



**ANNUAL REPORT FOR  
FINANCIAL YEAR ENDED 30 JUNE 2012**





## Vision

**“To be the strongest and most preferred Bank of the People”**

## Mission

**“To provide modern, efficient, competitive, diversified and profitable banking services at domestic and international banking levels, to a continuously growing number of customers in a socially responsible manner.”**

## CORE VALUES

- **Dynamism**
- **Professionalism**
- **Excellence**
- **Integrity**
- **Accountability**
- **Impartiality**
- **Team Spirit**
- **Social Responsiveness**



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## THE BOARD OF DIRECTORS



Wole Gurm  
Chairman



Amsalu Bizuneh  
V/ Chairman



Asegedech W/Mariam  
Director



Beniam Terfa  
Director



Elias Bedada  
Director



Fanta Tesgera (Dr.)  
Director



Girma Borishie  
Director



Kibret Shuma  
Director



Kidist Duguma  
Director



Terefe Mengesha (Eng.)  
Director



Yared Abera  
Director



Yidnekachew Ayele  
Director



## FROM THE CHAIRMAN'S DESK



Wole Gurm  
Chairman, Board of Directors

Honorable Shareholders,

On behalf of the Board of Directors and on my own behalf, I am duty-bound and honored to once again present the Annual Report of Awash International Bank s.c. (AIB), endeavoring to provide the necessary information on the performance of the Bank during July 1, 2011 – June 30, 2012 financial year, characterized by numerous and formidable challenges without denying the presence of opportunities. Indeed, the presentation of this edition gives me a sense of gratification and profound pleasure as one may expect.

The Annual Report is succinct and informative. It beams adequate light on the objective conditions that prevailed during the year under review as well as the various operations and the hard-won achievements of the Bank. Hence, you are all advised to seriously and leisurely go through it. If you kindly do so, it is hoped that you will get a fair picture of the Bank and consequently appreciate its progress.

The report incorporates important chapters under different headings which tell their own story. They include the reports of the Board of Directors and the External Auditors as well as the statement of the President. It should, however, be noted that they are not mutually exclusive, for together they form one canvas, sketched to the universal theme of AIB as a whole. Interestingly, the theme which runs through all chapters is that of a singular message: to inform, congratulate and encourage our esteemed Shareholders to rise up to the challenges and promises of the future.

Honorable Shareholders,

Despite the prevalence of both local and global financial constraints, AIB is still occupying a central place in the banking industry of the country. It is still on the forefront of high achievers among its peer group, ranked by operational outcomes. This reality testifies, beyond any doubt, the fact that AIB is one of the most vibrant corporate entities that the country has ever produced.

As we look ahead, the 2012/13 financial year is not likely to be full of milk and honey as such. The slowdowns are anticipated in major economies including USA, China and India. This implies, among others, a decline in foreign currency inflows for growing economies like Ethiopia. However, such occurrences should not and cannot deter our commitment and determination. There is a saying which reads "The past should be treated as a chance for the future". Both the Board and Management are

confident as ever before of their ability to harness their skills and energies to register yet new glittering successes during the current financial year and thereby maintain the rightful place of our Bank, given the prevailing competitive situation. The Bank's success story should be and will be kept at any cost through structural transformations, new products and innovative services as well as the full deployment of new technologies.

Definitely, our endeavors alone cannot take us to the highest peak of our aspirations. We need the support and cooperation of all stakeholders in our all-out struggle for qualitative achievements.

***Together, we can undoubtedly build a mountain!!***



Joint AIB and AIC Board of Directors and Management Meeting, December 31, 2011





## PICTORIAL PRESENTATION OF SHAREHOLDERS AND BOARD OF DIRECTORS MEETINGS



16th Ordinary Annual General Meeting of Shareholders, November 19, 2011



Board of Directors Meeting



## Executive Management



Tsehay Shiferaw  
President



Bacha Gina  
V/P, 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.



Belihu Duressa  
Manager, Property  
Admin. Dept.



Desalegn Tolera  
Manager, Credit Analysis  
& Appraisal Dept.



Fekadu Shigute  
Manager, Import Dept.



Habtamu Aberra  
Manager, Branch  
Operation Dept.



Kinfemichael W/Tensae  
Manager, Control Dept.



Matheos Bayisa (Dr.)  
Manager, MIS Dept.



Tadesse Gemeda  
Manager, Export &  
Transfer Dept.



Teklu Wodajo  
Manager, HR &  
Admin. Dept.



Temesgen Busha  
A/Chief Officer,  
Compliance & Risk Mgt.  
Dept.



Tilahun Geleta  
Manager, Finance Dept.



Yeneakal Yehualashet  
Manager, Legal  
Services Dept.





## President's Statement



Tsehay Shiferaw  
President

On behalf of the Management of Awash International Bank s.c. and on my own behalf, I am honored to present the report on the operational performance of the Bank for the financial year 2011/12, ended June 30, 2012.

In the financial year 2011/12, the Ethiopian economy was generally characterized by high GDP growth (about 11%), high and persistent inflation and intense competition among the commercial banks, mainly in the areas of deposits mobilization and branch expansion.

Notwithstanding the intense competition, Awash International Bank s.c. has recorded an impressive performance in the financial year 2011/12. The performance recorded in all operational areas was generally gratifying. For the first time, the total income of the bank reached an all time high of ten-digits amounting to Birr 1,110.7 million, surpassing the figure of the preceding financial year by 19.7 percent. Net profit after tax reached Birr 394.4 million, a 9.4 percent increase as compared to the 2010/11 financial year.

Total deposits, including margin on Letters of Credit (L/Cs), reached Birr 9,564 million, showing a 19% growth or an increase of about Birr 1.5 billion as compared with the preceding financial year's deposits of Birr 8,045 million. The amount of growth recorded in deposits mobilization was the biggest in AIB's history. The sharp increase in the amount of fixed deposits largely reflects the positive impact of upward revision of interest rates on same due to a stiff competition among private banks. This presumably has somewhat affected the profitability level of our Bank. In spite of NBE's bills purchase directives which forced commercial banks to spend 27% of their loan disbursements in the form of medium term bonds at low interest rate, AIB's total loans and advances reached Birr 5,504.6 million, a rise of 38% as compared to Birr 3,986.5 million registered in the preceding financial year. In fact, NBE bills purchase grew by 56% and reached Birr 2,483 million or 45% of the total loans and advances extended by the Bank. With regard to loan quality, I am pleased to report that the non-performing loans position of the Bank has been reduced to less than 2%. In fact, the position of non-performing loans declined both in terms of percentage ratio and absolute amount, which is the lowest record in the Bank's history and lower than the benchmark set by the National Bank of Ethiopia. The growth recorded in total loans and advances fairly correlate with the growth registered in total deposits of about Birr 1.5 billion.

Concerning branch expansion endeavors, AIB opened 16 new branches, which is a record in the Bank's





history, thus bringing the total number of branches to 86 as at June 30, 2012. This, once again, indicates the fact that AIB continues to hold its leading position among private banks in terms of the number of branches. The current branch opening strategy of the Bank gives more attention to the existence of business activities, particularly deposits mobilization objectives rather than mere physical presence.

With regard to construction of own buildings, the Bank's second largest complex building with basement plus G+8 storey named 'Adama Awash Bank Tower' was inaugurated colorfully on June 30, 2012 in Adama Town in the presence of high regional government officials, prominent businessmen, customers, shareholders, and other invited guests. The constructions of G+4 and G+2 buildings in Ghimbi and Agaro towns, respectively, are well underway and are expected to be completed during the current financial year.

Furthermore, the construction of Balcha Aba Nefso complex with two level basements plus G+ 10-storey building is already started. The total area of Balcha Aba Nefso site is 2,800m<sup>2</sup> and the building lies on 2,275 m<sup>2</sup> of land and its level of quality is comparable to that of the Headquarter buildings.

Architectural design works for the construction of Bulbula/Nifas Silk/ and Hawassa 2 level basements + G+7 and a basement + G+6 complex buildings, respectively, are also completed. The construction of these buildings is expected to start soon.

Another area where due attention is given, both by the Board and the Management, is the modernization of the Bank's operations. The Bank has been working with more determination aiming at replacing the existing old Core Banking System with a new one in order to improve the quality of services it provides and come up with new banking products. To implement the project, the Bank selected and signed an agreement worth USD 3.5 million with MISYS International Banking System, a London based banking software supplier. The agreement, among others, covers the purchase of various banking products, which could enable AIB to provide modern and efficient banking services to its customers.

Likewise, the Bank, in collaboration with NIB International Bank s.c. and United Bank s.c., established a company known as "Premier Switch Solutions s.c." to implement the joint operation and management of card banking, basically Automatic Teller Machine (ATM) and Point of Sale (POS) terminals. The three banks have already launched an electronic payment services using joint ATMs and POS machines. Accordingly, 60 ATM and 300 POS machines were purchased and are under installation in the branches of the three banks, hotels and supermarkets.

In order to improve the efficiency and productivity of employees as well as reduce high staff turnover, the study on organizational structure, job grading, salary scale and benefits package was commissioned to external consultants. On the basis of the study and a thorough review and consideration of alternatives by the Board of Directors and the Management, the Bank's organization was finally restructured, jobs properly graded and a revised salary scale and benefits package introduced as of July 1, 2012. These measures are believed to enhance AIB's efficiency, improve customer services and curtail the outward migration of core staff to competing banks.

Similarly, another consultant was hired to undertake a study on the Bank's Second Five Year Strategic Plan covering the financial years 2012/13 – 2016/17. The study which is under finalization is expected to enable the Bank to look ahead strategically and re-define its vision, mission and core values as well as set the goals, objectives, strategies and detailed activities on which it will focus over the next five years.



Looking ahead, the financial year 2012/13 is expected to be more challenging than the financial year 2011/12. The NBE bills purchase directives will continue to squeeze out the liquidity position of the Bank. The fall in the prices of primary commodities, like coffee, on the global scale has its share of adverse impact on the Bank's foreign currency earning capacity. The stiff competition among banks in mobilizing deposits and branch expansion are also expected to be further intensified, possibly affecting the profitability of AIB.

Although these challenges are to be encountered, we are determined more than ever before to stand together to move AIB to be 'the strongest and most preferred Bank of the people'.

During the financial year 2012/13, we will embark on the implementation of the Second Five Year Strategic Plan that is expected to enhance customer services, improve internal capacities, increase market share and improve overall profitability.

During this financial year, we shall move forward in implementing the ongoing Core Banking System (CBS), which is expected to enable AIB to provide modern and efficient banking services. We shall also enlarge the coverage of our ATM and POS machines installations in order to enhance the efficiency of our services and to attract more depositors. Moreover, AIB will start to provide a full-fledged VISA card payment service as it has already become a principal member of Visa International, the world leader card association.

Finally, I would like to express my appreciation to AIB's Board of Directors for its unreserved support and guidance that enabled our Bank to move ahead during such critical time. I would also like to express my thanks to our Shareholders for their invaluable comments and advices and their strong confidence in their Bank. The National Bank of Ethiopia deserves our sincere thanks and appreciation for its guidance and support. Last but not least, I am obliged to express my thanks to my colleagues in the Management and our dedicated staff without which we could have not achieved so much.





## PICTORIAL PRESENTATION OF MANAGEMENT MEETINGS



Executive Management Meeting



Annual Management





Awards to the Best Performing Branches of the Financial Year 2011/12 during the Annual Meeting in Bishoftu

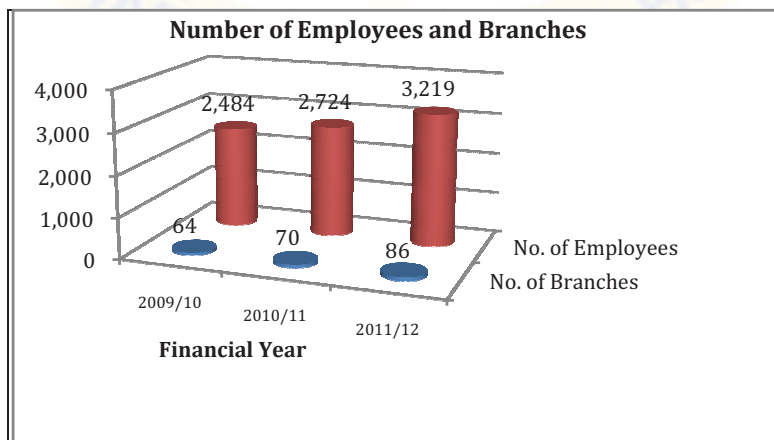
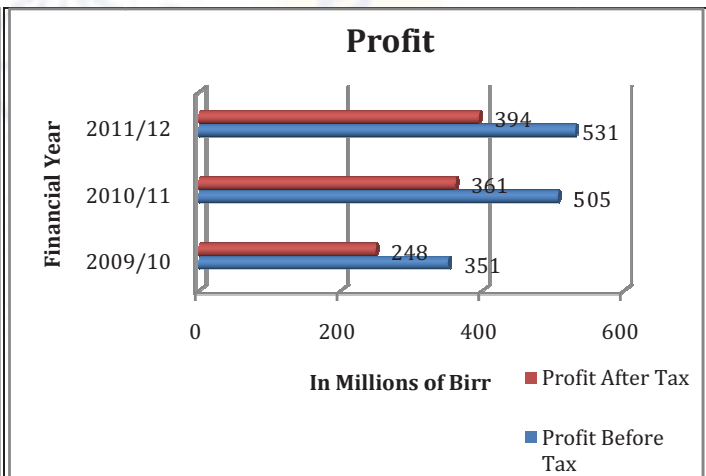
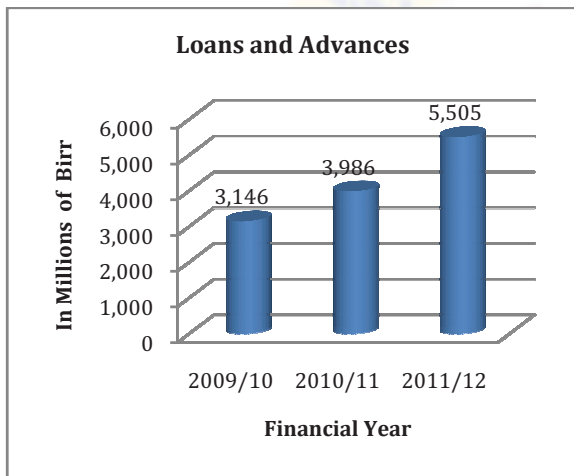
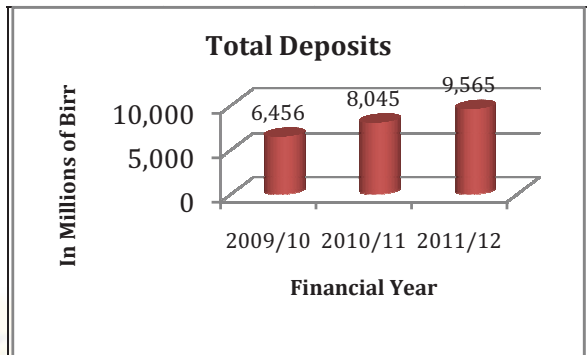
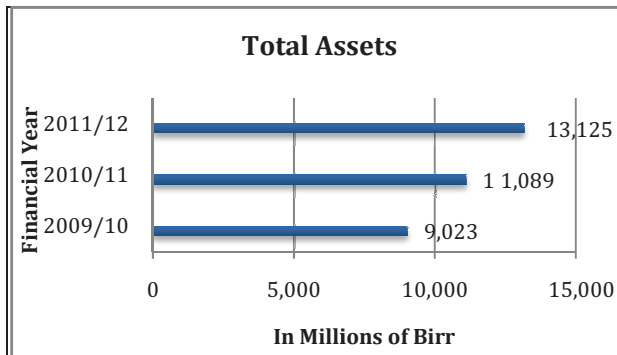


Meeting





# Highlights of Major Developments





# REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Awash International Bank S.C. (AIB) has the pleasure to present the Annual Report together with the audited financial statements of the Bank for the financial year ended June 30, 2012 to the 17<sup>th</sup> Ordinary Annual General Meeting of Shareholders.

## 1. Financial Performance

The overall financial performance of the Bank during the financial year 2011/12 was gratifying. Total income was up by 20 percent and profit after tax rose by 9.4 percent.

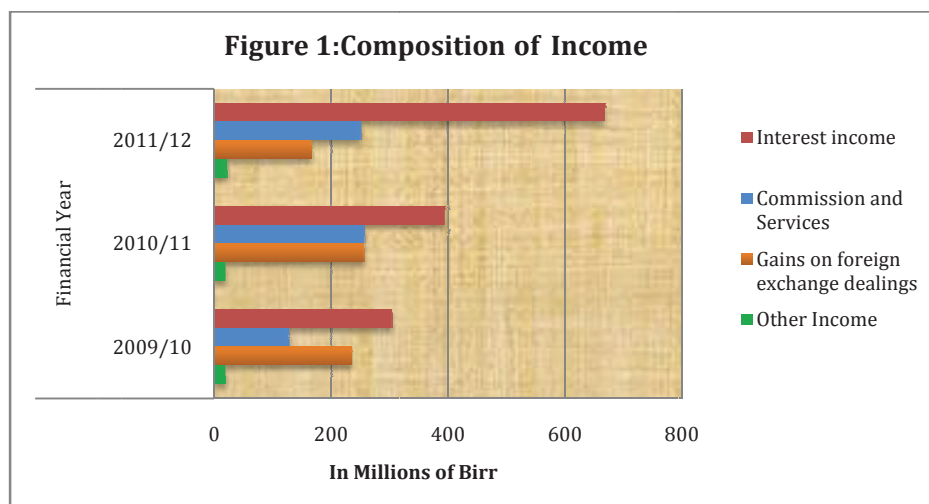
### 1.1. Income

The total income of the Bank registered an all time high amounting to Birr 1,110.7 million, up by 20 percent compared with that of the financial year 2010/11. The lion's share of income (60.2%) was accounted for by interest income, followed by commissions and services (22.6%), gains on foreign exchange dealings (15%) and other income (2.1%). Interest income rose by 69 percent and reached Birr 668.7 million, largely reflecting the surge in loans and advances by the Bank. On the other hand, gains on foreign exchange dealings declined by 34.7 percent reflecting the sharp slowdown in gains from depreciation of the exchange rate of the Birr vis-à-vis the US Dollar. The share of interest income increased to 60.2% in 2011/12 from 42.5% in 2010/11, while the share of gains on foreign exchange dealings declined to 15% in 2011/12 from 27.6% the previous financial year.

**Table 1: Composition of Income**

(In '000 Birr)

Description	Financial Year			Percentage Change	
	2009/10	2010/11	2011/12	D=C/A	E=C/B
	A	B	C		
Interest income	303,329.4	394,708.7	668,692.9	120.5	69.4
Commission and Services	129,133.1	257,139.1	251,323.8	94.6	-2.3
Gains on foreign exchange dealings	234,503.2	255,682.5	166,912.0	-28.8	-34.7
Other Income	19,740.4	20,019.3	23,802.1	20.6	18.9
<b>Total Income</b>	<b>686,706.1</b>	<b>927,549.6</b>	<b>1,110,730.8</b>	<b>61.7</b>	<b>19.7</b>



## 1.2. Expenses

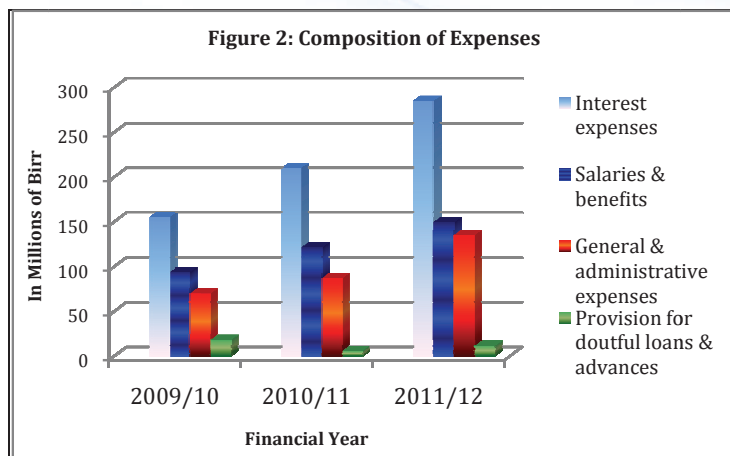
Total expenses of the Bank increased by 37 percent and stood at Birr 580.1 million in 2011/12 compared with the preceding financial year, owing to increases in all components of expenses. Increases in interest expenses largely reflect the growth in the volume of interest bearing deposits, namely saving and time deposits. The surge in general and administrative expenses was partly explained by expansion in the volume of banking services, particularly those associated with the expansion of branch network and partly by the general rise in the cost of goods and services as evidenced by persistent high inflation. Large provisions for doubtful loans and advances amidst the record low level of non-performing loans indicate the cautious measure taken by the Bank against unexpected future risks.

Interest expenses continued to be an important component of the Bank's expenses accounting for 49.1% of total expenses. Other major elements of total expenses were salaries and benefits (25.9%), administrative and general expenses (23.0%), and provision for doubtful loans and advances (1.9%).

**Table 2: Composition of Expenses**

(In '000 Birr)

Description	Financial Year			Percentage Change	
	2009/10	2010/11	2011/12	D=C/A	E=C/B
	A	B	C		
Interest expenses	154,923.3	209,473.1	284,935.1	83.92	36.02
Salaries and benefits	93,611.9	121,146.8	150,262.0	60.52	24.03
General and administrative expenses	69,435.8	86,647.2	133,685.6	92.53	54.29
Provision for doubtful loans & advances	17,899.0	5,213.0	11,248.8	-37.15	115.78
<b>Total expenses</b>	<b>335,870.0</b>	<b>422,480.1</b>	<b>580,131.5</b>	<b>72.73</b>	<b>37.32</b>



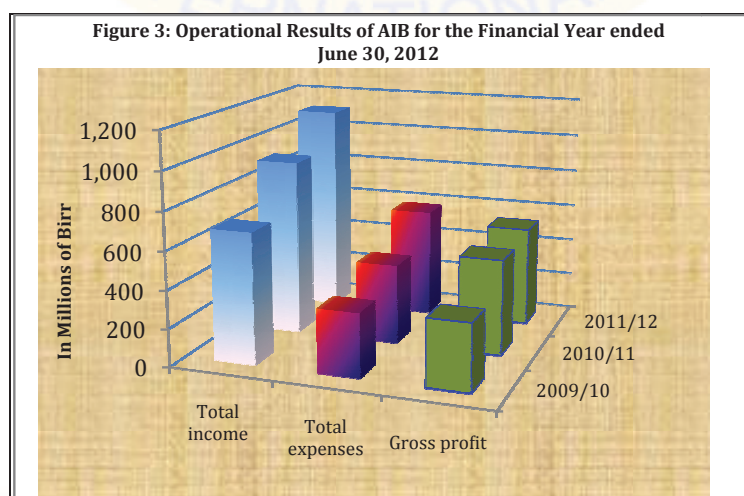
### 1.3. Profit

Notwithstanding the significant purchase of NBE bills at low interest rates, Awash International Bank registered a record high profit before tax of Birr 530.6 million in 2011/12. Similarly, the Bank's net profit after tax was up by 9.4% and reached Birr 394.4 million. Earning per share, on the other hand, stood at Birr 469 in 2011/12 from Birr 560 in 2010/11, reflecting the significant increase (24% rises) in the paid-up capital of the Bank.

**Table 3: Gross Profit**

(In '000 Birr)

Description	Financial Year			Percentage Change	
	2009/10	2010/11	2011/12	D=C/A	E=C/B
	A	B	C		
Total income	686,706.1	927,549.6	1,110,730.8	61.75	19.75
Total expenses	335,870.0	422,480.1	580,131.5	72.73	37.32
<b>Gross Profit</b>	<b>350,836.1</b>	<b>505,069.5</b>	<b>530,599.3</b>	<b>51.24</b>	<b>5.05</b>



## 1.4. Proposal on Dividend

The Board of Directors recommends that out of the total appropriatable profit of Birr 295,367,303 (two hundred ninety five million three hundred sixty seven thousand three hundred three), Birr 14,768,365 (fourteen million seven hundred sixty eight thousand three hundred sixty five) be retained and a dividend of Birr 280,598,938 (two hundred eighty million five hundred ninety eight thousand nine hundred thirty eight) be paid in cash or used for purchasing the Bank's shares, depending upon the choice of shareholders and availability of shares.

## 1.5. Balance Sheet

### 1.5.1. Assets

Total assets of the Bank grew by 18.7 percent and reached Birr 13.1 billion as at the end of June 2012. Loans and advances accounted for more than 40 percent of the total assets, signifying the intermediary role of the Bank, followed by government bonds and NBE bills (18 percent).

### 1.5.2. Capital

The paid-up capital of the Bank rose to Birr 912.3 million by June 30, 2012, up from Birr 734 million a year ago. As a result, the decision of the 11<sup>th</sup> Extraordinary General Meeting of AIB's Shareholders on November 20, 2010 to raise the paid-up capital of the Bank to one billion Birr within three years is expected to be met earlier.

## 2. Operational Performance

### 2.1. Deposits Mobilization

The total deposits of the Bank, including margin held on letters of credit, were higher than the previous financial year by 18.9% and reached over Birr 9.6 billion as at June 30, 2012, in spite of existing stiff competition among commercial banks in deposits mobilization.

The Bank managed to mobilize significant amount of deposits, mainly due to the concerted efforts both at the Head Office and branch levels, growing public confidence in the Bank and widespread distribution of branch network. All types of deposits, particularly time deposits, exhibited substantial improvements over the corresponding period of last year. Of the total deposits, saving deposits accounted for the major portion (68.6%), followed by demand deposits (22.6%), time deposits (5.0%) and margin held on letters of credit (3.8%).



**Table 4: Deposits by Type**

(In '000 Birr)

Description	Financial Year			Percentage Change	
	2009/10	2010/11	2011/12	D=C/A	E=C/B
	A	B	C		
Saving deposits	4,660,887.6	5,647,594.7	6,565,012.1	40.85	16.24
Demand deposits	1,383,089.3	2,014,009.0	2,158,287.9	56.05	7.16
Fixed deposits	61,963.3	82,177.6	481,057.7	676.36	485.39
L/C Margin	349,562.6	300,754.2	360,182.4	3.04	19.76
<b>Total deposits</b>	<b>6,455,502.8</b>	<b>8,044,535.5</b>	<b>9,564,540.1</b>	<b>48.16</b>	<b>18.89</b>

## 2.2. Loans and Advances

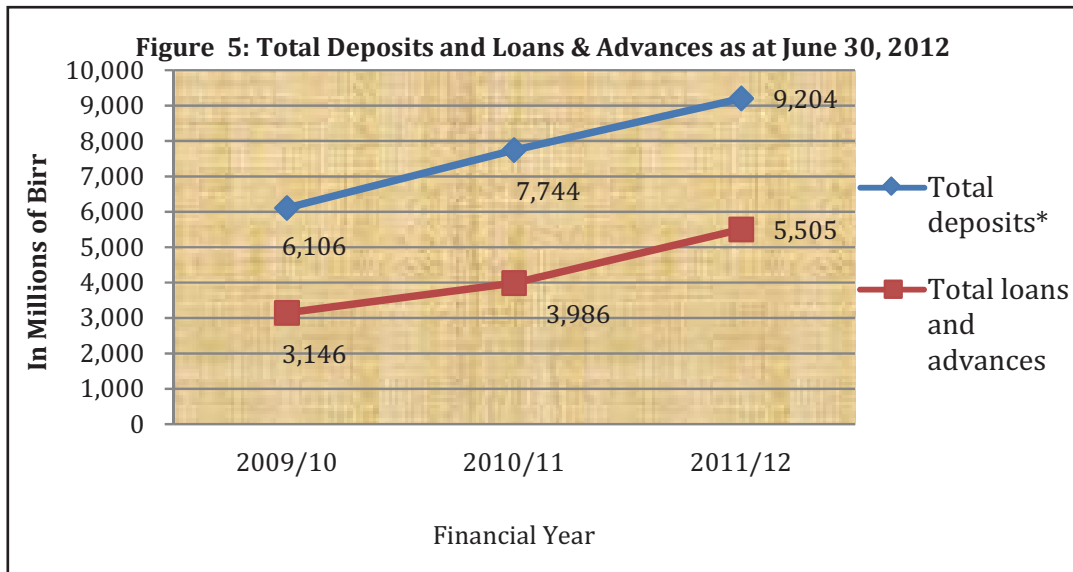
Total loans and advances of the Bank markedly rose to Birr 5.5 billion in 2011/12 from about Birr 4 billion a year earlier, partly reflecting the positive impact of the removal of credit ceiling by the National Bank of Ethiopia and partly due to the growing credit demand in the country associated with economic growth. As a result, the Bank's loan/deposit ratio improved to 60 percent from 50 percent the previous financial year.

**Table 5: Loans and Advances by Economic Sectors**

(In '000 Birr)

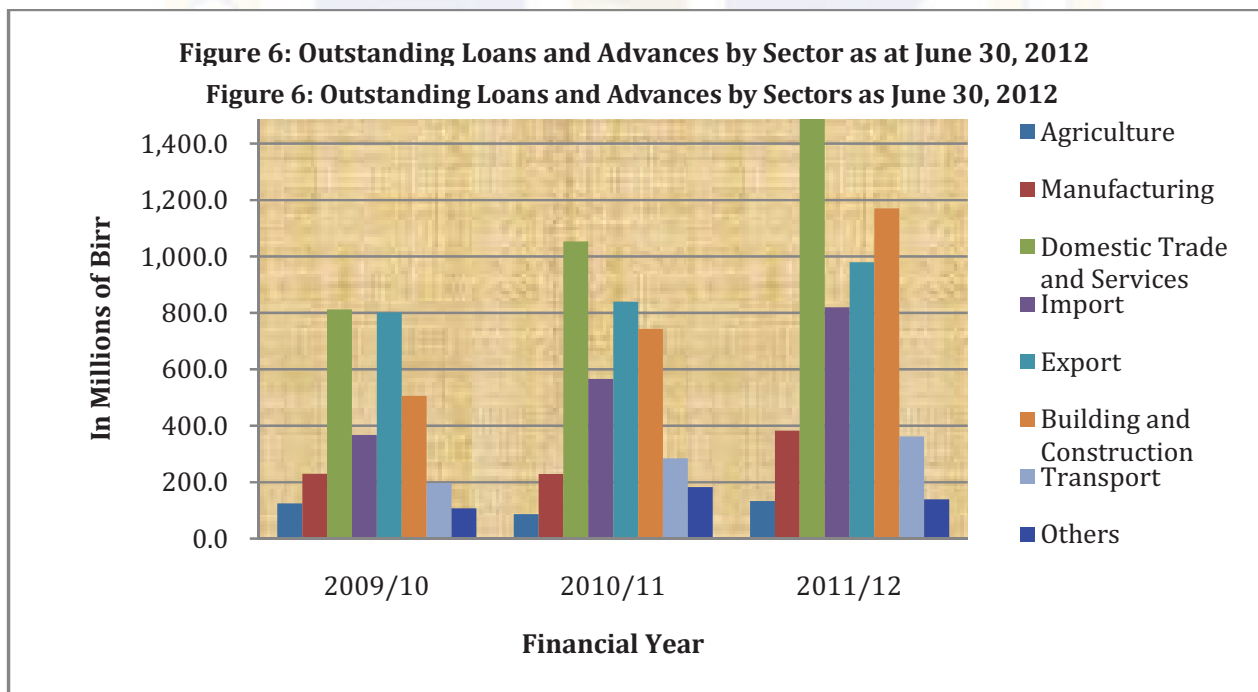
Description	Financial Year			Percentage Change	
	2009/10	2010/11	2011/12	D=C/A	E=C/B
	A	B	C		
Agriculture	125,101.8	86,397.2	132,826.6	6.17	53.74
Manufacturing	230,066.7	229,582.1	382,578.4	66.29	66.64
Domestic Trade and Services	811,871.0	1,053,297.9	1,518,538.9	87.04	44.17
Import	367,287.5	565,694.8	819,497.7	123.12	44.87
Export	801,744.3	839,614.4	979,019.4	22.11	16.60
Building and Construction	505,660.8	744,251.2	1,170,710.9	131.52	57.30
Transport	196,712.7	284,637.0	362,018.4	84.03	27.19
Others	107,241.0	182,990.3	139,420.1	30.01	-23.81
<b>Total</b>	<b>3,145,685.8</b>	<b>3,986,464.9</b>	<b>5,504,610.4</b>	<b>74.99</b>	<b>38.08</b>





\* Excludes L/C Margin held

Of the total outstanding loans and advances as at June 30, 2012, international trade took the major share (32.7%), followed by domestic trade & services (27.6%), building and construction (21.3%), manufacturing (7.0%), transport (6.6%), agriculture (2.4%), and others (2.5%).



## Some of the Projects Financed by AIB



Four Star Hotel in Addis Ababa



Wire Processing Plant in Addis Ababa



Coffee Processing Plant in Gelan town

## 2.3. International Banking Services

During the period under review, foreign exchange earnings from exporters declined modestly due to the decline in international prices of coffee, while earnings from international money transfer services improved substantially. The Bank entered into new service agreements with Dahabshiil, Ria and Asgori. Moreover, the Bank expanded its foreign exchange bureaux and the number of branches providing international money transfer services. Following the achievement of the target set by Western Union, the Bank was awarded the Western Union Best Service Bonus of the year.

All in all, the total number of international money transfer agencies working with AIB has reached nine. They are MoneyGram, Western Union, EzRemit, ExpressMoney, Moneytrans, Alante (MFI), Dahabshiil, Ria and Asgori.

### International Money Transfer Agents Working with AIB



## 2.4. Provision of Safe Deposit Boxes

AIB started renting safe deposit boxes at its Headquarter Building-Finfine Branch to lessees so as to enable them to store valuable possessions, such as gold, jewelry and important documents. Prominent customers of AIB were given priority to rent safe deposit boxes. AIB's Lekka (Nekemte) and Adama branches will start similar services soon.





Features of Safe Deposit Boxes

## 2.5. Branch Expansion

The financial year 2011/12 witnessed a historic expansion in branch network. Accordingly, sixteen new branches were opened during the period under review, thus bringing the total number of AIB's branches to 86. This makes AIB the leading private bank in terms of branch network. AIB effectively expanded its physical presence and diversified its customer base thus enabling more people to have access to the Bank's products and services. Of the newly opened branches, fourteen were located in Addis Ababa and the remaining two branches in Batu (Ziway) and Arsi Negelle towns.

### List of the Newly Opened Branches

- City Branches

- Africa Avenue
- Fit Ber
- Gofa Gebriel
- Piazza
- Korea Hospital
- Asko
- Mehal-Gebeya (Merkato)
- Meskel Flower
- Wuha Limat Area
- Traffic Tsihifetbet Akababi
- Churchill Road
- Gerji Giorgis
- Gotera
- World Bank

- Outlying Branches

- Batu Branch
- Arsi Negelle Branch

## Some of the Pictorial Highlights of Colourful Inaugurations of the Newly Opened Branches in 2011/12



Meskel Flower Branch



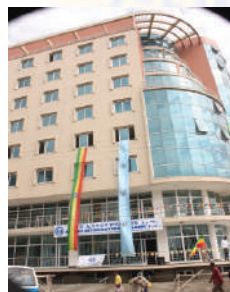
World Bank Branch



Churchill Road Branch



Arsi Negelle Branch



Traffic Tsihfetbet Akababi Branch



### 3. Other Developments

#### 3.1. Card Banking

A Premier Switch Solutions s.c., a company jointly established by Awash International Bank s.c, Nib International Bank s.c and United Bank s.c, for the joint operation and management of card banking, particularly Automatic Teller Machines (ATMs) and Point of Sale (POS) terminals has launched card banking services. The three banks started to provide ATM services, particularly to their staff at selected sites in Addis Ababa.



Card Banking launching ceremony by the three banks, July 5, 2012, Hilton Addis Ababa

#### 3.2. Computerization (Information Technology)

Cognizant of the importance of deploying the state-of-the-art technology in providing new and efficient services with cost effective use of resources, the Bank has been working on a project aimed at replacing the existing CORE banking system (Bank master) with a new one.

To this effect, the Bank signed an agreement worth 3.5 million US Dollars with MISYS International Banking System for the implementation of Bank Fusion Universal Banking (BFUB) CBS, TI plus (for Trade Finance Services), Internet Banking Solution, Data Warehousing Application, AML Solutions, Non-Interest banking Window, etc. The project is expected to be completed during the financial year 2012/13.



CORE Banking Implementation Signing Ceremony with MISYS, Sheraton Addis, May 21, 2012

During the period under review, the Bank continued to widen its customers' access to their funds by expanding on-line banking services to 14 additional branches. All in all, 63 branches, including all branches in Addis Ababa, were able to provide on-line banking services.

Financial year 2011/12 also marked the successful interfacing of the existing CORE banking system with the Ethiopian Automated Transfer System (EATS), a system that provides an infrastructure for the transfer of huge volume of money in real time.

### 3.3. Construction of Own Buildings

The period under review witnessed the colorful inauguration of the basement plus G+8 storey complex building named "Adama Awash Bank Tower" at Adama Town in the presence of prominent regional government officials, businessmen, customers, shareholders and other guests.



Adama Awash Bank Tower Inauguration Ceremony, June 30, 2012.



Other landmark events were the commencement of the construction of Balcha Abanefso complex, with 2 basements+G+10 storey building in Addis Ababa and a G+2 building in Agaro town as well as the completion of the architectural design works of Bulbula (2 level basements +G+7 storey) and Hawassa (a basement +G+6 storey) complex buildings.

The on-going construction of G+4 building in Ghimbi town is well underway and is expected to be completed in the near future.

### 3.4. Human Resources Development

The Bank's key resources agenda continues to revolve around human resources development so as to meet the growing demand of the Bank's customers for high quality and efficient banking services through talent nurturing and skill developments. Accordingly, 476 and 1,520 employees benefited from formal educational and short term training programs, respectively. Short term trainings focussed on Customer Services, Domestic Banking Operation, Foreign Trade Finance, Leadership Skills Development and Supervisory Management.

In line with the growth of the Bank, particularly associated with the expansion of new branches, the Bank recruited 495 new employees during 2011/12. As a result, the total number of employees rose to 3,219.



Staff Training

### 3.5. Corporate Social Responsibility

The relationship of the Bank with the community often extends beyond banking services. Over the years, the Bank has demonstrated its commitment for environmental conservation, improving the quality of the lives of children and women, and encouraging arts and sports. The case in point is the financial assistance given to the students of Edget-Behibret Elementary School, Ethiopian Women Lawyers Association and seed plantation at Bahir Dar.





AIB's Staff Participation in Environmental Protection Endeavours



Some of the Students Assisted by AIB in 2011/12



10th Great Ethiopian Run 2011



2012 Choice Women First 5km Run

## 4. Looking Ahead

The Board of Directors of AIB is fully aware of the prevailing local and global challenges facing the banking industry in Ethiopia. Besides, it is cognizant of the heavy responsibilities entrusted to it by the Shareholders and the requirements of pertinent laws and the directives of the National Bank of Ethiopia. The Board is also aware of the VISION, MISSION and CORE VALUES of the Bank. Accordingly, the Board will make unreserved efforts to accelerate the growth momentum of the Bank. In view of these, the major undertakings planned for the current financial year include, but not limited to, the following:-

- a. Finalizing and putting in place the second Five Year Strategic Plan with the aim of making AIB the strongest and most preferred Bank of the people by raising internal capabilities and efficiency;
- b. Closely monitoring the implementation of the financial year 2012/13 annual plan and the utilization of the approved budget;
- c. Design strategies for expanding the means and channels of the Bank's foreign currency earning;
- d. Endeavoring to launch the much-awaited CORE Banking System devised to enhance service efficiency, safety, security, durability and reliability;
- e. Providing multi-channel banking facilities such as ATM, Point of Sale Services, Internet-Banking, telephone and mobile banking;
- f. Closely monitoring the completion of the ongoing construction projects and launching new ones;
- g. Expanding the nation-wide network of branches by twenty more outlets in order to be accessible wherever the demands of the public and businesses justify;
- h. Improving the liquidity position of the Bank through deposit mobilization endeavours;
- i. Rationally extending loans and advances to various sectors of the economy in a manner that ensures optimal profits and minimization of risk;
- j. Keeping the ratio of non-performing loans below the level set by the supervisory authority and international standards and practices;
- k. Continuing to develop progressive policies, procedures and practices to demonstrate the Bank's commitment to equal opportunities;
- l. Reviewing and strengthening the compliance and risk management as well as the control arms of the Bank;

- m. Expanding further the paid-up capital base of the Bank;
- n. Properly implementing the revised organizational structure of AIB including the creation of two Area Branch offices for the coordination of branch activities in Addis Ababa and outlying branches and proper placement of core staff;
- o. Developing further and enhancing the skill and commitment of the Bank's staff in recognition of the fact that human capital is the most valuable asset of any business;
- p. Enhancing cost control measures through promotion of efficiency and austerity;
- q. Fighting fraudulent acts through strengthening preventive methods and taking strong legal and administrative measures; and
- r. Strengthening and ensuring the safety and security of the premises of the Bank's Head Office and branches as well as its other properties.

## 5. Acknowledgements

All those achievements of our Bank during the year under review wouldn't have been realized without the cooperation and encouragement of our far-sighted shareholders, the dynamic management in place, the energetic staff and the alliance of our customers. The regulatory and supervisory roles played by the National Bank of Ethiopia is also worth-mentioning. The Board of Directors of Awash International Bank, therefore, seizes this opportunity to express its sincere gratitude to all of them. It would also like to call upon all stakeholders and partners to enhance and maintain the noble culture of togetherness and support for the benefit of all of us.



A large, semi-transparent watermark of the AIB logo is centered on the page. It includes the Amharic text 'አዋሽ ኢንተርናሽናል ባንክ ኤ.ሲ.ሲ.' and 'AWASH INTERNATIONAL BANK S.C.' around a central emblem with a globe and a stack of coins.

# Auditors' Report



# የሂሳብ ምርመራ አገልግሎት ኮርፖሬሽን AUDIT SERVICES CORPORATION

ፖ.ሣ.ቁ. } 5720  
P.O.Box }

ስልክ } 551 52 22  
Tel. }

የፋክስ 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 19 to 34 which have been prepared under the historical cost convention and the accounting policies set out on pages 23 and 24. 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 2012 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.

Auditors of Awash International Bank Share Company  
16 October 2012






**AWASH INTERNATIONAL BANK SHARE COMPANY**  
**BALANCE SHEET**  
**AT 30 JUNE 2012**

	Notes	Birr	2011 Birr
<b>ASSETS</b>			
Cash and bank balances			
Cash on hand		422,053,137	518,657,611
Reserve account with National Bank of Ethiopia	2	920,000,000	1,130,000,000
Payment and settlement account with National Bank of Ethiopia		217,068,427	1,141,373,016
Deposits with local banks		71,539,550	74,665,707
Deposits with foreign banks		<u>1,304,721,124</u>	<u>1,183,404,367</u>
		2,935,382,238	4,048,100,701
Government bonds	3	2,484,718,000	1,589,214,000
Treasury bills	4	225,000,000	-
Loans and advances	5	5,355,718,376	3,841,550,776
Investment in shares	1(b)(iv),6	47,107,907	14,124,209
Other assets	1(b),7	561,691,035	365,580,103
Property and equipment	1(b)(iii),8	327,065,885	257,427,327
Customers' liability for commercial letters of credit		<u>1,188,533,118</u>	<u>973,443,743</u>
<b>TOTAL ASSETS</b>		<u>13,125,216,559</u>	<u>11,089,440,859</u>
<b>LIABILITIES</b>			
Deposits			
Demand deposits		2,158,287,879	2,014,008,960
Saving deposits		6,565,012,081	5,647,594,656
Fixed deposits		<u>481,057,706</u>	<u>82,177,641</u>
		9,204,357,666	7,743,781,257
Margin held on letters of credit		360,182,440	300,754,224
Other liabilities	9	585,335,980	590,525,093
Provision for taxation	10	136,176,224	144,439,993
Bank's liability for commercial letters of credit		<u>1,188,533,118</u>	<u>973,443,743</u>
		<u>11,474,585,428</u>	<u>9,752,944,310</u>
<b>CAPITAL AND RESERVES</b>			
Share capital			
Authorized - Birr 3,000,000,000			
Paid - 912,253 shares at Birr 1,000 each	11	912,253,280	734,069,582
Retained earnings		40,305,391	28,305,391
Legal reserve	12	402,705,157	304,099,390
Profit and loss account		<u>295,367,303</u>	<u>270,022,186</u>
		1,650,631,131	1,336,496,549
<b>TOTAL LIABILITIES, CAPITAL AND RESERVES</b>		<u>13,125,216,559</u>	<u>11,089,440,859</u>

  
 \_\_\_\_\_  
 Manager, Finance Department

  
 \_\_\_\_\_  
 President

  
 \_\_\_\_\_  
 Chairman of the Board of Directors

Addis Ababa, 16 October 2012

The notes on pages 23 to 34 form an integral part of these financial statements





**AWASH INTERNATIONAL BANK SHARE COMPANY**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	Birr	2011 Birr
<b>INCOME</b>			
Interest income	14	668,692,913	394,708,733
Commissions and services		251,323,832	257,139,119
Gain on foreign currency transactions and translations	15	166,911,986	255,682,502
Other income	16	<u>23,802,129</u>	<u>20,019,333</u>
		<u>1,110,730,860</u>	<u>927,549,687</u>
<b>EXPENSES</b>			
Interest expense	17	284,935,118	209,473,117
Salaries and benefits	18	150,262,045	121,146,802
Administrative and general expenses	19	133,513,105	86,474,693
Provision for doubtful debts, loans and advances	5c,7b	11,248,798	5,213,000
Audit fee		<u>172,500</u>	<u>172,500</u>
		<u>580,131,566</u>	<u>422,480,112</u>
<b>NET PROFIT BEFORE TAXATION</b>		<b>530,599,294</b>	<b>505,069,575</b>
<b>PROVISION FOR TAXATION</b>	10	<b>(136,176,224)</b>	<b>(144,439,993)</b>
<b>NET PROFIT AFTER TAXATION</b>		<b>394,423,070</b>	<b>360,629,582</b>
<b>TRANSFER TO LEGAL RESERVE</b>	12	<b>(98,605,767)</b>	<b>(90,157,396)</b>
		<u>295,817,303</u>	<u>270,472,186</u>
<b>DIRECTORS' ALLOWANCE</b>		<b>(450,000)</b>	<b>(450,000)</b>
		<u>295,367,303</u>	<u>270,022,186</u>
<b>BALANCE BROUGHT FORWARD</b>		<b>270,022,186</b>	<b>176,384,978</b>
Add: Transfer from directors' allowance		-	464,171
<b>DIVIDEND PAID</b>	13	<b>(258,022,186)</b>	<b>(167,565,729)</b>
<b>TRANSFER TO RETAINED EARNINGS</b>		<b>(12,000,000)</b>	<b>(9,283,420)</b>
		<u>-</u>	<u>-</u>
<b>BALANCE CARRIED FORWARD</b>		<b>295,367,303</b>	<b>270,022,186</b>
<b>EARNINGS PER SHARE</b>		<b>469</b>	<b>560</b>

The notes on pages 23 to 34 form an integral part of these financial statements

**AWASH INTERNATIONAL BANK SHARE COMPANY**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	<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 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)
Balance at 30 June 2011	734,069,582	28,305,391	304,099,390	270,022,186	1,336,496,549
Increase in share capital	178,183,698	-	-	-	178,183,698
Current year profit	-	-	-	394,423,070	394,423,070
Transfer from directors' allowance	-	-	-	-	-
Transfer to legal reserve	-	-	98,605,767	(98,605,767)	-
Transfer to retained earnings	-	12,000,000	-	(12,000,000)	-
Transfer to directors' allowance	-	-	-	(450,000)	(450,000)
Dividend paid	-	-	-	(258,022,186)	(258,022,186)
Balance at 30 June 2012	<u>912,253,280</u>	<u>40,305,391</u>	<u>402,705,157</u>	<u>295,367,303</u>	<u>1,650,631,131</u>

The notes on pages 23 to 34 form an integral part of these financial statements





**AWASH INTERNATIONAL BANK SHARE COMPANY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	Birr	Birr	2011 Birr
<b>OPERATING ACTIVITIES</b>				
Cash inflow from operations	20	121,672,079		1,433,283,020
Tax paid		(144,439,993)		(103,278,139)
Net cash (outflow) inflow from operating activities			(22,767,914)	1,330,004,881
<b>INVESTING ACTIVITIES</b>				
Government bonds		(895,504,000)		(1,589,214,000)
Treasury bill (purchased) received		(225,000,000)		800,000,000
Interest received		73,584,357		19,924,768
Dividend received		4,284,386		1,382,411
Purchase of property and equipment		(107,010,648)		(99,808,943)
Proceeds from sale of property and equipment		-		349,500
Investment in shares		(32,983,698)		(8,300,161)
Net cash outflow from investing activities			(1,182,629,603)	(875,666,425)
<b>FINANCING ACTIVITIES</b>				
Issuance of shares		178,183,697		184,069,582
Dividend paid		(252,416,629)		(166,873,510)
Net cash (outflow) inflow from financing activities			(74,232,932)	17,196,072
Gain on foreign currency transactions and translations			166,911,986	255,682,503
Net (decrease) increase in cash and cash equivalents	21		(1,112,718,463)	727,217,031
Cash and cash equivalents at beginning of year	21		4,048,100,701	3,320,883,670
Cash and cash equivalents at end of year	21		2,935,382,238	4,048,100,701

The notes on pages 23 to 34 form an integral part of these financial statements.



**AWASH INTERNATIONAL BANK SHARE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2012**

**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 2012.
- 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 2012**

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 10% (2011-15%) 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	13/04/13	5.5
National Bank of Ethiopia bill account	1,229,800,000	13/04/16	3
" " " " " "	121,294,000	17/04/16	3
" " " " " "	110,700,000	03/05/16	3
" " " " " "	44,900,000	09/05/16	3
" " " " " "	34,460,000	24/05/16	3
" " " " " "	47,060,000	16/06/16	3
" " " " " "	96,584,000	25/07/16	3
" " " " " "	98,730,000	14/08/16	3
" " " " " "	128,510,000	12/09/16	3
" " " " " "	114,710,000	12/10/16	3
" " " " " "	97,570,000	15/11/16	3
" " " " " "	37,820,000	15/12/16	3
" " " " " "	22,490,000	15/01/17	3
" " " " " "	77,000,000	22/02/17	3
" " " " " "	50,860,000	23/02/17	3
" " " " " "	54,440,000	19/03/17	3
" " " " " "	22,360,000	16/04/17	3
" " " " " "	46,110,000	10/05/17	3
" " " " " "	48,320,000	10/06/17	3
	<u>2,484,718,000</u>		



**AWASH INTERNATIONAL BANK SHARE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2012**

**4. TREASURY BILLS**

Represent 28 days treasury bills purchased from National Bank of Ethiopia with a face value of Birr 225,000,000 and discounted value of Birr 224,483,400. The treasury bills are stated at face value and are made up of the following:-

<u>Treasury bill No.</u>	<u>Face value Birr</u>	<u>Discounted value Birr</u>	<u>Date of maturity</u>
3438	25,000,000	24,942,600	18/07/12
3452	100,000,000	99,770,400	25/07/12
3453	50,000,000	49,885,200	25/07/12
3454	50,000,000	49,885,200	25/07/12
	<u>225,000,000</u>	<u>224,483,400</u>	

**5. LOANS AND ADVANCES**

a) The details are as follows:-

	<u>Birr</u>	<u>2011 Birr</u>
Domestic trade and services	1,518,538,881	1,053,297,870
Import	819,497,654	565,694,782
Building and construction	1,170,710,943	744,251,084
Manufacturing	382,578,403	229,582,146
Transport	362,018,378	284,636,995
Agriculture	132,826,612	86,397,213
Export	979,019,426	839,614,404
Nonperforming loans and advances	98,041,858	146,232,055
Personal loans	41,378,221	36,758,227
	<u>5,504,610,376</u>	<u>3,986,464,776</u>
Less: Provision for doubtful loans and advances	148,892,000	144,914,000
	<u>5,355,718,376</u>	<u>3,841,550,776</u>

b) The aggregate gross amount of non-performing loans and advances on which interest has been suspended is Birr 98,041,858. Unrecognized interest related to such loans amounted to Birr 23,989,146 (Note 1d).

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

	<u>Birr</u>
Balance at 30 June 2011	144,914,000
Less: Loans written off	(6,990,000)
Add: Additional provision during the year	10,968,000
	<u>148,892,000</u>





**AWASH INTERNATIONAL BANK SHARE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2012**

**6. INVESTMENT IN SHARES**

	<u>Birr</u>	<u>2011</u> <u>Birr</u>
Awash Insurance Share Company	9,563,200	9,563,359
Finfine Printing Press Share Company	1,000,000	1,000,000
ODA Share Company	36,100	36,100
Negat Mechanical Engineering Share Company	957,607	500,000
Oromia Insurance Share Company	525,000	525,000
Premier Switch Solution Share Company	<u>35,026,000</u>	<u>2,499,750</u>
	<u>47,107,907</u>	<u>14,124,209</u>

**7. OTHER ASSETS**

a) These are made up of:-

	<u>Birr</u>	<u>2011</u> <u>Birr</u>
Uncleared effects	176,316,337	111,959,481
Acquired property	50,729,263	41,348,448
Interest receivable	74,429,731	10,763,985
Stationery and other supplies	24,023,159	15,155,090
Staff debtors and prepayments	137,343,231	69,479,122
Receivable from Awash Insurance Share Company on account of cost of building	48,342,774	48,342,774
Other receivables	52,778,738	70,519,903
Ethiopian Mellinium Commemorative silver and gold coins	8,600	11,300
	<u>563,971,833</u>	<u>367,580,103</u>
Less: Provision for doubtful debts	<u>2,280,798</u>	<u>2,000,000</u>
	<u>561,691,035</u>	<u>365,580,103</u>

b) The movement in the provision for doubtful debts is as follows:-

	<u>Birr</u>
Balance at 30 June 2011	2,000,000
Add: Additional provision during the year	<u>280,798</u>
	<u>2,280,798</u>

**AWASH INTERNATIONAL BANK SHARE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2012**

**8. PROPERTY AND EQUIPMENT**

	<u>Balance at</u> 30 June 2011	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance at</u> 30 June 2012
	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>
<b>COST</b>				
Leasehold land	16,150,589	13,331,995	-	29,482,584
Building	143,216,570	13,558,919	13,234,953	170,010,442
Motor vehicles	55,912,081	31,208,610	(53,505)	87,067,186
Computers and accessories	53,365,105	8,145,218	-	61,510,323
Furniture, fittings and equipment	68,872,818	26,711,068	-	95,583,886
Construction in progress	<u>32,564,955</u>	<u>14,054,838</u>	<u>(13,744,582)</u>	<u>32,875,211</u>
	<u>370,082,118</u>	<u>107,010,648</u>	<u>(563,134)</u>	<u>476,529,632</u>
<b>DEPRECIATION</b>				
Building	5,096,361	8,500,522	-	13,596,883
Motor vehicles	34,075,135	10,608,448	(50,191)	44,633,392
Computers and accessories	38,457,779	5,653,185	-	44,110,964
Furniture, fittings and equipment	<u>35,025,516</u>	<u>12,096,992</u>	<u>-</u>	<u>47,122,508</u>
	<u>112,654,791</u>	<u>36,859,147</u>	<u>(50,191)</u>	<u>149,463,747</u>
<b>NET BOOK VALUE</b>	<u>257,427,327</u>			<u>327,065,885</u>

**9. OTHER LIABILITIES**

	<u>Birr</u>	<u>2011</u> <u>Birr</u>
C.P.O. and certified cheques issued	300,495,392	282,993,264
Inter-branch clearing	118,232,426	129,171,779
Accrued interest	14,849,040	2,365,106
Blocked accounts	9,003,040	13,484,583
Exchange commission payable to National Bank of Ethiopia	25,672,816	27,852,629
Accrued leave payable	16,169,141	12,517,135
Taxes payable	6,220,441	3,971,983
Directors' allowance payable	450,000	450,000
Advance received from Awash Insurance Share Company	5,000,000	3,000,000
Miscellaneous payable	<u>89,243,684</u>	<u>114,718,614</u>
	<u>585,335,980</u>	<u>590,525,093</u>





**AWASH INTERNATIONAL BANK SHARE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2012**

**10. PROVISION FOR TAXATION**

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

	<u>Birr</u>	<u>2011</u> <u>Birr</u>
Balance at 30 June 2011	144,439,993	103,278,139
Tax expense of current year	<u>136,176,224</u>	<u>144,439,993</u>
	280,616,217	247,718,132
Less: Payments made during the year	<u>144,439,993</u>	<u>103,278,139</u>
	<u>136,176,224</u>	<u>144,439,993</u>

b) Tax computation

	<u>Birr</u>	<u>2011</u> <u>Birr</u>
Net profit before taxation	530,599,294	505,069,575
Add: Tax disallowable expense		
Entertainment	2,266,423	-
Penalty	10,000	-
Less: Tax exempted income		
Interest income - local	(71,473,629)	(19,924,769)
Interest on foreign deposits	(2,055,578)	-
Dividend income	(4,284,386)	(1,382,411)
Provision held prior to 2002 now written off	<u>(1,483,974)</u>	<u>(2,295,753)</u>
Taxable profit	<u>453,578,150</u>	<u>481,466,642</u>
Tax at the applicable rate of 30%	136,073,445	144,466,643
Add: 5% tax on interest earned on foreign deposits as per Article 36 of Proclamation 286/2002	<u>102,779</u>	-
	<u>136,176,224</u>	<u>144,466,643</u>

**11. RIGHTS ATTACHED TO SHARES**

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

**12. LEGAL RESERVE**

	<u>Birr</u>
Balance at 30 June 2011	304,099,390
Appropriation for the year	<u>98,605,767</u>
	<u>402,705,157</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 2012**

**13. DIVIDEND**

Dividend amounting to Birr 258,022,186 (2011 – Birr 167,565,729) was declared by the annual general meeting of shareholders on the net profit of the previous year and paid during the year under review.

**14. INTEREST INCOME**

	<u>Birr</u>	<u>2011</u> <u>Birr</u>
Agriculture	18,446,641	13,753,681
Manufacturing	44,778,853	32,055,595
Domestic trade and services	169,227,425	93,663,673
Export	86,326,814	71,422,250
Import	93,218,976	56,742,238
Building and construction	124,635,035	68,065,295
Personal loans	4,841,767	3,759,752
Transport	43,458,058	28,668,797
Non-performing loans	5,890,601	5,270,273
Interest on surplus fund	73,584,357	19,924,768
Dividend on investment	4,284,386	1,382,411
	<u>668,692,913</u>	<u>394,708,733</u>

**15. GAIN ON FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS**

	<u>Birr</u>	<u>2011</u> <u>Birr</u>
Gain on foreign currency transactions	166,911,986	189,298,008
Gain on currency devaluation (windfall profit)	-	<u>265,537,975</u>
	<u>166,911,986</u>	454,835,983
Less: Tax on windfall profit as per Proclamation No. 693/2009 (75%)	-	<u>199,153,481</u>
	<u>166,911,986</u>	<u>255,682,502</u>



**AWASH INTERNATIONAL BANK SHARE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2012**

**16. OTHER INCOME**

	<u>Birr</u>	<u>2011</u> <u>Birr</u>
Compensation received from contractors and Supplies for delayed commitment	2,916,603	-
Bad debts collected	2,693	317,764
Commitment charges	150,925	3,902,529
Telephone and swift	11,437,125	10,624,270
Rent	1,949,435	1,428,868
Gain on disposal of property and equipment	-	330,544
Gain on disposal of acquired property	1,853,085	2,491,609
Miscellaneous income	<u>5,492,263</u>	<u>923,749</u>
	<u>23,802,129</u>	<u>20,019,333</u>

**17. INTEREST EXPENSE**

	<u>Birr</u>	<u>2011</u> <u>Birr</u>
Customers deposit	264,581,666	204,529,812
Deposit from other banks	1,646,076	1,441,496
Interest on fund received	<u>18,707,376</u>	<u>3,501,809</u>
	<u>284,935,118</u>	<u>209,473,117</u>

**18. SALARIES AND BENEFITS**

	<u>Birr</u>	<u>2011</u> <u>Birr</u>
Clerical staff salaries	83,761,277	66,923,653
Non-clerical staff salaries	17,012,642	13,714,094
13% provident fund	11,262,870	8,765,520
Cash indemnity allowances	3,741,569	2,950,101
Uniforms	1,353,206	1,118,530
Training and education	1,528,827	753,364
Severance and leave pay	532,803	609,730
Staff insurance	1,700,684	1,323,538
Medical	826,951	1,147,838
Bonus	10,021,642	10,289,102
Other allowances and benefits	3,656,228	2,386,529
Fuel, transport and representation allowance	13,778,161	10,388,465
Overtime	<u>1,085,185</u>	<u>776,338</u>
	<u>150,262,045</u>	<u>121,146,802</u>



**AWASH INTERNATIONAL BANK SHARE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2012**

**19. ADMINISTRATIVE AND GENERAL EXPENSES**

	<u>Birr</u>	<u>2011</u> <u>Birr</u>
Rent	34,897,172	22,334,563
Stationery and office supplies	14,075,574	9,686,351
Transportation, distribution and travel allowances	5,573,835	4,041,532
Communication	9,357,597	9,407,409
Insurance	3,917,642	2,674,435
Taxes	373,889	49,815
Fuel and lubricants	1,578,202	1,425,006
Repair and maintenance	5,940,420	3,093,129
Wages	1,168,985	911,057
Conference and meeting	4,366,274	2,785,697
Utility	1,572,109	1,257,625
Bank charge	640,972	678,621
Bad debts written-off	430,074	-
Advertisement and publicity	5,249,410	1,606,123
Donation and contribution	164,311	735,000
Depreciation	36,859,147	21,031,550
Entertainment	2,266,423	-
Miscellaneous expenses	5,081,069	4,756,780
	<u>133,513,105</u>	<u>86,474,693</u>

**20. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATIONS**

	<u>Birr</u>	<u>2011</u> <u>Birr</u>
Net profit before taxation	530,599,294	505,069,575
Depreciation	36,859,147	21,031,550
Adjustment to property and equipment	509,629	48,450,774
Loss/(Gain) on disposal of property and equipment	3,314	(330,544)
Dividend received	(4,284,386)	(1,382,411)
Interest received	(73,584,357)	(19,924,768)
Directors' allowance paid (note 22)	(450,000)	(9,736,219)
Increase in loans and advances	(1,518,145,600)	(840,778,809)
Provision for doubtful loans and advances	10,968,000	5,213,000
Bad debts written-off	(6,990,000)	(8,608,000)
Increase (decrease) in other assets	(196,391,730)	227,999,322
Provision for doubtful debts	280,798	-
Increase in customers deposits	1,460,576,409	1,637,841,064
Increase (decrease) in margin held on letters of credit	59,428,216	(48,808,409)
(Decrease) /increase in other liabilities	(10,794,669)	172,929,397
Gain on foreign currency transactions and translations	(166,911,986)	(255,682,502)
	<u>121,672,079</u>	<u>1,433,283,020</u>



**AWASH INTERNATIONAL BANK SHARE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2012**

**21. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS**

	<u>30 June</u> <u>2012</u> <u>Birr</u>	<u>30 June</u> <u>2011</u> <u>Birr</u>	<u>Change</u> <u>Birr</u>	<u>Change</u> <u>2011</u> <u>Birr</u>
Cash on hand	422,053,137	518,657,611	(96,604,474)	94,156,293
Reserve account with National Bank of Ethiopia	920,000,000	1,130,000,000	(210,000,000)	280,000,000
Payment and settlement account with National Bank of Ethiopia	217,068,427	1,141,373,016	(924,304,589)	330,481,685
Deposits with local banks	71,539,550	74,665,707	(3,126,157)	(7,028,468)
Deposits with foreign banks	<u>1,304,721,124</u>	<u>1,183,404,367</u>	<u>121,316,757</u>	<u>29,607,521</u>
	<u>2,935,382,238</u>	<u>4,048,100,701</u>	<u>(1,112,718,463)</u>	<u>727,217,031</u>

**22. DIRECTORS' ALLOWANCE PAID**

	<u>Birr</u>	<u>2011</u> <u>Birr</u>
Beginning Directors' allowance payable	450,000	10,200,390
Add: Allowance for the year	<u>450,000</u>	<u>450,000</u>
	900,000	10,650,390
Less: Amount transferred to dividend declared	-	(464,171)
Ending Directors' allowance payable	<u>(450,000)</u>	<u>(450,000)</u>
	<u>450,000</u>	<u>9,736,219</u>

**23. 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 46,915,474 (30 June 2011 – Birr 47,456,010) 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 Cessation 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. Accordingly a total of Birr 27,669,220 has been paid by the insurance company in the subsequent year.
- b) The Bank is defendant for a total amount of about Birr 6.3 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 2012**

**24. CONTINGENT LIABILITY**

The Bank has a contingent liability, not provided for in these financial statements, of Birr 215,795,740 (2011 Br 82,661,707) in respect of bank guarantee issued.

**25. COMMITMENTS**

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

- Birr 242,729,476 in respect of estimated cost to complete construction work in progress
- Birr 36,932,631 in respect of cost of purchase of software
- Birr 13,320,000 in respect of cost of purchase of vehicles.

**26. 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 86 branches in various parts of the country.

**27. EMPLOYEES**

The Bank employed 3,219 staff at 30 June 2012 (2011 2,724).

**28. 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 2012, the Bank contributed Birr 11,262,870 (2011 - Birr 8,765,519) which has been charged to the profit and loss account.

**29. STAFF COSTS**

Staff costs for the year amounted to Birr 150,262,045 (2011 – Birr 121,146,802) and are included in the various major expense categories.

**30. 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 2012**

**30. RELATED PARTY TRANSACTIONS (continued)**

- i) Included in loans and advances is Birr 42,168,700 (2011 - Birr 31,337,610) 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 2012 Birr</u>
- Dire Industries PLC	113,390,000	88,030,000
- Omedad PLC	40,170,000	22,990,000
- Aseyohera Trading PLC	16,170,000	8,700,000
- Bacha Gina	280,000	240,000
- Yohannes Merga	310,000	200,000

- 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 49,500,000 from AIB. Furthermore, there is a net balance of Birr 43,342,774 receivable from AIC in respect of the cost of the portion of building occupied by AIC out of which Birr 30,000,000 has been settled by AIC in the subsequent year.

**31. DATE OF AUTHORIZATION**

The Board of Directors of the Bank authorized the issue of these financial statements on 16 October 2012.



**Financial Highlight, Number of Branches and Employees**

(In Millions of Birr unless stated)

Particulars	2002	2003	2004	2005	2006	2007	2008/09***	2009/10	2010/11	2011/12
Deposits*	1,065	1,377	1,780	2,270	2,800	3,508	5,302	6,456	8,045	9,565
Loans & Advances **	706	833	1,149	1,545	2,464	2,529	2,713	3,146	3,986	5,505
Total Assets	1,403	1,830	2,379	2,990	3,683	4,783	7,133	9,023	11,089	13,125
Capital & Reserves	137	154	197	241	342	483	761	959	1,336	1,651
Profit Before Tax	13	22	48	63	134	179	303	351	505	531
Profit After Tax	9	17	35	45	95	127	214	248	361	394
Earning per share (Birr)	94	157	279	302	529	526	558	493	560	469
No.of Branches (in no.)	25	29	32	35	40	46	61	64	70	86
No. of Employees(in no.)	867	1,006	1,119	1,236	1,466	1,698	2,284	2,484	2,724	3,219

Source: AIB's Audited Accounts

\*Including Margins on L/C

\*\* Including Provisions for doubtful Loans &amp; Advances

\*\*\* The figure for 2008/09 is extrapolated from audited figures of 18months (Jan.1, 2008-Jun.30,2009)

NB: Figures from 2002-2007 are as at December 31 and 2008/09 on ward as at June 30.

**Addresses of Awash International Bank Branches****City Branches**

No	Name of Branches	Telephone No	Fax No
1	Head Office	(011) 662 03 03	(011) 663 75 38
2	Gofa Sefer	(011) 465 36 91	(011) 466 37 24
3	Kolfe	(011) 275 72 35	(011) 277 33 76
4	Legehar	(011) 553 19 48	(011) 551 08 67
5	Stadium	(011) 515 67 46	(011) 550 29 20
6	Merkato	(011) 277 16 66	(011) 213 71 36
7	Mehal Arada	(011) 111 92 34	(011) 156 08 83
8	Haya-Hulet Mazoria	(011) 662 46 67	(011) 662 65 87
9	Africa Andinet	(011) 371 61 02	(011) 371 65 94
10	Kazanchis	(011) 552 09 94	(011) 551 98 29
11	Addis Ketema	(011) 277 24 84	(011) 277 24 83
12	Arat Killo	(011) 157 03 32	(011) 157 03 35
13	Sebategna	(011) 277 33 42	(011) 277 32 70
14	Kotebe	(011) 646 28 12	(011) 645 62 74
15	Habte Giorgis	(011) 157 88 91	(011) 157 45 46
16	Bole	(011) 618 95 22	(011) 662 63 87
17	Nefas Silk	(011) 442 03 09	(011) 442 09 58
18	Tekle Haimanot	(011) 278 93 76	(011) 277 27 32
19	Lafto	(011) 419 64 89	(011) 419 64 88
20	Gerji	(011) 647 62 75	(011) 647 62 74
21	Megenagna	(011) 618 27 74	(011) 618 27 72
22	Lideta	(011) 554 65 72	(011) 554 65 71
23	Sidamo Tera	(011) 278 41 18	(011) 278 41 17
24	Kirkos	(011) 554 75 83	(011) 554 75 82
25	Gulelle	(011) 278 49 26	(011) 278 49 27
26	Arada Giorgis	(011) 155 61 66	(011) 155 58 00
27	Dil Gebeya	(011) 372 08 20	(011) 372 08 39
28	Jemmo	(011) 348 40 07	(011) 348 62 70
29	Temenja Yaj	(011) 416 27 20	(011) 416 27 05
30	Urael	(011) 554 08 30	(011) 554 08 36
31	Gurd Shola	(011) 646 16 79	(011) 646 12 31
32	Finfine	(011) 557 01 07	(011) 557 01 13
33	Africa Avenue	(011) 557 05 33	(011) 557 05 36
34	Fit Ber	(011) 895 99 56/57	(011) 895 99 56
35	Gofa Gebriel	(011) 467 45 65/63	(011) 467 45 61
36	Piazza	(011) 111 94 54	(011) 111 24 76
37	Korea Hospital	(011) 629 38 36	(011) 629 31 50
38	Asco	(011) 273 02 91	(011) 273 02 95
39	Mehal Gebeya	(011) 277 94 72	(011) 277 93 07
40	Meskel Flower	(011) 466 93 93	(011) 466 95 01
41	Wuha Lemat Akababi	(011) 618 12 00	(011) 661 16 40
42	Traffic Tsihefet bet Akababi	(011) 661 64 54	(011) 618 87 18
43	Churchill Road	(011) 896 39 16	(011) 126 20 18
44	Gerji Georgis	(011) 639 40 18	(011) 639 40 02
45	Gotera	(011) 896 39 14	(011) 467 05 76
46	World Bank	(011) 515 30 87	(011) 515 06 01

## Outlying Branches

No	Name of Branches	Telephone	Fax
1	Ghimbi	(057) 771 0066	(057)771 1022
2	Adama	(022) 111 1123	(022)111 53 75
3	Shashemene	(046)110 65 25	(046)110 00 14
4	Dire Dawa	(025)111 40 42	(025)111 40 46
5	Jimma	(047)111 21 89	(047)111 94 12
6	Bahir Dar	(058)220 06 71	(058)222 11 47
7	Agaro	(047)221 17 46	(047)221 18 41
8	Dilla	(046)331 33 13	(046)331 41 07
9	Nekemte	(057)661 32 02	(057)661 54 74
10	Assela	(022)331 27 70	(022)331 56 22
11	Gondar	(058)111 48 67	(058)111 80 44
12	Jijiga	(025)775 25 48	(025)775 20 72
13	Bale Robe	(022)665 17 00	(022)665 19 75
14	Bedessa	(025)555 01 16	(025)555 01 69
15	Chiro	(025)551 10 21	(025)551 10 22
16	Aweday	(025)662 05 60	(025)662 05 93
17	Mekelle	(034)441 89 67	(034)441 89 66
18	Togo Chale	(025)882 01 31	(025)882 0132
19	Assosa	(057)775 16 52	(057)775 17 41
20	Sabean Sefer	(025)111 21 30	(025)111 21 33
21	Dembela	(022)110 06 21	(022)110 06 22
22	Harar	(025)667 07 45	(025)667 02 87
23	Harufa	(046)110 06 11	(046)110 05 43
24	Ambo	(011)236 41 74	(011)236 56 69
25	Dukem	(011)432 05 02	(011)432 05 23
26	Bishoftu	(011)433 53 82	(011)437 04 20
27	Mettu	(047)441 26 48	(047)441 19 92
28	Woliso	(011)341 34 73	(011)341 34 72
29	Mechara	(025)557 05 61	(025)557 05 63
30	Hawassa	(046)220 47 22	(046)220 47 51
31	Wolyta Sodo	(046)551 07 43	(046)551 07 06
32	Bule Hora	(046)443 01 21	(046)443 09 35
33	Dessie	(033)111 28 29	(033)111 28 39
34	Humera	(034)448 14 72	(034)448 14 71
35	Bekoji	(022)332 06 55	(022)332 00 80
36	Ghinir	(022)664 00 65	(022)664 04 49
37	Sebeta	(0113)38 41 01/15	(011)338 41 02
38	Lekka	(057) 661 32 01 /02	(057)661 14 39
39	Arsi Negelle	(046)116 01 27	(046)116 08 77
40	Batu	(046)441 22 10	(046)441 22 11



