high profit before income tax of Birr 505.1 million in 2010/11. This was higher than the figure of the preceding financial year by 44%. Similarly, the Bank’s net profit after tax was up by 46% and reached Birr 360.6 million. Consequently, earnings per share rose to Birr 560 in 2010/11 compared to Birr 493 in 2009/10.

Figure 3: Operational Results of AIB for the Financial Year ended June 30, 2011



1.4 Proposal on Dividend

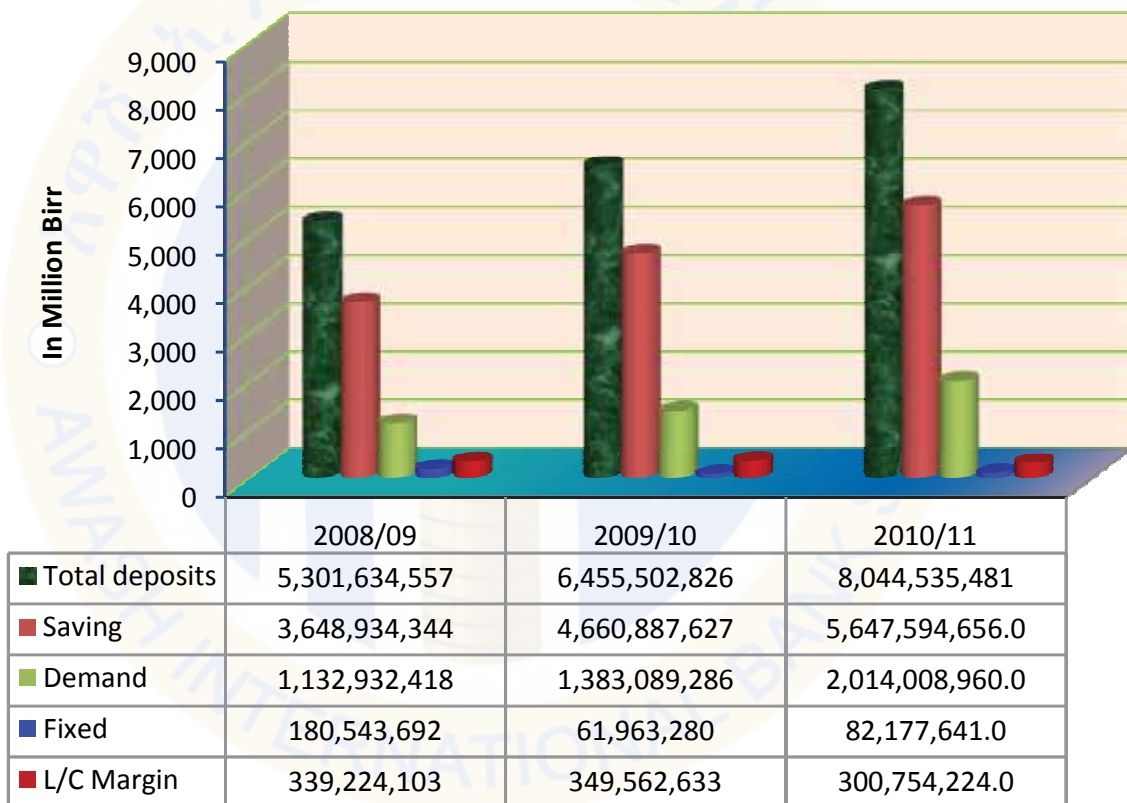
The Board of Directors recommends that out of the total appropriatable profit of Birr 270,022,186 (two hundred seventy million twenty two thousand one hundred eighty six), Birr 12 million (twelve million) be retained and a dividend of Birr 258,022,186 (two hundred fifty eight million twenty two thousand one hundred eighty six) be paid in cash or used for purchasing the Bank’s shares, depending upon the choices of shareholders and availability of shares.

2. Operational Performance

2.1 Deposit Mobilization

Total deposits of the Bank, including margins held on letters of credit, reached over Birr 8 billion as at June 30, 2011, higher than those of last year by 25%. This is mainly due to the growing public confidence in the Bank and its widespread branch network. With the exception of L/C margin, all types of deposits exhibited substantial improvement over the corresponding period of last year. Of the total deposits, savings deposits accounted for the major portion (70.2%), followed by demand deposits (25%), margins held on letters of credit (3.7%) and time deposits (1.0%) as can be observed from Figure 4.

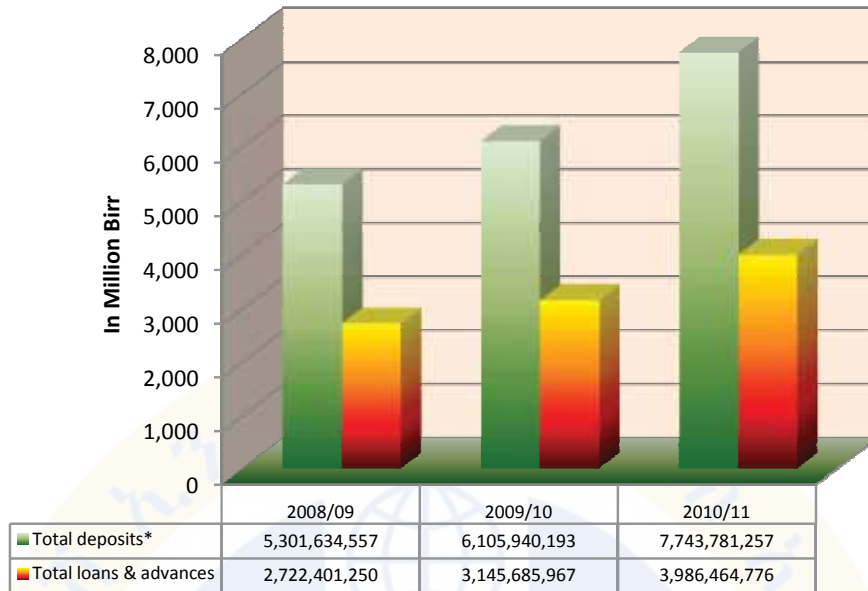
Figure 4: Composition of Deposits as at June 30, 2011



2.2 Loans and Advances

Following the removal of credit ceiling by the National Bank of Ethiopia in early April 2011, total loans and advances rose to about Birr 4 billion as at the end of June 2011, indicating an increase of 27% as compared to the preceding year. The Bank's loan/deposit ratio almost remained at the previous year's level of 51.5%, revealing the Bank's potential of extending more credit.

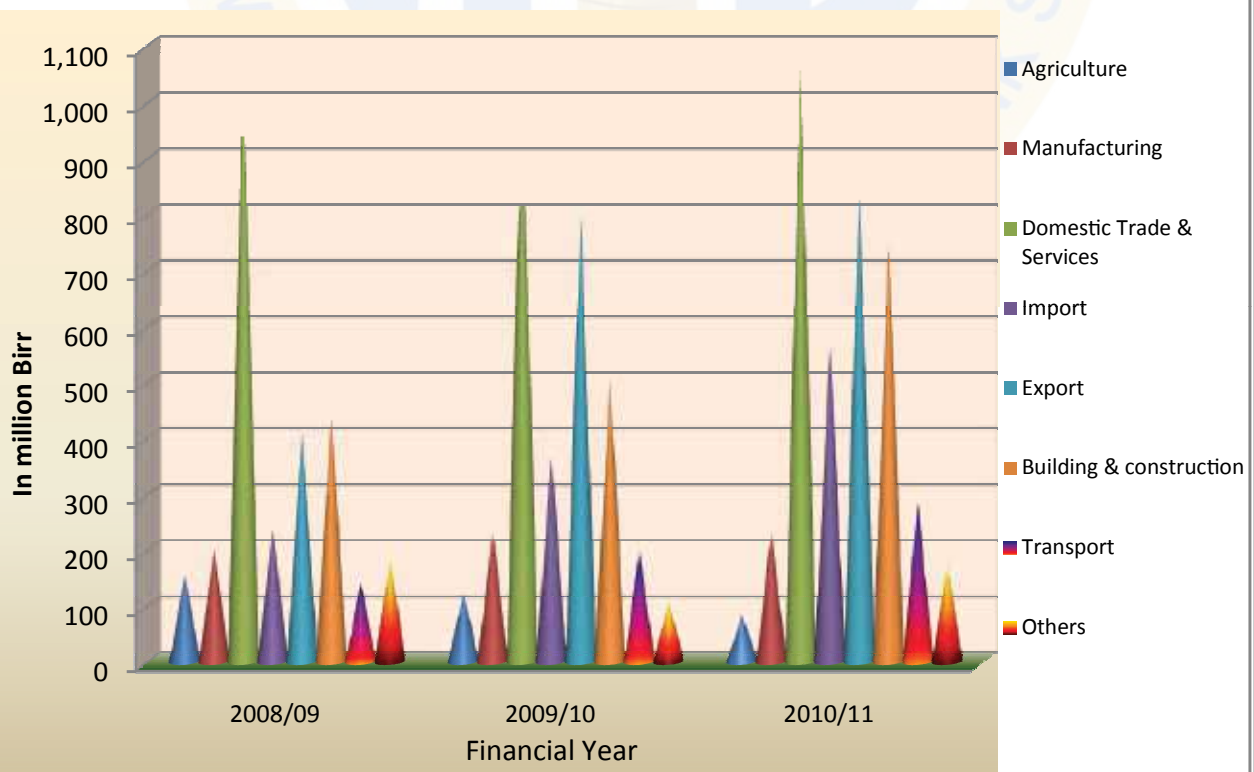
Figure 5: Total Deposits and Loans & Advances as at June 30, 2011



* Excludes L/C Margin held

Of the total outstanding loans and advances as at June 30, 2011, international trade took the major share (35.2%), followed by domestic trade & services (26.4%), building and construction (18.7%), transport (7.1%), manufacturing (5.7%), agriculture (2.3%), and others (4.6%).

Figure 6: Outstanding Loans & Advances by Sector as at June 30, 2011



Some of the AIB Financed Projects



Hotel under construction: Kazanchis, Addis Ababa



Coffee Processing Plant: Kality Industrial Zone



Metal Industry: Bishoftu



Plastic bag producing firm: Adama



2.3 International Banking

A significant portion of the Bank’s total income was generated from international banking operations in the form of earnings on foreign exchange dealings, commission and service charges on imports and inward money transfers. During the period under review, the Bank exerted a concerted effort to expand its foreign exchange earnings by encouraging exporters and widening its business relations with a large number of international money transfer agencies, including MoneyGram, Western Union, Ezremit, ExpressMoney, Moneytrans, and Alante (MFI). As a result, total foreign exchange receipts of the Bank rose by 30% to USD 412.6 million in 2010/11 as compared to USD 317.7 million in 2009/10.

Highlits of AIB’s 5th Exporters’ Day Ceremony



International Money Transfer Agents Working with AIB



Micro Finance International Corporation (Alante)

2.4 Branch Expansion

Following the opening of six new branches in the period under review, the total number of AIB's branches reached 70, making it the leading private bank in terms of branch network. The newly opened branches are Finfine, Humera, Sebeta, Ginnir, Bokoji and Lekka branches.

Highlights of Branch Opening Ceremonies



Finfine



Humera



Sebeta



Ginnir



Bokoji

2.5 Human Resources Development

During the financial year 2010/11, the Bank recruited a total of 240 new employees to meet its human resources requirement, thus raising the total number of staff to 2,724. This is a 9.7 % growth over that of the preceding year.

During the period under review, various educational and training programs were conducted in order to upgrade the level of education and skill of the Bank's employees. Accordingly, 453 and 526 employees benefited from formal educational and short term training programs, respectively. Moreover, middle and senior level officers were allowed to go abroad in order to enhance their exposures. This effort of human resources development will be continued in the future in order to meet the growing demand of the Bank's customers for high quality and efficient banking services.



On the other hand, the Bank endeavored to boost its staff retention capacity by creating favourable conditions. In this regard, the Bank will continue to motivate its employees by offering them competitive salaries and benefit packages in order to attract and retain employees capable of providing efficient and effective banking services to customers, in spite of the difficulty to retain core operational staff at lower levels due to the coming of more private banks to the sector.

3. Other Developments

3.1 Computerization

During the period under review, the Bank continued to widen its customers' access to their funds by expanding on-line banking services to ten additional branches. All in all, fifty branches, including all branches in Addis Ababa, were able to provide on-line banking services.

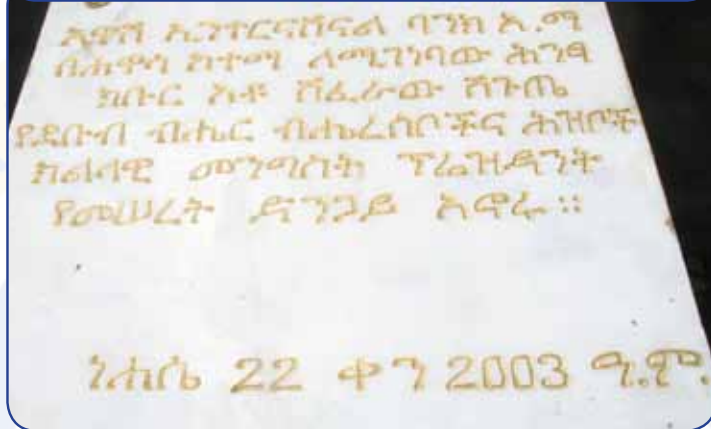
Cognizant of the importance of deploying the state-of-the-art technology in the wake of demand for better services, intense competition and the determination to promote efficiency, the Bank has been working on a project aimed at replacing the existing CORE banking system (Bankmaster) with a new one. To this effect, it has established an IT Project Management Office, entrusted with ensuring a successful implementation of various banking applications. The project is expected to be completed during the financial year 2011/12.

3.2 Consortium for Card Banking System

Awash International Bank S.C, NIB International Bank S.C. and United Bank S.C. have established a share company known as "Premiere Switch Solutions S.C.", for the introduction of a joint state-of-the-art technology, particularly to engage in the operation and management of Automatic Teller Machine (ATM) and Point of Sale (POS) terminals. The Company has floated a bid for the acquisition, implementation and operation of shared switch card payment system and the project will be operational within a short period of time.

3.3 Construction of Own Buildings

The Financial Year 2010/11 witnessed the colourful inauguration of Headquarters, Shashemene and Nekemte buildings. Construction works of buildings in Adama and Ghimbi towns are well underway. Moreover, the design works for the buildings in Lideta, Nefas Silk and Hawassa are underway. The effort to construct own branch buildings will be strengthened and continued in order to avert the ever escalating rental costs and create conducive working environment both for employees and customers.



The future AIB Hawassa Regional Office building cornerstone laying ceremony



AIB Shashemene Building Inauguration Ceremony



AIB Nekemte Building Inauguration & Lekka branch opening Ceremony



The building in Harar town bought by AIB

3.4 Implementation of the Bank's Capital Increase

The medium and long term benefits of a strong capital base cannot be over-emphasized and the commitment of AIB's shareholders to strengthen the capital base of their bank has always been commendable.

Following the decisions of the 11th Extraordinary General Meeting of AIB's Shareholders on November 20, 2010, the paid-up capital of the Bank rose from Birr 550 million at the end of June 2010 to Birr 734 million by June 30, 2011.



2010/11 Annual Management Meeting at Haile Resort, Hawassa



Training on Leadership at Haile Resort, Hawassa



Discussion of Board of Directors & Executive Management with Customers in & around Hawassa at Haile Resort, Hawassa



Awards to best performing branches during the year, Haile Resort, Hawassa



4. Looking Ahead

The prospects of global economic outlook are uncertain. The sovereign debt crisis in Euro zones, deteriorating financial condition in USA, the effect of earthquake in Japan, the surge in oil price and the sharp increase in commodity prices are expected to continue having significant adverse effect on export to developed countries and inward remittance from developed countries. Moreover, the surge in global food and fuel price have adverse effect on domestic food and other product prices and have inflationary effect on the domestic economy.

On the domestic front, the main challenges are the resurgence of the inflationary situation and the National Bank of Ethiopia's Directive that obliges domestic private commercial banks to purchase NBE bills amounting to 27% of their credit disbursements at 3% annual interest rate (which is actually below the minimum deposit rate). Obviously, this will gradually erode the liquidity position of commercial banks by obliging them to purchase NBE bills of five years maturity with short term deposits, thereby leading to asset-liability mismatch, unless corrective measures are taken. This tight monetary policy leaves limited space for banks to accommodate the growing demand for credit from different sectors of the economy.

On the other hand, the commitment to control inflation and transform Ethiopia by implementing the Growth and Transformation Plan, removal of bank-by-bank credit ceilings and implementation of the National Payment System are important steps taken by the Government to create a better environment for banking business.

In spite of the major challenges, the Board of Directors of AIB is committed to design appropriate strategies, policies and guidelines that could explore new opportunities to bring about positive changes towards ensuring sustainable growth and profitability of the Bank. Towards that end, the Bank will continue expanding its branch network, availing additional services and expanding its investment in branch buildings.

For the Bank's past achievement and its future success, we would like to commend and laud the support of our shareholders, the dedication of the Bank's management and employees. Our Bank will focus not only on its short-term business plan but also on far-reaching strategic objectives of becoming a strong, credible and respected private bank, always moving vigorously in pursuit of its vision **"TO BE THE MOST PREFERRED BANK OF THE PEOPLE"**.

The Directors would like to take this opportunity to thank the National Bank of Ethiopia for its direction and unreserved support. Furthermore, the Board would also like to thank the Bank's

customers for working with AIB.

Finally, in spite of all challenges expected, the Board of Directors is confident that it will do its level best to ensure the sustainable growth of our Bank.



AIB staff participants on 10th Great Ethiopian Run 2010



2011 Choice Women First 5km Run



Auditors' Report



የሂሳብ ምርመራ አገልግሎት ኮርፖሬሽን
AUDIT SERVICES CORPORATION

ፖ.ሣ.ቁ. } 5720
P. O. Box

ስልክ } 551 52 22
Tel.

ፆፋክስ ቁ. } 551 30 83
Fax No.

አዲስ አበባ ADDIS ABABA

INDEPENDENT AUDITORS' REPORT ON THE
FINANCIAL STATEMENTS OF
AWASH INTERNATIONAL BANK SHARE COMPANY

We have audited the financial statements of Awash International Bank Share Company set out on pages 24 to 39 which have been prepared under the historical cost convention and the accounting policies set out on pages 28 and 29. These financial statements are the responsibility of the Bank's Directors. Our responsibility is to express an independent opinion on the financial statements based on our audit,

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

In our opinion, the financial statements present fairly the financial position of Awash International Bank Share Company at 30 June 2011 and the results of its operations and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

We have no comments to make on the report of the Bank's Board of Directors.

We recommend approval of the financial statements.

Audit Services Corporation

Auditors of Awash International Bank Share Company
26 October 2011




AWASH INTERNATIONAL BANK SHARE COMPANY
BALANCE SHEET
AT 30 JUNE 2011

	<u>Notes</u>	<u>Birr</u>	<u>2010</u> <u>Birr</u>
ASSETS			
Cash and bank balances			
Cash on hand		518,657,611	424,501,318
Reserve account with National Bank of Ethiopia	2	1,130,000,000	850,000,000
Payment and settlement account with National Bank of Ethiopia		1,141,373,016	810,891,331
Deposits with local banks		74,665,707	81,694,175
Deposits with foreign banks		<u>1,183,404,367</u>	<u>1,153,796,846</u>
		4,048,100,701	3,320,883,670
Government bonds	3	1,589,214,000	-
Treasury bills		-	800,000,000
Loans and advances	4	3,841,550,776	2,997,376,967
Investment in shares	1(b)(iv),5	14,124,209	5,824,048
Other assets	1(b),6	365,580,103	593,579,426
Property and equipment	1(b)(iii),7	257,427,327	227,119,664
Customers' liability for commercial letters of credit		<u>973,443,743</u>	<u>1,078,205,603</u>
TOTAL ASSETS		<u>11,089,440,859</u>	<u>9,022,989,378</u>
LIABILITIES			
Deposits			
Demand deposits		2,014,008,960	1,383,089,286
Saving deposits		5,647,594,656	4,660,887,627
Fixed deposits		<u>82,177,641</u>	<u>61,963,280</u>
		7,743,781,257	6,105,940,193
Margin held on letters of credit		300,754,224	349,562,633
Other liabilities	8	590,525,093	426,653,867
Provision for taxation	9	144,439,993	103,278,139
Bank's liability for commercial letters of credit		<u>973,443,743</u>	<u>1,078,205,603</u>
		<u>9,752,944,310</u>	<u>8,063,640,435</u>
CAPITAL AND RESERVES			
Share capital			
Authorized - Birr 3,000,000,000			
Paid - 734,069 shares at Birr 1,000 each	10	734,069,582	550,000,000
Retained earnings		28,305,391	19,021,971
Legal reserve	11	304,099,390	213,941,994
Profit and loss account		<u>270,022,186</u>	<u>176,384,978</u>
		<u>1,336,496,549</u>	<u>959,348,943</u>
TOTAL LIABILITIES, CAPITAL AND RESERVES		<u>11,089,440,859</u>	<u>9,022,989,378</u>



 Manager, Finance Department



 President



 Chairman of the Board of Directors

Addis Ababa, 26 October 2011



AWASH INTERNATIONAL BANK SHARE COMPANY
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2011

	<u>Notes</u>	<u>Birr</u>	<u>2010</u> <u>Birr</u>
INCOME			
Interest income	13	394,708,733	303,329,442
Commissions and services		257,139,119	129,133,093
Gain on foreign currency transactions and translations	14	255,682,502	234,503,151
Other income	15	<u>20,019,333</u>	<u>19,740,413</u>
		<u>927,549,687</u>	<u>686,706,099</u>
EXPENSES			
Interest expense	16	209,473,117	154,923,346
Salaries and benefits	17	121,146,802	93,611,908
Administrative and general expenses	18	86,474,693	69,320,842
Provision for doubtful loans and advances	4c	5,213,000	17,899,000
Audit fee		<u>172,500</u>	<u>115,000</u>
		<u>422,480,112</u>	<u>335,870,096</u>
NET PROFIT BEFORE TAXATION		505,069,575	350,836,003
PROVISION FOR TAXATION	9	(144,439,993)	(103,278,139)
NET PROFIT AFTER TAXATION		360,629,582	247,557,864
TRANSFER TO LEGAL RESERVE	11	(90,157,396)	(61,889,466)
		<u>270,472,186</u>	<u>185,668,398</u>
DIRECTORS' ALLOWANCE		(450,000)	(9,283,420)
		<u>270,022,186</u>	<u>176,384,978</u>
BALANCE BROUGHT FORWARD		176,384,978	152,365,307
Add: Transfer from directors' allowance		464,171	380,914
DIVIDEND PAID	12	(167,565,729)	(145,127,956)
TRANSFER TO RETAINED EARNINGS		(9,283,420)	(7,618,265)
		<u>-</u>	<u>-</u>
BALANCE CARRIED FORWARD		270,022,186	176,384,978
EARNINGS PER SHARE		560	493

The notes on pages 28 to 39 form an integral part of these financial statements



AWASH INTERNATIONAL BANK SHARE COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	<u>Share capital</u> Birr	<u>Retained earnings</u> Birr	<u>Legal reserve</u> Birr	<u>Accumulated profit</u> Birr	<u>Total equity</u> Birr
Balance at 30 June 2009	445,483,236	11,403,706	152,052,528	152,365,307	761,304,777
Increase in share capital	104,516,764	-	-	-	104,516,764
Current year profit	-	-	-	247,557,864	247,557,864
Transfer from directors' allowance	-	-	-	380,914	380,914
Transfer to legal reserve	-	-	61,889,466	(61,889,466)	-
Transfer to retained earnings	-	7,618,265	-	(7,618,265)	-
Transfer to directors' allowance	-	-	-	(9,283,420)	(9,283,420)
Dividend paid	-	-	-	(145,127,956)	(145,127,956)
Balance at 30 June 2010	550,000,000	19,021,971	213,941,994	176,384,978	959,348,943
Increase in share capital	184,069,582	-	-	-	184,069,582
Current year profit	-	-	-	360,629,582	360,629,582
Transfer from directors' allowance	-	-	-	464,171	464,171
Transfer to legal reserve	-	-	90,157,396	(90,157,396)	-
Transfer to retained earnings	-	9,283,420	-	(9,283,420)	-
Transfer to directors' allowance	-	-	-	(450,000)	(450,000)
Dividend paid	-	-	-	(167,565,729)	(167,565,729)
	<u>734,069,582</u>	<u>28,305,391</u>	<u>304,099,390</u>	<u>270,022,186</u>	<u>1,336,496,549</u>

The notes on pages 28 to 39 form an integral part of these financial statements



AWASH INTERNATIONAL BANK SHARE COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Birr	Birr	2010 Birr
OPERATING ACTIVITIES				
Cash inflow from operations	19	1,433,283,020		778,244,979
Tax paid		<u>(103,278,139)</u>		<u>(33,950,488)</u>
Net cash inflow from operating activities			1,330,004,881	<u>744,294,491</u>
INVESTING ACTIVITIES				
Government bonds		(1,589,214,000)		-
Treasury bill received		800,000,000		(800,000,000)
Interest received		19,924,768		5,194,375
Dividend received		1,382,411		-
Purchase of property and equipment		(99,808,943)		(94,147,074)
Proceeds from sale of property and equipment		349,500		-
Investment in shares		<u>(8,300,161)</u>		<u>(1,765,250)</u>
Net cash outflow from investing activities			(875,666,425)	<u>(890,717,949)</u>
FINANCING ACTIVITIES				
Issuance of shares		184,069,582		104,516,764
Dividend paid		<u>(166,873,510)</u>		<u>(136,827,669)</u>
Net cash inflow (outflow) from financing activities			17,196,072	<u>(32,310,905)</u>
Gain on foreign currency transaction and translations			<u>255,682,503</u>	<u>234,503,151</u>
Net increase in cash and cash equivalents	20		727,217,031	55,768,788
Cash and cash equivalents at beginning of year	20		<u>3,320,883,670</u>	<u>3,265,114,882</u>
Cash and cash equivalents at end of year	20		<u>4,048,100,701</u>	<u>3,320,883,670</u>

The notes on pages 28 to 39 form an integral part of these financial statements



AWASH INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Bank, which are consistent with those applied in the preceding year, are stated below.

a) Basis of preparation

- i) The financial statements are prepared on the historical cost convention in accordance with Generally Accepted Accounting Principles and the relevant laws and regulations of Ethiopia including the Commercial Code of Ethiopia of 1960, Banking Business Proclamation No. 592/2008 and Directives of the National Bank of Ethiopia.
- ii) All amounts in the financial statements are expressed in Birr.

b) Valuation of assets and liabilities

- i) Assets and liabilities denominated in foreign currencies are translated into Birr at the exchange rates ruling on the last day of business in June 2011.
- ii) All major financial assets are measured at cost.
- iii) Depreciation is provided on the basis of the following methods per annum:

Premises-5% on straight-line basis.

- Computers and other assets according to a pooling system at the following rates applied to the book values of each group of assets determined by adding additions and deducing disposal proceeds of the year to their respective opening book values:

Computers	25%
Other assets	20%
- Vehicles	
- Office equipment	
- Furniture and fittings	

- Fixed assets in store are not depreciated.

iv) Investments are stated at cost.

- v) The provision for doubtful debts on the principal amount of loans and interest in arrears less net recoverable value is made on the following basis as per NBE directive No. SBB 43/2008:-

<u>Days</u>	<u>Sub categories</u>	<u>%</u>
Up to 30 days	Pass	1
31- 90 *	Special mention	3
91-180 *	Substandard loans	20
181-360 *	Doubtful loans	50
Over 360 days	Loss loans	100

The net recoverable value represents the most probable value of a loan or advance which will be realized from the sale of a collateral securing the loan or advance in a competitive and open market.



AWASH INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Recognition of financial assets and financial liabilities

The Bank recognizes a financial asset or a financial liability on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. A financial asset is derecognized when, and only when, the control over the contractual rights is lost. A financial liability is derecognized when, and only when, it is extinguished.

d) Income recognition

Income is recognized in the period in which it is earned. When a lending account becomes non-performing, interest is suspended and excluded from income until it is received.

2. CASH AND BANK BALANCES

The reserve account with National Bank of Ethiopia is non interest bearing and is computed at 15% of the net deposits as prescribed by the National Bank of Ethiopia directives. These funds are not available to finance the Bank's day to day operations.

3. GOVERNMENT BONDS

Government bonds are stated at cost and are made up of the following:-

	<u>Birr</u>	<u>Date of maturity</u>	<u>Interest rate %</u>
Coupon bond - Development Bank of Ethiopia	1,000,000	13/4/13	5.5
National Bank of Ethiopia bill account	121,294,000	17/4/16	3
" " " " " "	1,229,800,000	13/4/16	3
" " " " " "	110,700,000	3/5/16	3
" " " " " "	44,900,000	9/5/16	3
" " " " " "	34,460,000	24/5/16	3
" " " " " "	47,060,000	16/6/16	3
	<u>1,589,214,000</u>		



AWASH INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

4. LOANS AND ADVANCES

a) The details are as follows:-

	<u>Birr</u>	<u>2010</u> <u>Birr</u>
Domestic trade and services	1,053,297,870	776,281,978
Import	565,694,782	361,282,525
Building and construction	744,251,084	391,341,873
Manufacturing	229,582,146	219,905,718
Transport	284,636,995	206,556,687
Agriculture	86,397,213	124,857,828
Export	839,614,404	795,404,312
Nonperforming loans and advances	146,232,055	228,276,334
Personal loans	<u>36,758,227</u>	<u>41,778,7112</u>
	3,986,464,776	3,145,685,967
Less: Provision for doubtful loans and advances	<u>144,914,000</u>	<u>148,309,000</u>
	<u>3,841,550,776</u>	<u>2,997,376,967</u>

b) The aggregate gross amount of non-performing loans and advances on which interest has been suspended is Birr 146,232,055. Unrecognized interest related to such loans amounted to Birr 45,545,462 (Note 1d).

c) The movement in the provision for doubtful loans and advances is as follows

	<u>Birr</u>
Balance at 30 June 2010	148,309,000
Less: Loans written off	(8,608,000)
Add: Additional provision during the year	<u>5,213,000</u>
	<u>144,914,000</u>



AWASH INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

5. INVESTMENT IN SHARES

	<u>Birr</u>	<u>2010</u> <u>Birr</u>
Awash Insurance Share Company	9,563,359	3,770,348
Finfine Printing Press Share Company	1,000,000	1,000,000
ODA Share Company	36,100	28,700
Negat Mechanical Engineering Share Company	500,000	500,000
Oromia Insurance Share Company	525,000	525,000
Premier Switch Solution Share Company	2,499,750	-
	<u>14,124,209</u>	<u>5,824,048</u>

6. OTHER ASSETS

	<u>Birr</u>	<u>2010</u> <u>Birr</u>
Uncleared effects	111,959,481	448,485,041
Acquired property	41,348,448	47,461,845
Interest receivable	10,763,985	-
Stationery and other supplies	15,155,090	4,177,839
Staff debtors and prepayments	69,479,122	54,721,656
Receivable from Awash Insurance Share Company on account of cost of building	48,342,774	-
Other receivables	70,519,903	40,733,045
Ethiopian Mellinium Commemorative silver and gold coins	11,300	-
	<u>367,580,103</u>	<u>595,579,425</u>
Less: Provision for doubtful debts	2,000,000	2,000,000
	<u>365,580,103</u>	<u>593,579,426</u>



AWASH INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

7. PROPERTY AND EQUIPMENT

	<u>Balance at</u> 30 June 2010 <u>Birr</u>	<u>Additions</u> <u>Birr</u>	<u>Transfers/ Disposals</u> <u>Birr</u>	<u>Balance at</u> 30 June 2011 <u>Birr</u>
COST				
Leasehold land	15,212,682	937,907	-	16,150,589
Building	7,427,866	-	135,788,704	143,216,570
Motor vehicles	48,938,190	7,308,676	(334,785)	55,912,081
Computers and accessories	46,438,569	6,926,536	-	53,365,105
Furniture, fittings and equipment	44,759,602	24,113,216	-	68,872,818
Construction in progress	<u>156,281,826</u>	<u>60,522,608</u>	<u>(184,239,479)</u>	<u>32,564,955</u>
	<u>319,058,735</u>	<u>99,808,943</u>	<u>(48,785,560)</u>	<u>370,082,118</u>
DEPRECIATION				
Building	2,799,641	2,296,720	-	5,096,361
Motor vehicles	28,931,728	5,459,237	(315,830)	34,075,135
Computers and accessories	33,625,658	4,832,121	-	38,457,779
Furniture, fittings and equipment	<u>26,582,044</u>	<u>8,443,472</u>	<u>-</u>	<u>35,025,516</u>
	<u>91,939,071</u>	<u>21,031,550</u>	<u>(315,830)</u>	<u>112,654,791</u>
NET BOOK VALUE	<u>227,119,664</u>			<u>257,427,327</u>

8. OTHER LIABILITIES

	<u>Birr</u>	<u>2010 Birr</u>
C.P.O. and certified cheques issued	282,993,264	137,813,707
Inter-branch clearing	129,171,779	89,862,007
Accrued interest	2,365,106	2,500,714
Blocked accounts	13,484,583	5,534,462
Exchange commission payable to National Bank of Ethiopia	27,852,629	26,428,633
Accrued leave payable	12,517,135	9,973,246
Taxes payable	3,971,983	3,404,527
Directors' allowance payable	450,000	10,200,390
Advance received from Awash Insurance Share Company	3,000,000	-
Miscellaneous payable	<u>114,718,614</u>	<u>140,936,181</u>
	<u>590,525,093</u>	<u>426,653,867</u>



AWASH INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

9. PROVISION FOR TAXATION

a) The movement in the provision for taxation is as follows:-

	<u>Birr</u>	<u>2010</u> <u>Birr</u>
Balance at 30 June 2010	103,278,139	33,950,488
Tax expense of current year	<u>144,439,993</u>	<u>103,278,139</u>
	247,718,132	137,228,627
Less: Payments made during the year	<u>103,278,139</u>	<u>33,950,488</u>
	<u>144,439,993</u>	<u>103,278,139</u>

b) Tax computation

	<u>Birr</u>	<u>2010</u> <u>Birr</u>
Net profit before taxation	505,069,575	350,836,003
Less: Tax exempted income		
Interest income	(19,924,769)	(5,194,375)
Dividend income	(1,382,411)	-
Provision held prior to 2002 now written off	<u>(2,295,753)</u>	<u>(1,381,166)</u>
Taxable profit	<u>481,466,642</u>	<u>344,260,462</u>
Tax at the applicable rate of 30%	<u>144,439,993</u>	<u>103,278,139</u>

10. RIGHTS ATTACHED TO SHARES

Shares have equal voting rights and share equally in the distribution of profits based on their shareholdings.

11. LEGAL RESERVE

	<u>Birr</u>
Balance at 30 June 2010	213,941,994
Appropriation for the year	<u>90,157,396</u>
	<u>304,099,390</u>

The legal reserve is a statutory reserve to which not less than 25% of the net profits shall be transferred each year until such reserve equals the capital of the Bank and thereafter 10% of the net profit shall be transferred each year.



AWASH INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

12. DIVIDEND

Dividend amounting to Birr 167,565,729 (2010 – Birr 145,127,956) was declared by the annual general meeting of shareholders on the net profit of the previous year and paid during the year under review.

13. INTEREST INCOME

	<u>Birr</u>	<u>2010</u> <u>Birr</u>
Agriculture	13,753,681	16,778,478
Manufacturing	32,055,595	28,274,395
Domestic trade and services	93,663,673	85,084,146
Export	71,422,250	48,710,406
Import	56,742,238	34,159,588
Building and construction	68,065,295	52,576,848
Personal loans	3,759,752	4,734,513
Transport	28,668,797	22,248,048
Non-performing loans	5,270,273	9,433,545
Interest on surplus fund	19,924,768	1,329,475
Dividend on investment	1,382,411	-
	<u>394,708,733</u>	<u>303,329,442</u>

14. GAIN ON FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS

	<u>Birr</u>	<u>2010</u> <u>Birr</u>
Gain on foreign currency transactions	189,298,008	234,503,159
Gain on currency devaluation (windfall profit)	<u>265,537,975</u>	-
	454,835,983	<u>234,503,159</u>
Less: Tax on windfall profit as per Proclamation No. 693/2009 (75%)	<u>199,153,481</u>	-
	<u>255,682,502</u>	<u>234,503,159</u>

AWASH INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

15. OTHER INCOME

	<u>Birr</u>	<u>2010</u> <u>Birr</u>
Interest on treasury bills	-	4,822,875
Interest on local investments	-	371,500
Bad debts collected	317,764	-
Commitment charges	3,902,529	536,508
Telephone and swift	10,624,270	9,861,732
Rent	1,428,868	1,488,253
Gain on disposal of property and equipment	330,544	-
Gain on disposal of acquired property	2,491,609	-
Miscellaneous income	923,749	2,659,545
	<u>20,019,333</u>	<u>19,740,413</u>

16. INTEREST EXPENSE

	<u>Birr</u>	<u>2010</u> <u>Birr</u>
Customers deposit	204,529,812	145,157,194
Deposit from other banks	1,441,496	1,119,654
Interest on fund received	3,501,809	8,646,498
	<u>209,473,117</u>	<u>154,923,346</u>

17. SALARIES AND BENEFITS

	<u>Birr</u>	<u>2010</u> <u>Birr</u>
Clerical staff salaries	66,923,653	56,305,715
Non-clerical staff salaries	13,714,094	10,987,477
13% provident fund	8,765,520	5,958,017
Cash indemnity allowances	2,950,101	1,764,247
Uniforms	1,118,530	927,497
Training and education	753,364	897,502
Severance and leave pay	609,730	316,456
Staff insurance	1,323,538	1,218,111
Medical	1,147,838	609,706
Bonus	10,289,102	6,559,524
Other allowances and benefits	2,386,529	1,059,238
Fuel and representation allowance	4,286,279	2,826,463
Employees' transport allowance	6,102,186	3,633,355
Overtime	776,338	548,600
	<u>121,146,802</u>	<u>93,611,908</u>



AWASH INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

18. ADMINISTRATIVE AND GENERAL EXPENSES

	<u>Birr</u>	<u>2010</u> <u>Birr</u>
Rent	22,334,563	22,528,560
Stationery and office supplies	9,686,351	6,510,271
Transportation, distribution and travel allowances	4,041,532	2,954,414
Communication	9,407,409	8,570,042
Insurance	2,674,435	1,256,654
Taxes	49,815	204,143
Fuel and lubricants	1,425,006	1,056,283
Repair and maintenance	3,093,129	2,258,843
Wages	911,057	525,841
Conference and meeting	2,785,697	1,300,264
Utility	1,257,625	990,477
Bank charge	678,621	585,419
Bad debts written-off	-	1,130,574
Advertisement and publicity	1,606,123	1,637,867
Donation and contribution	735,000	95,627
Depreciation	21,031,550	14,189,153
Miscellaneous expenses	4,756,780	3,526,410
	<u>86,474,693</u>	<u>69,320,842</u>

19. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATIONS

	<u>Birr</u>	<u>2010</u> <u>Birr</u>
Net profit before taxation	505,069,575	350,836,003
Depreciation	21,031,550	14,189,153
Adjustment to property and equipment	48,450,774	-
Gain on disposal of property and equipment	(330,544)	-
Dividend received	(1,382,411)	-
Interest received	(19,924,768)	(5,194,375)
Directors' allowance paid (note 21)	(9,736,219)	(6,721,343)
Increase in loans and advances	(840,778,809)	(432,516,865)
Provision for doubtful loans and advances	5,213,000	17,899,000
Bad debts written-off	(8,608,000)	(18,768,000)
Decrease (increase) in other assets	227,999,322	(151,185,716)
Increase in customers deposits	1,637,841,064	1,143,529,739
(Decrease) increase in margin held on letters of credit	(48,808,409)	10,338,530
Increase in other liabilities	172,929,397	90,342,004
Gain on foreign currency transactions and translations	(255,682,502)	(234,503,151)
	<u>1,433,283,020</u>	<u>778,244,979</u>



AWASH INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

20. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	<u>30 June</u> <u>2011</u> <u>Birr</u>	<u>30 June</u> <u>2010</u> <u>Birr</u>	<u>Change</u> <u>Birr</u>	<u>Change</u> <u>2010</u> <u>Birr</u>
Cash on hand	518,657,611	424,501,318	94,156,293	(53,915,856)
Reserve account with National Bank of Ethiopia	1,130,000,000	850,000,000	280,000,000	150,000,000
Payment and settlement account with National Bank of Ethiopia	1,141,373,016	810,891,331	330,481,685	(260,183,511)
Deposits with local banks	74,665,707	81,694,175	(7,028,468)	(96,062,164)
Deposits with foreign banks	<u>1,183,404,367</u>	<u>-1,153,796,846</u>	<u>29,607,521</u>	<u>315,930,319</u>
	<u>4,048,100,701</u>	<u>3,320,883,670</u>	<u>727,217,031</u>	<u>55,768,788</u>

21. DIRECTORS' ALLOWANCE PAID

	<u>Birr</u>	<u>2010</u> <u>Birr</u>
Beginning Directors' allowance payable	10,200,390	8,019,227
Add: Allowance for the year	<u>450,000</u>	<u>9,283,420</u>
	<u>10,650,390</u>	<u>17,302,647</u>
Less: Amount transferred to dividend declared	(464,171)	(380,914)
Ending Directors' allowance payable	<u>(450,000)</u>	<u>(10,200,390)</u>
	<u>9,736,219</u>	<u>6,721,343</u>

22. PENDING COURT CASES

- a) The Bank had obtained unconditional financial guarantee bonds from an insurance company as collateral to certain loans, of which, loans and accrued interest amounting to Birr 47,456,010 (30 June 2010 – Birr 38,592,870) had been claimed by the Bank in accordance with the terms and conditions of the guarantees. However, these claims have not been settled by the insurance company and the Federal Supreme Court has ruled in favor of the Bank with respect to the entire principal amounts claimed and interest thereon from the date the insurance company was sued by the Bank. Both the Bank and the insurance company have appealed to the Federal Cassation Court.
- b) Some of the Bank's former officials are subject to an ongoing court case on some of the transactions carried out by the Bank in the past. To the best of management's knowledge, the outcome of this investigation is not expected to affect the Bank's financial statements for the year ended 30 June 2011.
- c) The Bank is defendant for a total amount of about Birr 1.6 million in respect of legal actions brought by different organizations and individuals which are contested by the Bank. It is difficult to assess the probable outcome of these cases at the moment.



AWASH INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

23. CONTINGENT LIABILITES

The Bank has the following liabilities, not provided for in these financial statements:-

- Birr 82,661,707 (2010 Br 60,021,326) in respect of bank guarantee issued; and
- the Ethiopian Revenues and Customs Authority (ERCA) has instructed banks to register for and pay value added tax (VAT) on the sale of property they held as collateral. Even though the Bank is registered as VAT payer, as in case of most banks, payment has not been effected so far on the ground that the sale of properties to reclaim debt was considered a normal banking transaction and not a profit making endeavor. It is not possible to determine the amount of liability involved and to assess the outcome of this dispute.

24. ESTABLISHMENT

The Bank was established as a share company effective 20 August 1994. Its principal place of business is in Addis Ababa, Ethiopia and has 70 branches in various parts of the country.

25. EMPLOYEES

The Bank employed 2,724 staff at 30 June 2011 (2010 2,429).

26. RETIREMENT BENEFIT OBLIGATIONS

The Bank makes contributions to a benefit scheme as per the approval of the Board. The employer and employee make contributions of 13% and 7% of the employee's basic salary. For the year ended 30 June 2011, the Bank contributed Birr 8,765,519 (2010 - Birr 5,958,017) which has been charged to the profit and loss account.

27. STAFF COSTS

Staff costs for the year amounted to Birr 121,146,802 (2010 – Birr 93,611,908) and are included in the various major expense categories.

28. RELATED PARTY TRANSACTIONS

Related parties are considered to be other entities that exercise significant influence over the Bank's financial and operating decisions or entities over which the Bank is able to exercise significant influence in their financial and operating decisions.



AWASH INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS (continued)
30 JUNE 2011

28. RELATED PARTY TRANSACTIONS (continued)

- i) Included in loans and advances is Birr 31,337,610 (2010 - Birr 22,309,996) advanced to employees. Loans to employees are interest bearing.
- ii) Loans were also advanced to the following companies which are owned by the shareholders:-

<u>Name of borrower</u>	<u>Total Loan Birr</u>	<u>Outstanding Balance at 30 June 2011 Birr</u>
. Dire Industries PLC	102,241,000	75,825,000
. Asyehera International Trading PLC	10,762,000	8,728,000
. Omedad PLC	23,000,000	15,070,000

- iii) Awash International Bank (AIB) has acquired shares worth Birr 9,563,359 from Awash Insurance Company (AIC) while AIC has acquired shares worth Birr 36,199,000 from AIB. Furthermore, there is a net balance of Birr 45,342,774 receivable from AIC in respect of the cost of the portion of building occupied by AIC.

29. COMPARATIVE FIGURES

In order to facilitate comparison, certain of the 2010 figures have been rearranged in these financial statements.

30. DATE OF AUTHORIZATION

The Board of Directors of the Bank authorized the issue of these financial statements on 26 October 2011.

Financial Highlight, Number of Branches and Employees

In millions of Birr unless stated

Particulars	2001	2002	2003	2004	2005	2006	2007	2008/09***	2009/10	2010/11
Deposits*	840	1065	1377	1780	2270	2800	3508	5302	6456	8045
Loans & Advances **	612	706	833	1149	1545	2464	2529	2713	3146	3986
Total Assets	1101	1403	1830	2379	2990	3683	4783	7133	9023	11,089
Capital & Reserves	128	137	154	197	241	342	483	761	959	1336
Profit Before Tax	28	13	22	48	63	134	179	303	351	505
Profit After Tax	17	9	17	35	45	95	127	214	248	361
Earning per share (Birr)	209	94	157	279	302	529	526	558	493	560
No.of Branches (in no.)	24	25	29	32	35	40	46	61	64	70
No. of Employees(in no.)	784	867	1006	1119	1236	1466	1698	2284	2484	2724

Source: AIB's Audited Accounts

*Including Margins on L/C

(Jan.1,2008-Jun.30,2009)

** Including Provisions for doubtful Loans & Advances

NB: Figures from 2001-2007 are as at December 31, & 2008/09 on ward as at June 30.

*** The figure for 2008/09 is extrapolated from audited figures of 18months

Awash International Bank s.c. Branch's Addresses in Addis Ababa

No	Name	Telephone	Fax
1	Addis Ketema	(011) 277 24 84	(011) 277 24 83
2	Africa Andinet	(011) 371 6102	(011) 371 65 94
3	Africa Avenue	(011) 5570533	(011) 557 0536
4	Arada Giorgis	(011) 155 61 66	(011) 155 58 00
5	Arat Kilo	(011) 157 03 32	(011) 157 0335
6	Bole	(011) 618 9522	(011) 662 6387
7	Dil Gebeya	(011) 372 08 20	(011) 372 08 39
8	Finfine	(011) 557 0107	(011) 557 0113
9	Fit-Ber Branch	(011) 895 9957	(011) 895 9956
10	Gerji	(011) 647 62 75	(011) 647 62 74
11	Gofa Sefer	(011) 465 36 91	(011) 466 37 24
12	Gofa Gebriel Branch	(011) 895 9954	(011) 8959955
13	Gulelle	(011) 278 49 26	(011) 278 49 27
14	Gurd Shola	(011) 646 16 79	(011) 646 12 31
15	Habte Giorgis	(011) 157 8891	(011)157 45 46
16	Hayahulet Mazoria	(011) 662 46 67	(011) 662 65 87
17	Head Office	(011) 662 0303	(011) 663 75 38
18	Jemmo	(011) 348 4007	(011) 348 62 70
19	Kazanchis	(011) 552 09 94	(011) 551 98 29
20	Kirkos	(011) 554 75 83	(011) 554 75 82
21	Kolfe	(011) 275 72 35	(011) 277 33 76
22	Kotebe	(011) 647 54 00	(011) 645 62 74
23	Lafto	(011) 419 64 89	(011) 419 64 88
24	Legehar	(011) 553 19 48	(011) 551 08 67
25	Lideta	(011) 554 65 72	(011) 554 65 71
26	Megenagna	(011) 618 27 74	(011) 618 27 72
27	Mehal Arada	(011) 111 92 26	(011) 156 08 83
28	Merkato	(011) 277 16 66	(011) 213 71 36
29	Nefas Silk	(011) 442 03 09	(011) 442 09 58
30	Sebatengna	(011) 277 33 42	(011) 277 3270
31	Sidamo Tera	(011) 278 41 18	(011) 278 41 17
32	Stadium	(011) 515 67 46	(011) 550 29 20
33	Tekle Haimanot	(011) 278 93 76	(011) 277 27 32
34	Temenja Yaj	(011) 416 27 20	(011) 416 27 05
35	Urael	(011) 554 08 30	(011) 554 08 36

No	Name	Telephone	Fax
36	Adama	(022) 111 11 23	(022) 111 53 75
37	Agaro	(047) 221 17 46	(047) 221 18 41
38	Ambo	(011) 236 41 74	(011) 236 56 69
39	Assela	(022) 331 28 75	(022) 331 56 22
40	Assossa	(057) 775 16 52	(057) 775 17 41
41	Aweday	(025) 662 05 60	(025) 662 05 93
42	Bahir Dar	(058) 220 06 71	(058) 222 11 47
43	Bale Robe	(022) 665 17 00	(022) 665 19 75
44	Bedessa	(025) 555 01 16	(025) 555 01 69
45	Bekoji	(022) 332 06 55	(022) 332 00 80
46	Bishoftu	(011) 433 53 44	(011) 437 04 20
47	Bule Hora	(046) 443 0121	(046) 443 0935
48	Chiro	(025) 551 10 20	(025) 551 10 22
49	Dembela	(022) 110 06 23	(022) 110 06 22
50	Dessie	(033) 111 2829	(033) 111 2839
51	Dilla	(046) 331 33 13	(046) 331 41 07
52	Dire Dawa	(025) 111 40 42	(025) 111 40 46
53	Dukem	(011) 432 05 02	(011) 432 05 23
54	Ghimbi	(057) 771 00 66	(057) 771 10 22
55	Ginir	(022) 664 04 49	(022) 664 04 49
56	Gonder	(058) 111 48 67	(058) 111 80 44
57	Harar	(025) 667 07 45	(025) 667 02 87
58	Humera	(034) 448 14 72	(034) 448 14 71
59	Harufa	(046) 110 06 10	(046) 110 05 43
60	Hawassa	(046) 220 47 22	(046) 220 47 51
61	Jijiga	(025) 775 25 48	(025) 775 20 72
62	Jimma	(047) 111 21 89	(047) 111 94 12
63	Lekka	(057) 661 14 30	(057) 661 14 39
64	Mechara	(025) 557 05 61	(025) 557 05 63
65	Mekele	(034) 441 89 67	(034) 441 89 66
66	Mettu	(047) 441 26 48	(047) 441 41 65
67	Nekemte	(057) 661 70 92	(057) 661 54 74
68	Sabean Sefer	(025) 111 21 30	(025) 111 21 33
69	Sebeta	(011) 338 41 01	(011) 338 41 02
70	Shashemene	(046) 110 65 25	(046) 110 00 14
71	Togo Chale	(025) 882 01 31	(025) 882 01 32
72	Wolayta Soddo	(046) 551 2424	(046) 551 1399
73	Woliso	(011) 341 34 75	(011) 341 34 72



እርምጃቸን ወደ ባንካቸን!

Stepping to our Bank!

AWASH INTERNATIONAL BANK S.C.

P.O. Box 12638

Addis Ababa, Ethiopia

Tel. +251-11- 557 01 67/ 74

Fax: +251-11-557 0165/ 26

E-mail: aib.businessdev@ethionet.et / awash.bank@ethionet.et

Website: www.awash-international-bank.com