Measurement of Financial Performance using Financial Ratios: (the case of *Awash International Bank Share Company*)

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ACRONYMS

CR= Current Ratio

QR= Quick Ratio

AMR= Asset Management Ratio

ITO= Inventory Turn over

DSOS= Days sales out Standing

PR= Profitability Ratio

PMOS= Profit Management on Sales

BEP= Basic Earning Power

EBIT= Earnings before Interest and Tax

ROA= Return on Asset

ROE= Return on Equity

DMR= Debt Management Ratio

TIER= Times interest Earning Ration

FCCR= Fixed Charge Coverage Ratio

Chapter one

1. Introduction

1.1 Back ground of the Study

This chapter comprises an introduction about the measurement of financial performance and the main objectives of the study. The significance and scope of the study is also included in the chapter. Financial statements present raw data about the financial position and operational results of the respective enterprise. They contain historical information about the performance of the firm. However, the real value of financial statements lies in the fact that they can help users in predicting the firm future liquidity, asset use, profitability and long term solvency. Financial ratios are designed by relating different accounts reported in the financial statements. (Birmingham, 1995)

Financial ratios are most frequently and widely used in practice to assess a firm's financial performance and conditions over the past several years. It involves the comparison of the current performance with that of other firms which are engaged in the same line of business (industry) and an evaluation of trends in the firm's position over time. The result of financial analysis helps management to identify deficiencies and then take various remedial actions to improve the future performance. (Bringham, 1995)

Financial ratio is defined as" the indicated quotient of two mathematical expression" and " as relationship between two quantitative figures". It is used as a benchmark for evaluating the financial performance and financial position of the firm. The absolute accounting figures reflected in the body of financial statements do not provide a meaningful understanding of the financial performance of the enterprise. They are not relative figures against the past performance or the industry averages. (Jordan, 2006)

Ethiopia's private banks showed very strong growth in the 2010 fiscal year**.** Overall deposits collected by private banks rose by more than Birr 8 billion in a single year, from Birr 29.9 billion in June 2009 to 38.3 billion in June 2010. This represents a growth rate of 28 percent, which is not much lower than the average annual deposit growth seen in the past five years (31 percent). Given lending restrictions imposed by the central bank during the year, the increase in banks' lending was of course not as fast as the growth of deposits but still managed to rise by 21 percent (from Birr 17.7 to 21.4 billion). Substantially higher growth was recorded in the foreign assets built up by private banks, which more than doubled from $252 million to a record level of $570 million. This 126 percent growth rate in foreign assets shows the extent to which banks scaled up their trade-related operations (financing exports and imports) in the wake of the credit caps that became increasingly restrictive during the course of the year.(Banking Sector Review, 2010)

1.2 Financial sector in Ethiopia

Traditional financial system in Ethiopia has long history and paramount contribution to economic betterment and social well being of the society. Traditional institutions organized with a sense of cooperation and risk sharing has enabled Ethiopians to experience saving and financial management within its cultural context. Eqqub and Edir are some of the informal financial institutions that shaped the social bond and interaction.

Formal financial institution started as early as 1905 with the formation of Bank of Abyssinia. However, the growth in number and capacity has been limited so that the service has not reached to the majority of the people. Currently, 19 commercial banks, nine insurance companies and one development bank are operating in the market. All are owned by Ethiopian nationals. The banking sector was swinging from nationalization in 1977 to "liberalization" in 1992, which may contribute to its limitation in providing better services in terms of outreach and products. Their focus on big urban areas and the stringent lending policy they have been following have made there service inaccessible to the common citizens. As an alternative finance source, some enlighten employees started to form saving and credit cooperatives taking their working place as a common bond, based on provision of proclamation No. 241/58. As of June 30, 2006, about 5437 SACCOs were providing financial services to their members.

On the other hand, various NGOs (humanitarian organizations) were providing microcredit services as a complementary to their humanitarian and developmental activities. Although some of the NGOs had tried to provide the services through formation of SACCOs by providing financial Services to their members.

However, the banking business could not move further because of the institutionalization of private investments by the Socialist regime that came into power leaving only three government banks; the National Bank of Ethiopia, the Commercial Bank of Ethiopia and agricultural and Industrial Development Bank.

This was reversed when the Socialist regime was overthrown in 1991 and the issuance proclamation for the licensing and supervision of insurance business, which led to the beginning of a new era. Immediately after the enactment of the proclamation private insurance companies began to flourish, leading to nine private banks operating in Ethiopia as of 2000.

1.3 Profile of the Company

Awash International Bank s/c (AIB) is the pioneer private commercial bank in Ethiopia after the downfall of the military regime and introduction of market economic policy in 1991. It was established by 486 founder shareholders with a paid-up capital of Birr 24.2 million. Licensed on November 10, 1994, it started banking operations on February 13, 1995. It was named after the popular river “Awash” which is the most utilized river in the country especially for irrigation and hydroelectric power. Awash River plays a pivotal role in the economic development of the country.

The number of shareholders and paid-up capital increased continuously and currently reached over 3000 and Birr 910 million, respectively. Awash International Bank s/c is the first private bank to build its own headquarters at the hub of what is growing into the Ethiopian financial district. The twins building named ***“Awash Towers “built*** at a cost of more than Birr 217 million in collaboration with its sister company, Awash Insurance Company s/c was inaugurated in 2010.

The Bank had also built and inaugurated branch offices at Shashemane and Nekemte towns. The construction of G+8 storey and G+4 storey buildings in Adama and Ghimbi towns, respectively is well underway and expected to be completed in 2012. The Bank also bought buildings at Bedessa, Jimma and Harar towns, further strengthening its asset base.

Currently, the Bank has 80 branches spread throughout the country, thus boosting the wider branch network next only to the state owned, Commercial Bank of Ethiopia. All city branches and almost half of the outlying branches are providing on-line services.

The Bank is working on a project aimed at replacing the existing CORE Banking system with a new one in order to improve its services and promote efficiency. Similarly, the Bank, in cooperation with NIB International Bank s/c. and United Bank s/c has established a share company known as "Premiere Switch Solutions s/c." for the joint operation and management of Automatic Teller Machines (ATM) and Point of Sale (POS) terminals.

Currently, the bank renders four major services in all of its branches namely, Credit Facility, Saving Scheme, International Banking, and Fund Transfer. Moreover, the bank is providing the customers MasterCard and Visa cards so that they can use it internationally.

The bank provides a credit facility to its customers in different forms depending on their need and the nature of their business they are to invest on. Some of the credit lines offered include; overdraft facilities, term loans, letter of credit facilities, merchandise loans and personal loans.

The other service the bank renders is deposit services including demand deposit, savings deposit, youth savings deposit and time/fixed deposit.

The bank also renders international banking services providing services like; opening letters of credit for importers, handling of incoming LCs for exporters, purchase of outward bills purchasing and selling of foreign currency denominated notes, receiving and transferring foreign currency payment by swift and handling incoming and outgoing international letters of guarantee.

Furthermore, the bank is currently offering fund transfer. The bank provides both domestic fund transfer all over the country and international fund transfer, rendered in cooperation with Western Union.

Mission of the Bank

"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.

Objectives

- To meet the needs of the emerging private sector for quality and dependable domestic and international banking services;
- To expand and diversify commercial banking services in response to the growing demands of customers; and
- To contribute towards the economic and social development of the country and to operate profitably in a sustainable manner.

Awash International Bank s/c. provides full-fledged banking services. The major services of the Bank, among others, are: mobilization of deposits, provision of credit services, International banking services, money transfer services and safe deposit services.

1.4. Statement of the problem

Financial performance evaluation is important for organizations to know whether the organization is in a good position or not in its operations result. Its result is reflected in the firms return on investment, return on asset, value added, etc.

The interest of various related group is affected by the financial performance of the firm.

Awash International bank Share Company is one of the private owned banks in Ethiopia that provide different financial service across a number of different regions. But, no study has been made to evaluate its financial performance so far as the knowledge of researcher is concerned.

1.5 Research Questions

So, this study tries to address more specifically the following research questions.

- ✓ How was the liquidity of the company?
- ✓ How was the profitability of the company over of the last four years?
- ✓ How was the inventory turning over of the company?
- ✓ How the fixed asset, utilization is?
- ✓ How was the leverage of the company?

1.6. Objectives of the study

The general objective of the study is to assess the finical performance of Awash International bank Share Company. The specific objectives include

- ✓ To assess the profitability of the company be using financial analysis tools.
- ✓ To assess the liquidity position of this company.
- ✓ To assess asset turnover of the company.
- ✓ To assess debt management of the company
- ✓ To assess fixed asset utilization of the company.

1.7. Significance of the Study

The study will help to understand better the financial performance of Awash International bank Share Company. It may also encourage policy makers to give better attention on the performance of the sector when developing policies, rules and procedures. It may inquire the need for amendments of polices by policy makers. And it might also help as a basis for further studies.

As discussed before, the study focused on the assessment of financial performance of the firm. This study has the following significances.

- ✓ Identify and evaluate the financial position and performance
- ✓ Initiate other researchers to perform better study to get relevant information on improvement of firm’s financial performance.
- ✓ Helps to know the financial strength and weakness of the firms.

There are beneficiaries on this study those are;

- ✓ Potential researchers
- ✓ Investors
- ✓ Trade creditors
- ✓ Bond holders
- ✓ Management

They benefit by the following ways:

- Potential researchers use the study as reference.
- Investors are interested in the present and expected future earnings as well as stability of the earnings.
- Bond holders and trade creditors are interested in the liquidity of the firm
- Management interested to evaluate the financial condition and performance of the company.

1.8. Methodology of the Study

The research methodology for this study begins with literature review, continues with financial statements and other organization documents analysis and interview. The major source of information for this research work is secondary data. Secondary data was collected from financial reports from the year 2006 to 2010. The collected data analyzed through tables.

1.9 Limitation of the Study

It is quit cumbersome and time consuming to see the overall performance of Awash International Share company at head office level to point out the operating and financial performance of the company and making comment on those performances because of time and budget constraints.

The major limitations were:

- Absence of study papers on this area or related areas.
- Lack of willingness of personnel in charge in the selected organization to provide necessary information.
- Time constraint

Data Collection

This study was carried out using secondary data. The source of information for secondary data includes four years financial statements (2006-2010) of the company.

1.10. Method of Data Analysis

The result is analyzed by using quantitative method and by comparing past and present or current performance of the firm by using percentages, tables and narrations.

1.11. Scope of the Study

The researcher believed that this assessment had been more productive and crucial to know different companies strength and weakness. However this research is restricted only on the assessment of financial performance of Awash International bank Share Company. If the study is conducted across a number of companies which are engaged in the banking sector, cross sectional analysis enable readers to compare performance of these companies.

1.12 Organization of the Paper

For systematic arrangement and coherence, this research paper is classified in to four chapters. The first chapter presents the introduction, profile of the organization, statement of the problem, objective of the study, research methodology, limitation of the study, significance of the study and organization of the paper. The second chapter deals with literature review followed by the third chapter which presents data presentation and analysis. Finally, on the last chapter conclusion and recommendations are presented.

Chapter Two

2- Review of Related Literature

2.1. Over view of financial performance Analysis

Financial analysis is one of the many tools useful in valuation because it helps the financial analyst gauge returns and risks. Financial performance means a subjective measure of how firms can use assets from its primary mode of business and generate revenue. This is also a general measure of firms overall financial health (strength or weakness) over a given period of time and it used to compare the same firms across the same industry or to compare industry or sectors aggregation.

Ratios are ways of comparing and investigating the relationships between different pieces of financial information. Using ratios eliminates the size problem because the size effectively divides out.

2.2. Financial Statements

A firm communicates financial information to users' thorough financial statements and reports. Financial statements contain summarized information of the firms affairs, organized systematically. They are the means to present financial situation of a firm to the users. Preparation of financial statements is the responsibility of top management personnel. As these statements are used by investors and financial analysts to examine the firm's performance in order to make investment decisions, they should be prepared very carefully and contain as much information as possible.

A firm's financial statements summarize the economic consequences of its business activities. The firm's business activities in any time period are too numerous to be reported individually to outsiders. Further, some of the activities undertaken by the firm are proprietary in nature, and disclosing these activities in detail could be a detriment to the firm's competitive position. The firm's accounting system provides a mechanism through which business activities are selected, measured, and aggregated into financial statement data.

Because managers' insider knowledge is a source both of value and distortion in accounting data, it is difficult for outside users of financial statements to separate true information from distortion and noise. Not being able to undo accounting distortions completely, investors "discount" a firm's reported accounting performance. In doing so, they make a probabilistic assessment of the extent to which a firm's reported numbers reflect economic reality. As a result, investors can have only an imprecise assessment of an individual firm's performance. Financial and information intermediaries can add value by improving investors' understanding of a firm's current performance and its future prospects. Effective financial statement analysis is valuable because it attempts to get at managers' inside information from public financial statement data. Because intermediaries do not have direct or complete access to this information, they rely on their knowledge of the firm's industry and its competitive strategies to interpret financial statements. Successful intermediaries have at least as good an understanding of the industry economics as do the firm's managers, and a reasonably good understanding of the firm's competitive strategy.

Although outside analysts have an information disadvantage relative to the firm's managers, they are more objective in evaluating the economic consequences of the firm's investment and operating decisions.

The four basic financial statements prepared for the purpose of external reporting to owners, investor and creditors areas

i) Balance sheet or statement of financial position
ii) Profit and loss statement or income statement
iii) Cash flow statement
iv) Owner's Equity Statement

These statements are contained in a company's annual report also include chairman's speech, the director's report, and the auditor's report and accounting policy changes.

2.3 Objective of Financial Statements

As Pandy (1999) stated, financial statements are prepared from the accounting records maintained by the firm. The generally accepted accounting principles and producers are followed to prepare these statements. As stated earlier, the basic objective of financial statements is to assists in decision making.

The other objectives are:

- Resources and obligations to proved reliable financial information about economics resources and obligations of a business enterprise.

- Changes in net resources to provide reliable information about changes in net resource of an enterprise that result from the profit directed and other activities.
- Earnings potential to provide financial information that assists in estimating the earning potential of the entrepreneur
- Full disclosure to disclose, to the extent possible, other information on related to the financial statement that is relevant to statement users

2.3.1. Balance Sheet

The balance sheet is a snapshot of the firm. It is convenient means of organizing and summarizing what affirm owns (its assets). What a firm owes (its liabilities), and the difference between the two (the firm's equity) at a given point in time. From these asset contains (cash, marketable securities, account receivable, bill receivable, stock or inventory, loans and advances, prepaid expenses and fixed assets), liabilities contains (current and long term liabilities), equity includes share capital, reserve and surplus net worth, net working capital. (Ross W. F Jardon, 1998).

It reflects the financial position of the firm. The heading of balance sheet includes the name of the firm, the type of the statement and the date to which the statement is applied. Balance sheet can be presented in the form of account or the report form.

The three important functions served by the balance sheet are:

- It gives a concise summary of a firm's resources and obligation
- It is a measure of the firm's liquidity
- It is a measure of the firm's solvency

Balance sheet also contains information about the firm's liquidity position. Liquidity refers to the firm's ability to pay debts as they measure.(I.M Pandey, 1999)

As John Trancy (2002) explained balance sheet is one type of financial statement that summarizes a business's assets, liabilities and owner's equity. The accounts, or basic elements presented in a balance sheet are the result of accrual-basis accounting methods for recording the revenue and expenses of the business. A balance sheet in large part consists of the remains of the profit accounting process. A balance sheet is not based on a complete survey of all the tangible and intangible assets of the business at their current values. For example, a business may have developed a well known and trusted brand name and have a well trained and dedicated workforce. But these two “assets” are not reported in its balance sheet. Having these two assets should be reflected in profit performance, which is reported in the income statement of the business.

2.3.2 The Statement of Cash Flows

The second type of financial statement in the external financial reports of a business to its shareowners and lenders is the statement of cash flows. This financial statement summarizes the cash inflows and outflows of a business during the same period as the income statement.

The financing activities section in the statement of cash flows summarizes cash flows of borrowing and payments on short-term and long-term debt and investment of additional capital by shareowners during the year as well as return of capital (if any) to them. Usually, the dealings with debt sources of capital are reported net (i.e., only the net increase or increase is disclosed). It is acceptable to report borrowings separate from payments on debt instead of just the net increase or decrease. Generally, the issuance of new ownership shares should be reported separately from the return of capital to shareowners. (J. Trancy, 2002)

2.3.3 Income Statement (Profit & loss account)

As clearly described by Fabozi (2003) an income statement is a summary of the revenues and expenses of a business over a period of time, usually a month, three months, or one year. This statement is also referred to as the profit and loss statement. It shows the results of the firm’s operating and financing decisions during that time.

The operating decisions of the company—those that apply to production and marketing—generate sales or revenues and incur the cost of goods sold (also referred to as the cost of sales or the cost of products sold). The difference between sales and cost of goods sold is gross profit. Operating decisions also result in administrative and general expenses, such as advertising fees and office salaries. Deducting these Company expenses from gross profit leaves operating profit, which is also referred to as earnings before interest and taxes (EBIT), operating income, or operating earnings. Operating decisions take the firm from sales to EBIT on the income statement.

The income statement measures performance over some period of time, usually a quarter or a year. The income statement equation is:

Revenue – expense = Income

(Ross Waster field Jordan 7th Edition)

The profit and loss account presents the summary of revenue, expenses and net income (net loss) of a firm. It serves as a measure of the firm's profitability.

Revenue: are inflows or settlement of liabilities through the provision of goods and services to customers during a specific period of time.

Expenses: are outflows, incurrence and consumption of economic resources to earn revenue during the period of time.

Net profit or net income, which is an indicator of the firm's profitable operations, is the amount by which revenue exceed expenses. If expense exceeds revenue, there is net loss.

Revenue can arise from;

i. The sales of goods to customers
ii. The rendering of services like interest, dividend, royalties, commission, fees, etc.
iii. The sales of assets of the firm (such as plant, machine, land, building or investment).

Operating and non-operating-Revenues

- Revenue arising from the main operations or business of the firm are called operating revenues
- Revenues which are incidental or indirect to the main operations of the firm are called non operating revenue.

Expenses occur when assets are consumed or liabilities are increased in order to produce revenue.

- It includes expired and unexpired, operating and non-operating expenses.

The profit and loss helps to reveal changes in the balance sheet from the end of one period to another period. Other function of income statements are:

i. Gives concise summary of the firms revenue and expenses
ii. Measures profitability of the firm.

(I.M. Pandy , 1999).

2.4. Analysis of Financial Statements

As Bringham (1996) defined financial statement analysis is an evaluation of a firm's past performance and prospects for the future. If management of company wants to maximize firm's value, it must take advantages of the firms strengths but correct its weakness.

Financial analysis is one of the many tools useful in valuation because it helps the financial analyst gauge returns and risks. We begin the analysis with a fictitious firm as our example, allowing us to use simplified financial statements and allowing you to become more comfortable with the tools of financial analysis.

Financial analysis involves:

– A comparison of the firm's performance with that of other firms in the same industry

- An evaluation of trends in the firm's position over time.
- Financial statement analysis can be done using the following tools'
    a) ratio analysis
    b) common size analysis
    c) index analysis
    d) trend analysis

In this literature review part the research team is confined to show only ratio analysis.

2.5 Ratio Analysis

A ***ratio*** is a mathematical relation between two quantities. A financial ratio is a comparison between one bit of financial information and another.

Consider the ratio of current assets to current liabilities, which we refer to as the current ratio. This ratio is a comparison between assets that can be readily turned into cash—current assets—and the obligations that are due in the near future—current liabilities. A current ratio of 2 or 2:1

means that we have twice as much in current assets as we need to satisfy obligations due in the near future. Ratios can be classified according to the way they are constructed and the financial characteristic they are describing. For example, we will see that the current ratio is constructed as a coverage ratio (the ratio of current assets—available funds—to current liabilities—the obligation) that we use to describe a firm's liquidity (its ability to meet its immediate needs). There are as many different financial ratios as there are possible combinations of items appearing on the income statement, balance sheet, and statement of cash flows. We can classify ratios according to how they are constructed or according to the financial characteristic that they capture. (Fabozi, 2003)

They are designed to show relationships between financial statement accounts.

They can determine the companies' ability by;

1. Comparing each firms dept to its asset and
2. Comparing the interest it must pay to the income it has available for payment of interest.

Types of ratio analysis

i) liquidity ratio
ii) Asset management ratio
iii) Profitability ratio
iv) Debt management ratio
v) Market value ratio

i) Liquidity ratio:

Liquidity reflects the ability of a firm to meet its short-term obligations using those assets that are most readily converted into cash. Assets that may be converted into cash in a short period of time are referred to as liquid assets; they are listed in financial statements as current assets. Current assets are often referred to as working capital, since they represent the resources needed for the day-to-day operations of the firm's long-term capital investments. Current assets are used to satisfy short term obligations, or current liabilities. The amount by which current assets exceed current liabilities is referred to as the net working capital. How much liquidity a firm needs depends on its operating cycle. The operating cycle is the duration from the time cash is invested in goods and services to the time that investment produces cash. For example, a firm that produces and sells goods has an operating cycle comprising four phases:

1. Purchase raw materials and produce goods, investing in inventory.

2. Sell goods, generating sales, which may or may not be for cash.

3. Extend credit, creating accounts receivable.

4. Collect accounts receivable, generating cash.

The four phases make up the cycle of cash use and generation. The operating cycle would be somewhat different for companies that produce services rather than goods, but the idea is the same—the operating cycle is the length of time it takes to generate cash through the investment of cash. What does the operating cycle have to do with liquidity? The longer the operating cycle, the more current assets are needed (relative to current liabilities) since it takes longer to convert inventories and receivables into cash. In other words, the longer the operating cycle, the greater the amount of net working capital required.

Liquidity is the degree of firm's asset to be converted in to cash.
Liquidity ratio show the relationship of firms cash and other current asset to its current liabilities (Eugle F. Bringham, 1996).

There are two commonly used liquidity ratio to measure the solvency of firms .We can describe a firm's ability to meet its current obligations in several ways.

Current ratio-It is one of the best known and most widely used ratios in the current ratio. It indicates the firm's ability to meet or cover its

1) Current ratio is computed as:

Current Ratio = Current Assets/Current liabilities

Quick (Acid test) ratio: Calculated by deducting inventories from current assets and then dividing the remaining by current liabilities. This is due to the fact that inventories are the least liquid asset to use it for payment of current liabilities.

An alternative to the current ratio is the *quick ratio,* also called the *acid-test ratio,* which uses a slightly different set of current accounts to cover the same current liabilities as in the current ratio. In the quick ratio, the least liquid of the current asset accounts, inventory, is excluded. We typically leave out inventories in the quick ratio because inventories are generally perceived as the least liquid of the current assets. By leaving out the least liquid asset, the quick ratio provides a more conservative view of liquidity.

Quick ratio = Current asset = (current asset – Inventory)/ Current liability

The quick ratio tells a somewhat different story than the current ratio, because inventory accounts of the company are there. (Ross Wester Field, 1996)

Other liquidity Ratios

There are three measures of liquidity. A very short term creditor might be interested in the cash ratio.

1. Cash Ratio = cash / Current liability

2. Short term liquidity is net working capital to total assets

3. Interval measure

Interval measure = Current asset/Average daily operating cost

(B.Ross, 2000)

ii) Asset Management Ratio

Measures how effectively the firm is utilizing its asset. If the firm has too many assets, its cost of capital is too high and its profit will be depressed. A proper balance between sales and assets reflects assets are managed. Several activity ratios can be calculated to change the effectiveness of asset utilization. Among the importance ones inventory turnover ratio, total asset turnover ratio, account receivable turnover ratio, net asset turnover ratio, fixed and current asset turnover ratio. Assets are used to generate sales. Therefore, firms should manage assets efficiency to maximize sales.

Their relationship is called asset turnover. (IM Pandy, 1996)

Inventory turnover ratio is defined as sales divided by inventories.

Inventory turnover ratio (ITO) = Sales /Inventories

Daily sales outstanding (DSOS) = Receivable/Average sales per day

Fixed Asset turnover ratio: measures how efficiently the firm uses its plant assets

Fixed asset turnover ratio = Sales / Net fixed assets

Total asset turnover ratio = Sales / Total assets

(F. Bringham1991)

iii) Profitability ratio

We have seen that liquidity ratios tell us about a firm's ability to meet its immediate obligations. Now we extend our analysis skills by adding profitability ratios, which help us gauge how well a firm is managing its expenses. Profit margin ratios compare components of income with sales. They give us an idea of which factors make up a firm's income and are usually expressed as a portion of each dollar of sales. For example, the profit margin ratios we discuss here differ only in the numerator. It's in the numerator that we can evaluate performance for different aspects of the business.

Profits are essential, but it would be wrong to assume that every action initiated by management of a company should be aimed at maximizing profits.

Profit is the difference between revenues and expenses over a period of time (usually one year). Profit is output of the company and it will have no future if it fails to make sufficient profits.

Generally, two major types of profitability ratios are calculated

- Profitability in relation to sales
- Profitability in relation to investment

Profitability can be measured in different ways. Gross profit is the difference between sales and the manufacturing cost of goods sold. (I.M.Pandy, 1996).

Profit margin on sales: It is computed by dividing net income by sales. It gives the profit per dollar of sales.

Profit margin on sales = Net income available to common stockholders/Sales

Basic Earning power (BEP) = EBIT/Total assets

Return on total assets (ROA) = Net income/Total asset

Return on common equity (ROE) = Net income/Common equity ,

(Eugne, F. Bringham, 1996)

iv) Debt Management Ratio

Financial leverage is the use of debt financing. It has important implication (1) by raising funds thought debt; stock holders can maintain control of a firm. (2) Creditors look to the equity or owners supplied funds, to provide the margin of safety. So if the stock holders have provided only a small proportion of total finance. (3) If the firm earns more on investments financed with borrowing funds, then it pays in interest.

Debt ratio: The ratio of total debt to total assets.

Debt ratio = Total debt /Total assets

Times interest earning ratio: the ratio of earnings before interest and tax (EBIT) to interest charges measures the ability of the firm to meet its annual interest payments.

Time interest earning (TIE) = EBIT /Interest charges

Fixed charge coverage ratio = EBIT + lease payments / (Interest + lease + Sinking fund payment) X (1 - tax rate)

(Eugne. F. Bringham , 1999)

Chapter Three

3- Data Presentation and Analysis

3.1 Introduction

In this chapter the data obtained through secondary sources is presented and analyzed by using percentages. The secondary data are taken from annual report of Awash International bank Share Company.

3.2. Financial Analysis tools

They are tools that are used to measure the strength and weakness of the organization. The various techniques are used in the analysis of financial data to emphasize the comparative importance of the data. The financial ratios which are selected to evaluate the financial performance of Awash international share co. are listed as follows

1. Liquidity ratio
2. Activity ratio
3. Leverage ratio
4. Profitability ratio

In this study, five years data (2006-2010) used to determine the financial trend of the organization throughout the years under study.

3.2.1. Liquidity Ratio

It concerns the firm's ability to pay its liability over the short run without any difficulty. Liquidity ratio focus on current asset and current liability's made. It is measured either using current ratio or quick test ratio.

3.2.1.1 Current ratio

The current ratio of Awash International bank Share Company from 2006 to 2010 is presented in the following table.

Current ratio = Current Asset /Current liability

Table 3.1Analysis of current ratio of Awash International bank Share Company from 2006-2010

Year	Total current Asset	Total current liability	Current ratio
2006	3,683,068,754	3,341,309,875	1.1
2007	4,783,061,527	4,300,530,344	1.11
2008	7,132,572,134	6,371,267,357	1.11
2009	11,089,440,859	9,752,944,310	1.13
2010	9,022,989,378	8,063,640,435	1.13

Source: From annual report of the Awash international bank Chare Company

As shown in Table3.1 the average current ratio of the company was higher than 1.1 birr which implies the bank has on average Br 1.1 for each birr current liability when they come due. The implication of the above current ratio result is that Awash Bank holds sufficient current asset to meet the matured current liability/obligation. The ratio also showed that much of the current asset of the bank is not tied up in current assets for the meeting current obligations. Therefore the bank has the ability to meet its short term obligations. As a conventional rule a current ratio of 2:1 or more is considered as satisfactory. The current ratio represents a margin of safety for creditors where the higher the current ratio, the greater the margin of safety. As we examine the total current asset is fluctuated from year to year. Generally, Awash International bank Share Company has enough current assets to pay its liability when they come due.

3.2.2.2 Quick/acid/test ratio

The quick ratio of companies is also used to measure the liquidity of companies. It uses the most current assets to pay currently maturing liabilities. It excludes inventories from the component of current assets. It is a more precise measure of liquidity than the current ratio. The formula for computing quick ratio;

Quick ratio = (Current asset – Inventory) /Current liability

The presentation and analysis of quick or acid test ratio is similar to that of the current ratio previously explained. Since the bank is a service giving enterprise, it has no inventory account. Therefore, it is not necessary to compute the quick ratio of Awash International bank Share Company.

3.2.2. Asset Management Ratio (Activity ratio)

It used to evaluate the efficiency with which the firm manages and utilizes its asset. It is also called asset turnover ratio. It measures how fixed assets are optimally used to generate sales of the period.

According to Pandy (2002) asset management ratio helps to know how effectively the firm is managing its assets. It is designed to understand the total amount of each type of assets as reported on the balance sheet. A set of ratios are calculated to measure the firm's efficiency in using current assets, fixed assets, and the overall fixed asset of the company.

3.2.2.1 Current Asset Turn over

It shows the amount of current assets that Awash international bank Chare Company used to generate income. The company has the ability to generate high income on the current assets usage. This type of asset comprises the largest amount of assets section. Current asset turn over can be calculated as;

Current Asset Turn Over = Total operating income / Current Assets

Table 3.2 Analysis of current Asset Turn over during 2006- 2010

Year	Total operating income	Total current Asset	Current asset Turn Over
2006	283,993,520	3,683,068,754	0.077
2007	382,103,369	4,783,061,521	0.079
2008	715,468,338	7,132,572,134	0.100
2009	927,549,687	11,089,440,859	0.083
2010	686,706,099	9,022,986,375	0.076

Source: From annual report of the Awash International bank Share Company

As shown in the table the current asset turnover has been increased steadily over the last consecutive five years (2006-2010). The analysis shows the amount of positive growth on the company's ability to earn a large amount for a given amount of current year. The current assets turnover of 2006, 2007, 2008,2009 and 2010 is 0.077, 0.079, 0.100, 0.083 and 0.076 respectively which is interpreted as the company earns the respective amount in each fiscal for each birr investment in current asset of the company.

3.2.2.2 Fixed Asset Turn Over

It measures how effective the firm is to use its plant assets held for operation by the company. These plant assets of Awash International bank Share Company include machinery, equipment, building, furniture, vehicles and trucks etc. The ratio is intended to measure the extent to which the bank is using its existing fixed assets to generate net income. The general formula for fixed asset turnover is shown as follows

FATO = Sales / Net fixed Asset

The fixed asset of Awash International bank Share Company from 2006 to 2010 is presented in the following schedule.

Table 3.3 Fixed asset turnover ratio Awash International bank Sc. from 2006 to 2010

Year	Operating income	Net fixed asset	FATO ratio
2006	283,993,520.00	63,839,359.00	4.44
2007	382,103,369.00	93,192,385.00	4.10
2008	715,468,338.00	147,161,743.00	4.86
2009	927,549,687.00	93,192,385.00	9.95
2010	686,706,099.00	227,119,664.00	3.03

Source: From annual report of the Awash International bank Share Company

As shown in table 3.3, the Banks the ability in using its fixed assets to generate operating income in the last five years was improving in each consecutive years. Awash international company generates Br 4.44, 4.10, Br4.86, Br9.95 and Br 3.03from each Br investment in the existing facilities in the fiscal 2006, 2007, 2008, 2009 and 2010 respectively.. This shows that Awash International bank Share Company has utilized its fixed asset in a most efficient way in the fiscal year 2009 as compared to other fiscal year under the study.

3.2.2.3 Total asset Turnover Ratio (TATO)

It measures how the firm is effective and efficient in using both current and long term assets to generate sales revenue. The TATO of Awash International bank Share Company from the year 2008 to 2011 is shown in the following table.

TATO ratio = Sales / Total Asset

Table 3.4 Total asset turnover ratio of Awash International Share Company from 2006-2010

Year	Total operating income	Total Assets	TATO ratio
2006	283,993,520.00	3,746,908,113.00	0.076
2007	382,103,369.00	4,876,253,912.00	0.078
2008	715,468,338.00	7,279,733,877.00	0.098
2009	927,549,687.00	11,182,633,244.00	0.083
2010	686,706,099.00	9,250,106,042.00	0.074

Source: From annual report of the Awash International bank Share Company

As clearly indicated in the above table, the company's TATO is not generating a sufficient volume of operating income and its total asset turnover is below the conventional TATO ratio of 2:1. The amount of operating income is lower than the investment made on the total asset in the year 2006, 2007, 2008 and 2019. However; their total assets turnover is starting to go well in these consecutive years from 2006, 2007and 2008 and the declined in the last two years under the study.

3.2.2.4 Leverage Ratio

The long term creditors like debenture holders, other financial institutions are more concerned with the firm's financial strength. To assess the long term financial strength of the firm in meeting the demand of creditors, financial leverage is computed.

A. **Debt ratio**

It indicates the ability of the company to meet its liability by using its assets. It measures the proportion of total assets with borrowed money. Debt ratio is calculated as follows;

$$\text{Debt ratio} = \frac{\text{Total debt,}}{\text{Total asset}} \qquad \text{Total debt} = \text{Current liability} + \text{long term debt}$$

Table3.5 Debt Ratio of the Company

Year	Total debt	Total Assets	Debt Ratio
2006	3,341,309,875.00	3,746,908,113.00	0.89
2007	4,300,530,344.00	4,876,253,912.00	0.88
2008	6,371,267,351.00	7,279,733,877.00	0.87
2009	9,752,944,310.00	11,182,633,244.00	0.87
2010	8,063,640,435.00	9,250,106,042.00	0.87

Source: From annual report of the Awash International bank Share Company

The above table of debt ratio is continuously declining starting from the fiscal year 2006. It tells us its creditors have supplied less than 85 % of total finance of the company. When we see the total debt of Awash International bank Share Company, it increased from 2006 to 2008and decreased in 2008 onwards. The company's debt ratio is high it indicates the amount of liability is higher than its total asset.

B. Debt to Equity Ratio

It measures the relative capital contribution of creditors and stockholders of the Awash International Share Company. It is calculated by the follows;

Debt to Equity ratio = Total Debt /Total Equity

Table 3.6 Total debt to Total Equity ratio

Year	Total debt	Total Equity	Debt Ratio
2006	3,341,309,875.00	341,758,879.00	9.7
2007	4,300,530,344.00	482,531,183.00	8.9
2008	6,371,267,351.00	761,304,777.00	8.3
2009	9,752,944,310.00	1,336,496,549.00	7.2
2010	8,063,640,435.00	959,348,943.00	8.4

Source: From annual report of the Awash International bank Share Company

As indicated in Table 3.6, creditors contribute more funds than owners, their contribution is 9.7, 8.9, 8.3, 7.2 and 8.4 more times than owner's contribution in the year 2006, 2007, 2008, 2009 and 2010 respectively but its trend is decreasing .

C. Times Interest Earning Ratio (Interest coverage Ratio)

Times interest earned ratio is intended to measure the extent to which the company's operating income is sufficient enough to cover interest cost. It implies the firm's ability to meet its interest obligations periodically. It is computed as follows;

TIE Ratio = EBIT /Interest Expense

Table 3.7 Analysis of Times Interest Earning ratio from 2006/07- 2010/11

Year	EBIT	Interest	Debt Ratio
2006	188,597,261.00	54,523,480.00	3.45
2007	264,009,176.00	84,680,302.00	3.11
2008	483,128,015.00	180,056,886.00	2.68
2009	714,542,692.00	209,473,117.00	3.41
2010	505,759,349.00	154,923,346.00	3.26

Source: From annual report of the Awash International bank Share Company

The above table indicates the ability of the bank to meet its annual interest charge when it come due. The bank has Earnings Before Interest and Tax (EBIT) Br 3.45, Br 3.11, Br 2.68, Br3.41 and Br 3.26 for each Br interest expense in the fiscal year 2006, 2007, 2008, 2009 and 2010 respectively but its trend is decreasing in 2006 & 2007and starts to rise 2009 and 2010.

3.2.2.5 Profitability Analysis

Profitability ratio shows the combined effect of liquidity, asset management and operating result of the respective firm. It is the best instrument to measure the operational performance of companies.

3.2.3.1. Profit Margin on Sales (PMOS):

It measures income per dollar of sales. It is the proportion of net income to the sales revenue of the same period. It measures the net operating income per Br of revenue from services rendered by the enterprises. It is calculated by dividing net income by total revenues.

PMOS = NI / Sales

Table 3.8 Profit margins on sales of Awash International bank Share Company from 2006-2010

Year	Net income	Total operating income	PMOS
2006	95,166,061.00	283,993,520.00	0.33
2007	126,648,110.00	382,103,369.00	0.33
2008	213,846,045.00	715,468,338.00	0.29
2009	360,629,582.00	927,549,687.00	0.38
2010	247,557,864.00	686,706,099.00	0.36

Source: From annual report of the Awash International bank Share Company

The above table indicates as the profit margin ratio for the first two fiscal years is declined in the fiscal year of 2008and then rises in 2009 and then falls in the year of 2010. This implies the company's sales amount in three years can't generate income.

3.2.3.2. Basic Earning Power (BEP)

BEP indicates the ability of the film's asset to generate income before tax and asset. The BEP of Awash International bank Share Company from 2006 to 2010 is presented in table 3.8 below.

BEP = EBIT / Total asset

Table3.9 Basic earning power ratio of Awash International Share Company from 2006 to 2010

Year	EBIT	Total Assets	BEP
2006	188,597,261.00	3,746,908,113.00	0.051
2007	264,009,176.00	4,876,253,912.00	0.055
2008	483,128,015.00	7,279,733,877.00	0.068
2009	714,542,692.00	11,182,633,244.00	0.062
2010	505,759,349.00	9,250,106,042.00	0.056

Source: From annual report of the Awash International bank Share Company

As shown in Table 3.8, the earning power ratio of Awash International Share Company increases from the year 20007 to 2008 but declines after wards in 2009and 2010. That means the company is getting as high return on its total asset in the first three consecutive years but declines to cover fixed charges such as taxes and interest on debt.

3.2.3.3. Return on total assets (ROA)

ROA measures profit per dollar of assets. It shows the proportion of net income to the total assets generated from creditors and stockholders of the company. It quantifies the financial performance of the company in meeting the returns expected by creditors and shareholders. When the amount of assets increases, it negatively affects the ROA of the company.

The ROA of Awash International Share Company from 2006-2010 is presented in the following table.

ROA = NI /Total assets

Table 3.10 Return on total assets Awash International bank Share Company from 2006-2010

Year	Total operating income	Total Assets	ROA
2006	283,993,520	3,746,908,113	0.077
2007	382,103,369	4,876,253,912	0.079
2008	715,468,338	7,279,733,877	0.100
2009	927,549,687	11,182,633,244	0.083
2010	686,706,099	9,250,106,042	0.076

Source: From annual report of the Awash International bank Share Company

The above table shows the ratio of NI to total asset measures the return on total asset. The return on asset of Awash International bank Share Company increased from the fiscal year 2006-2008 but declined afterwards. It indicates efficient use of assets in the first three years increases but it declined in 2009 and 2010.

3.2.3.4. Return on Equity (ROE)

It measures overall effectiveness of the company in generating profit in relation to total equity. The return on Shareholder's equity or net worth includes Paid in capital, share premium and Reserves and surplus and accumulated losses. Net worth can also be found by subtracting total liabilities from total assets. It is computed by the following formula.

ROE = NI / Common Equity

Table 3.11 Analysis of Return on equity

Year	Total operating income	Common Equity	ROE
2006	95,166,061	341,758,879	0.27
2007	126,648,110	482,531,183	0.26
2008	213,846,045	761,304,777	0.28
2009	360,629,582	1,366,496,549	0.25
2010	247,557,864	959,348,943	0.26

Source: From annual report of the Awash International bank Share Company

As above table indicates the ratio of net income to common equity measures the return on total equity. The return on total equity of Awash International bank Share Company declines from 2006 to 2007. It shows lower return on equity in year 2009. However, in the year 2010 its return on equity is better than the other years under study.

3.3.2.5 Dividend per Share (DPS)

It is the net profit available t shareholders of an enterprise. But the income which they actually receive is the amount of earning distributed in the form of cash dividend. Therefore a large number of potential investors are interested to measure the performance of enterprises using dividend ratio rather than EPS. It is computed by dividing dividend to Common stocks outstanding.

DPS= Dividend / No. common stock outstanding

Table 3.12 Analysis of dividend per share from 2006- 2010

Year	Earning paid to SHS	No. of Common Equity	Dividend Per Share
2006	32,935,518	300,000	109.78
2007	68,176,184	500,000	136.35
2008	90,236,082	1,500,000	60.16
2009	167,565,729	1,635,700	102.44
2010	145,127,956	1,707,000	85.02

Source: From annual report of the Awash International bank Share Company

The company's distribution of dividend per share increased in the year 2007 but immediately declines in the following year and then increased in the fiscal year 2009 but decline in 2010. From this one can conclude that there is a variability of return in the year under the study.

3.3.2.6 Dividend Payment Ratio

The dividend payment ratio is computed by dividing dividend per share to Earnings per share.

Dividend Pay Out Ratio = DPS / EPS

Table 3.13 Analysis Dividend payment ratio

Year	Dividend per share	No. of Common Equity	Dividend Payout Ratio
2006	109.78	529	0.20
2007	136.35	526	0.26
2008	60.16	558	0.11
2009	102.44	560	0.18
2010	85.02	493	0.17

Source: From annual report of the Awash International bank Share Company

As shown in the above table the dividend ratio of the company increases by 6% in the year 2007 but declines in 2008 by 15% and then starts to rise in the fiscal 2009 and 2010. In general the company's financial performance varies from year to year.

Chapter Four

4- Conclusions and Recommendations

4.1. Conclusion

The main purpose of the study was to assess the financial performance of the Awash International bank Share Company. The study assesses its performance by using financial statements namely balance sheet and income statement. The data in chapter three was based on audited financial report from 2006-2010. Based on the analysis the following conclusions are derived;

- In all of the study years the current ratio of the Awash International bank Share Company is greater than Br 1.1, this indicates the bank holds more current asset for each birr current liability. Therefore company has a satisfactory amount of current asset to cover its current liability when they come due.
- Concerning the activity ratio the current asset comprises the largest section of the total asset. The current asset turnover was 0.077, 0.079, 0.100, 0.083 and 0.076 birr for the last five consecutive years. In case of fixed asset turn over, it declines in 2006 and 2009 and improved in the year 2010.
- The bank has highly levered because more than half of its capital is financed by creditors which is reflected in the debt equity ratio of 0.90, 0.89, 0.89, 0. 88 and 0.89 for the last five fiscal years respectively.
- The bank has lower return on assets i.e. 7.7%, 7.9%, 10%, 8.3% and 7.6% from the fiscal year 2006 to 2010 respectively. The lower return results from the company's low basic earning power i.e. the ability of the company's assets to generate income before tax and leverage and its high interest costs which arises from the debt. More over the company has low return on equity which amounts 27%, 26%, 28%, 25and 26% for the fiscal years covered by this study. This is caused by high cost of operation such as interest.
- Awash International Share Company's profit margin, return on investment and gross profit margin increased from 2008and 2009. And positive in 2010. The negative results of profit margin and return on investment tells us the company is not profitable and the positive one indicates that there is some profit in 2010.

- The debt ratio of Awash International bank Share Company is below 20%. This means the company has higher amount of asset than liability and is good utilization of debt asset ratio as the result of the company is in good position to borrow additional fund.

4.2. Recommendations

According to the findings and analysis I would like forward the following recommendations to concerned stakeholders to tackle the problems on financial performance of Awash International bank Share Company using the financial analysis tools.

Financial performance analysis benefits the potential researchers, investors, trade creditors, bond holders and management. So the company should have to evaluate and analyze its financial performance carefully with skilled and knowledgeable person.

- The company should continue to improve the current ratio in order to create smooth relationship with its short term creditors. Therefore the management of the company must strive to enhance the liquidity position of the company by designing strategies like issuance of shares and debt securities.
- To overcome the problem of total asset turnover of the company should analyze and identify reasons for less worth of total assets. In addition to these the management of the company should be careful in planning, managing and controlling the whole affairs of assets. And the company should increase the utilization of current assets to generate more income. In addition the management of the company should make proper decision when it acquires long term assets through construction like building.
- Awash international company is highly leveraged and it needs to have large amount of funds to avoid solvency problem to meet fund requirements. The bank must create with creditors to get additional short term finance so that it can settle when long term liability come due. Therefore, it is recommended that Awash international bank needs to minimize its high leverage record.

- ❖ In order to improve return on assets and return on equity of the bank, the bank needs to its debt amount so that it can minimize its interest cost which arises from debt which in turn increases the amount of operating income the bank.

Finally, to accomplish its objective, Awash International bank Share Company should have to use its resources efficiently and have to evaluate its performance from year to year in order to take various corrective measures. To make this there must be good management and control mechanism in the company.

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Financial Performance Balance Sheet

	2006	2007	2008	2009	2010
ASEET					
Cash &n Bank Balances	**688,010,251.00**	**1,074,625,529.00**	**3,186,778,041.00**	**5,637,314,701.00**	**3,242,546,829.00**
Cash on Hand	105,689,430.00	177,462,283.00	478,417,174.00	2,107,871,611.00	424,501,318.00
Reserve Accounts With NBE	130,248,703.00	310,248,703.00	700,000,000.00	1,130,000,000.00	850,000,000.00
Payment & Settlement Accounts With NBE	122,421,058.00	235,413,409.00	1,071,074,842.00	1,141,373,016.00	810,891,331.00
Deposits With local Banks	687,170.00	557,732.00	99,419,498.00	74,665,707.00	3,357,334.00
Deposits With Foreign Banks	328,963,890.00	350,943,402.00	837,866,527.00	1,183,404,367.00	1,153,796,846.00
Other Asset	201,528,661.00	241,391,566.00	520,735,551.00	365,580,103.00	671,916,267.00
Property & Equipment	-	-	-	257,427,327.00	227,119,664.00
Treasury Bills	101,000,000.00	550,000,000.00	-	-	800,000,000.00
Investment in Shares	3,266,345.00	3,564,400.00	4,053,798.00	14,124,209.00	5,824,048.00
Loans & Advance	2,354,977,069.00	2,402,600,567.00	2,563,991,102.00	3,841,550,776.00	2,997,376,967.00
Customers' liabilities for Commercial letters of credit & Acceptances, as per contra	270,447,069.00	417,687,080.00	709,851,899.00	973,443,743.00	1,078,205,603.00
Fixed assets	63,839,359.00	93,192,385.00	147,161,743.00	-	-
Total Assets	**3,683,068,754.00**	**4,783,061,527.00**	**7,132,572,134.00**	**11,089,440,859.00**	**9,022,989,378.00**

	2006	2007	2008	2009	2010
LIABILITIES					
Deposits	**2,721,303,080.00**	**3,419,197,707.00**	**4,962,410,454.00**	**7,743,781,257.00**	**6,105,940,193.00**
Demand deposits	578,085,765.00	697,938,076.00	1,132,932,418.00	2,014,008,960.00	1,383,089,286.00
Saving deposits	2,022,048,650.00	2,426,412,932.00	3,648,934,344.00	5,647,594,656.00	4,660,887,627.00
Fixed deposits	121,168,665.00	2,694,846,699.00	180,543,692.00	82,177,641.00	61,963,280.00
Margins held on letters of credit	64,165,583.00	88,772,718.00	339,224,103.00	300,754,224.00	349,562,633.00
Other liabilities	246,486,423.00	322,192,075.00	325,830,413.00	590,525,093.00	426,653,867.00
Provision for tax	38,907,720.00	52,680,764.00	33,950,488.00	144,439,993.00	103,278,139.00
Bank's liabilities for commercial letters of credit & acceptances as per contra	270,447,069.00	417,687,080.00	709,851,899.00	973,443,743.00	1,078,205,603.00
Land lease Payable	-	-	-	-	-
TOTAL LIABILITIES	**3,341,309,875.00**	**4,300,530,344.00**	**6,371,267,357.00**	**9,752,944,310.00**	**8,063,640,435.00**
CAPITAL					
CAPITAL & RESERVE	**341,758,879.00**	**482,531,183.00**	**761,304,777.00**	**1,336,496,549.00**	**959,348,943.00**
Share Capital	200,000,000.00	282,300,378.00	445,483,236.00	734,069,582.00	550,000,000.00
Share premium	-	-	-	-	-
Legal Reserve	66,928,986.00	98,591,017.00	152,052,528.00	304,099,390.00	213,941,994.00
Retained earnings	6,653,706.00	6,653,706.00	11,403,706.00	28,305,391.00	19,021,971.00
Profit & Loss Account	68,176,184.00	94,986,082.00	152,365,307.00	270,022,186.00	176,384,978.00
TOTAL LIABILITES & CAPITAL	**3,683,068,754.00**	**4,783,061,527.00**	**7,132,572,134.00**	**11,089,440,859.00**	**9,022,989,378.00**

Source:- Annual Report, Awash International Bank S.C.

Awash International Bank S.C.

Financial Performance Profit and Loss Account

	2006	2007	2008	2009	2010
Income	**283,993,520.00**	**382,103,369.00**	**715,468,338.00**	**927,549,687.00**	**686,706,099.00**
Interest Income	177,927,916.00	232,346,001.00	414,632,251.00	394,708,733.00	303,329,442.00
Commission & Service Income	43,331,911.00	52,288,426.00	100,499,923.00	257,139,119.00	129,133,093.00
Gain on foreign Currency transaction & translation	51,896,792.00	84,909,801.00	179,567,957.00	255,682,502.00	234,503,151.00
Other Income	10,836,901.00	12,559,141.00	20,768,207.00	20,019,333.00	19,740,413.00
Expense	**149,919,739.00**	**202,774,495.00**	**412,397,209.00**	**422,480,112.00**	**335,870,096.00**
Interest Expense	54,523,480.00	84,680,302.00	180,056,886.00	209,473,117.00	154,923,346.00
Salaries & Benefits	33,340,523.00	42,905,968.00	100,661,514.00	121,146,802.00	93,611,908.00
Administrative & General Expense	38,224,106.00	46,670,398.00	88,054,809.00	86,474,693.00	69,320,842.00
Provision for doubtful loans & advances	23,755,730.00	28,402,827.00	43,509,000.00	5,213,000.00	17,899,000.00
Audit Fee	75,900.00	115,000.00	115,000.00	172,500.00	115,000.00
Net Profit before tax	**134,073,781.00**	**179,328,874.00**	**303,071,129.00**	**505,069,575.00**	**350,836,003.00**
Provision for tax	(38,907,720.00)	(52,680,764.00)	(89,225,084.00)	(144,439,993.00)	(103,278,139.00)
Net Profit after tax	**95,166,061.00**	**126,648,110.00**	**213,846,045.00**	**360,629,582.00**	**247,557,864.00**
Transfer to legal reserve	**(23,791,515.00)**	**(31,662,028.00)**	**(53,461,511.00)**	**(90,157,396.00)**	**(61,889,466.00)**
Directors allowance	**(3,568,727.00)**	**-**	**(8,019,227.00)**	**(450,000.00)**	**(9,283,420.00)**
	67,805,819.00	**94,986,082.00**	**152,365,307.00**	**270,022,186.00**	**176,384,978.00**
Balance Brought forward	**31,845,719.00**	**68,176,184.00**	**94,986,082.00**	**176,384,978.00**	**152,365,307.00**

Transfer from share Premium	**2,093,440.00**	**-**	**-**	**464,171.00**	**380,914.00**
Prior Years adjustment	**370365.00**	**-**	**-**	**-**	**-**
	34,309,524.00	**68,176,184.00**	**94,986,082.00**	**176,849,149.00**	**152,746,221.00**
Dividend Paid	**(32,935,518.00)**	**(68,176,184.00)**	**(90,236,082.00)**	**(167,565,729.00)**	**(145,127,956.00)**
Retained Earnings	**(1,003,641.00)**	**-**	**(4,750,000.00)**	**(9,283,420.00)**	**(7,618,265.00)**
	370,365.00	-	**-**	**-**	**-**
Balance Carried forward	**68,176,184.00**	**94,986,082.00**	**152,365,307.00**	**270,022,186.00**	**176,384,978.00**
Earnings per share	**529.00**	**526.00**	**558.00**	**560.00**	**493.00**

Source:- Annual Report, Awash International Bank S.C.