

Awash International Bank s.c.

No	Branches in Addis Ababa	Telephone	Fax
	International Banking Department	(011) 662 01 03	(011) 661 44 77
1	Head Office	(011) 662 0303	(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 26	(011) 156 08 83
8	Hayahulet Mazoria	(011) 662 46 67	(011) 662 65 87
9	Africa Andinet	(011) 372 03 36	(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 Kilo	(011) 157 03 32	(011) 551 98 29
13	Sebategna Akababi	(011) 277 33 43	(011) 257 03 35
14	Kotebe	(011) 647 54 00	(011) 645 62 74
15	Habte Giorgis	(011) 157 95 92	(011) 157 45 46
16	Bole	(011) 618 9522	(011) 662 6387
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 Akababi	(011) 554 75 83	(011) 554 75 82
25	Gullele	(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 4007	(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 99	(011) 646 12 31

Financial Highlight, Number of Branches and employees

As at 31 December (1999-2007)

In millions of Birr unless stated

Particulars	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008/ 2009***
Deposits*	521	763	840	1065	1377	1780	2270	2800	3508	5302
Loans & Advances **	407	473	612	706	833	1149	1545	2464	2529	2713
Total Assets	701	1037	1101	1403	1830	2379	2990	3683	4783	7133
Capital & Reserves	75	105	128	137	154	197	241	342	483	761
Profit Before Tax	17	21	28	13	22	48	63	134	179	303
Profit After Tax	8	13	17	9	17	35	45	95	127	214
Earnings per share (Birr)	197	189	209	94	157	279	302	529	526	558
No.of Branches	18	22	24	25	29	32	35	40	46	61
No. of Employees	568	865	784	867	1006	1119	1236	1466	1698	2284

Source: AIB's Audited Accounts

*Including Margins on L/C

** Including Provisions for doubtful Loans & Advances

*** Eighteen months ended 30 June 2009

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REPORTS AND ACCOUNTS

Eighteen months ended 30 June 2009

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

**P.O. Box 12638
Addis Ababa, Ethiopia
Tel. +251-11- 663 77 52/ 662 8492
Fax: +251-11-662 7765/ 661 4477**

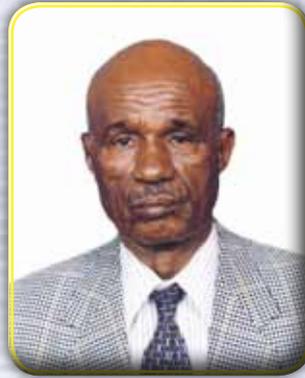
**E-mail: aib.businessdev@ethionet.et
awash.bank@ethionet.et**

Website: www.awash-international-bank.com

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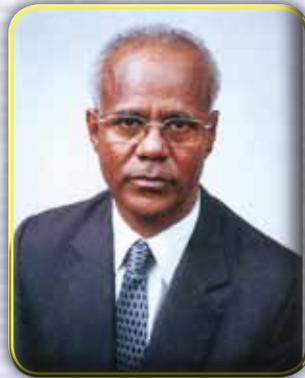
THE BOARD OF DIRECTORS



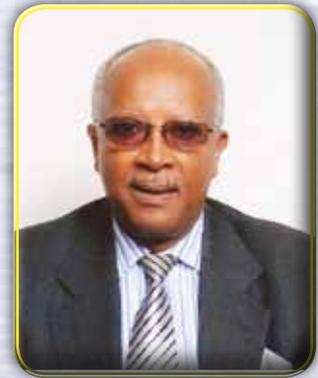
Bekele Nedi
Chairman



Amsalu Bizuneh
Director



Gelahun Edo
Director



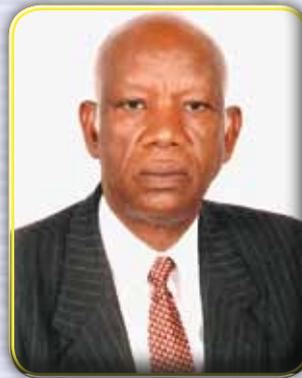
Hambissa Wakwoya
Director



Leikun Berhanu
Director



Mitiku Abeshu
Director



Negasa Tumsa
V/Chairman



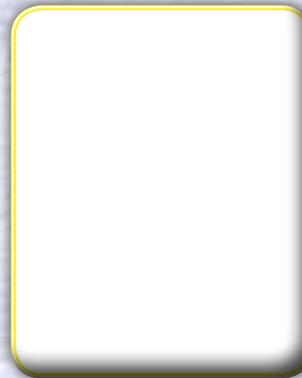
Terefe Mengesha
Director



Wole Gurmu
Director



Wondimu Umata
Director



Director



Director

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Chairman's Statement



Bekele Nedi

Chairman, Board of Directors

The last 18 months period posed several challenges for all businesses worldwide. The global financial crisis that broke out in the United States engulfed the whole developed and emerging economies and led to severe global economic crises with serious repercussions on the economies of developing countries. This led to significant sacrifices by all businesses and economies in all parts of the world. For countries like Ethiopia it meant, inter alia, low foreign exchange earnings due to a decline in volumes and prices of exports, resulting from the significant contraction in world demand and thinning out of tourist flows and inward remittances.

On the domestic front the inflationary pressure which prevailed in the earlier years persisted forcing the National Bank of Ethiopia to raise the statutory reserve and liquidity requirements and set credit ceilings for commercial banks. These measures stifled the growth of AIB's volume of loans and advances in a situation where interest bearing deposits grew sharply. Given the depressed business environment, it is gratifying to note that the Bank recorded a net profit after tax of Birr 213.8 million, resulting in earnings per share of Birr 558 on a capital base which has been continuously growing during the period under review. Total deposits reached Birr 5.3 billion as at 30 June 2009, passing the Birr 5 billion mark. Outstanding loans and advances stood at Birr 2.6 billion, reflecting a low 50% loan/deposit ratio.

Pursuant to the aggressive branch expansion program during the period under review to bring banking services closer to potential customers, 13 more branches were opened lifting the total number of AIB's branches to 61 making the Bank the leader in branch network among private banks. The medium and long term benefits of a strong deposit base for AIB is quite obvious.

Online banking service is fully implemented in Addis and three outlying branches have become beneficiaries of the system and implementation is continuing during the 2009/10 financial year. As part of its modernization effort, a study on the introduction of a card banking system in a cost-effective manner is underway and we look forward to the implementation of the system to address the growing demands of the Bank's customers for the service.

Following the farsighted resolution passed by the shareholders of the Bank at the 9th Extraordinary General Meeting of Shareholders, AIB's paid-up capital reached Birr 445.5 million as at 30 June 2009. We believe that the shareholders' decision to raise the paid-up capital of the Bank to Birr 550 million by the end of December 2009 will be met. On behalf of the Board of Directors and myself, I would like to extend my sincere appreciation to the shareholders of AIB

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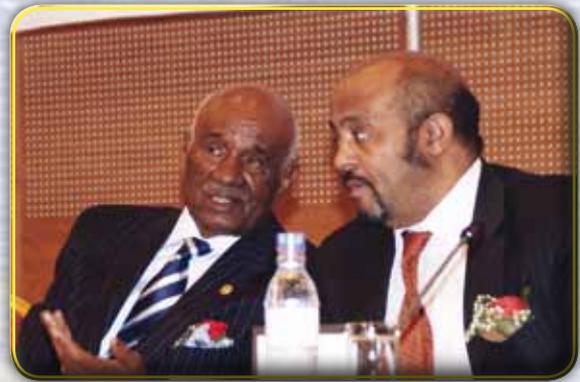
who have always understood the need for a strong capital base for building the image of their Bank and its uninterrupted growth and expansion and continuously strengthened the capital of their Bank.

AIB's vision is "To be the first chosen bank of the people" which the current and future generations of Ethiopians will be proud of. Having its own Headquarters building was envisioned as one step forward towards meeting its objectives. The realization of this dream is now very close as the construction work of the building is nearing completion to make AIB the first private bank to own its Headquarters building in Ethiopia. Constructions of branch buildings are also progressing in Nekemte and Shashemene, while construction of branch buildings is expected to start in Ghimbi and Adama towns during the 2009/10 financial year. We are sure that the Bank's drive towards owning its branch buildings will continue to have the support of its shareholders.

The world of business ahead of us is even more challenging than in the past. Ethiopia's financial sector is becoming more and more competitive because of increases in the number of private banks and modernization of banking services. The need for diversifying sources of income is being felt more than ever, particularly in an environment where credit ceilings are set for banks. In addition, enhancement of the quality of loans and advances and minimization of non-performing loans requires special attention. Giving due attention to the international banking business by providing support to exports and other foreign exchange generating activities to the extent possible in order to finance imports required for the country's economic growth and development and enhance AIB's income from international banking services is also required. All these and other related matters, including control of controllable expenses, call for taking appropriate actions by a unified team of the Bank's Board of Directors, Management and employees and the continued support of the Bank's shareholders to ensure the continuity of AIB's success even in these trying times.

Finally, all the success stories registered would have been impossible without strong cooperation and advice obtained from the visionary shareholders of the Bank, strong leadership of the Board of Directors, hard work of all management and employees of the Bank and especially the support of the Bank's highly esteemed customers. The guidance of the Supervisory Authority, the National Bank of Ethiopia, and the cooperation of various offices of the Federal and Regional Governments in AIB's endeavor towards meeting its corporate mission and objectives were indispensable. Therefore, on behalf of the Board of Directors, I am indebted to express my deepest gratitude to all of these stakeholders and I look forward to their continuing usual cooperation and support in the years ahead. Thank you.

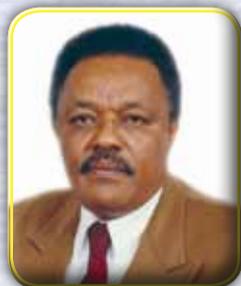
AIB's 3rd Exporters' Day



Executive Management



Leikun Berhanu
President



Mitiku Abeshu
V/P, International Banking



Eshetu Fantaye
V/P, Corporate Services



Tsehay Shiferaw
V/P, Credit & Risk Management



Alemayehu Kinfe
Manager, Treasury Dep.



Andualem Berhanu
Manager, Planning & BDD



Getachew Megersa
Manager, HR & Administration Dep.



Girma Kebede
Manager, Property Admin. Dep.



Habtamu Aberra
Manager, Branch Operations Dep.



Kinfemichael W/Tinsae
Manager, Control Dep.



Matheos Bayisa (Dr.)
Manager, MIS Dep.



Tadese Ashagre
A/Manager, International Banking Dep.



Yeneakal Yehulalashet
Manager, Legal Services Dep.



Yohannes Merga
Manager, Finance Dep.

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President's Statement



Leikun Berhanu
President

Awash International Bank S.C. has successfully completed eighteen months of operation covering the period 1 January 2008 to 30 June 2009. The period under review posed serious challenges both in the global and the domestic arenas. In the global front severe global financial and economic crises hit the global economy. The crises revealed the fast growing interdependence of the global economy much more starkly than ever before.

The situation also triggered fast global cooperation and coordinated action by way of channeling huge volumes of state financial resources into the shaking financial systems in support of their recovery sooner than later. The policy actions broke the long honored belief of avoiding a direct financial stake by the state in economic entities of a market economy. We hope that a lasting lesson is learned and that the global cooperation and actions following the crises will lead to the emergence of a strong and responsible global financial system which will avoid global financial and economic crises instead of triggering them.

For developing countries such as Ethiopia, the immediate impact of the global economic crisis was reflected mainly in the shortage of foreign exchange flows direly needed for their economic growth and development. The economic crisis hampered the capacities of the developed world to channel adequate volumes of foreign exchange to developing countries through purchase of developing countries' goods and services, giving grants, and through tourist and Diaspora remittance flows. Inadequate foreign exchange earnings reduced AIB's ability to meet the foreign exchange needs of its importing clients adequately thereby lowering the contributions of import activities to the Bank's overall income.

On the domestic front, inflation persisted during the period under review leading to a much more contractionary monetary policy stance than was the case in 2007. Liquidity requirement was raised, reserve requirement was also raised successively and a credit ceiling was put in place during the period under review. Therefore, AIB had to grapple with the challenge of keeping itself within the credit ceiling set by the National Bank of Ethiopia in the face of a sharp growth of interest bearing deposits.

Deposits reached Birr 5.3 billion as at 30 June 2009 surpassing the Birr 5 billion mark while outstanding loans and advances stood at a low level of Birr 2.6 billion, reflecting a mere 50% loan/deposit ratio. Despite its short term cost implications under the tight monetary policy environment, it should also be borne in mind that a growing level of deposits ensures enhancement of the Bank's future income as inflation comes under control and allows the resumption of an adequate pace of credit growth for Ethiopia's young private sector.

During the period under review, the accelerated depreciation of the Birr led to higher gains in foreign exchange dealings than usual. This has partly compensated for low interest earnings

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on loans and advances. The Bank's achievement of net profit after tax of Birr 213.8 million and earnings per share of Birr 558 was indeed gratifying given the tight business conditions which prevailed during the period.

Thirteen branches were opened raising the Bank's total number of branches to 61 and making AIB the leading private bank in terms of branch network. Although all branches in Addis Ababa provide on-line banking services to their customers, extending the services to outlying branches was slow for various reasons requiring appropriate attention during the forthcoming financial year.

The construction of AIB's Headquarters building is progressing well and we look forward to its completion in 2009/10 financial year. Construction of two branch buildings have commenced and construction of two other branch buildings outside Addis Ababa is planned to start in the 2009/10 financial year. The Bank's paid-up capital reached Birr 445.5 million at the end of June, 2009 and we look forward to meeting the target of Birr 550 million by the end of December 2009 as per decision of the Bank's shareholders. The focus of AIB's shareholders on building the capital base of their Bank continues to be indispensable.

Although there is a faint hope of global economic recovery there is not much room for optimism at this stage. It is also very difficult to predict the pace of recovery of global demand for, and prices of, exportable goods of developing countries to the developed and emerging market economies. Meeting these challenges successfully is still ahead of us in the global front casting shadows of pessimism on the volume of foreign exchange flows from the developed to the developing world in the 2009/10 financial year.

On the domestic front inflation has yet to come within a sustainable single digit requiring continuation of the contractionary monetary policy which affects the growth and expansion of the country's young private sector and curtails the contribution of interest income to overall income of AIB. Therefore, the need for bringing inflation under control as soon as possible through effective policy packages to address the challenges raised above and avoid their dismal impact on the entire economy cannot be overemphasized. The situation also calls for providing special attention to the enhancement of non-interest income and control of expenses by the management and employees of AIB to mitigate the negative impact of curtailed credit growth on the Bank's income.

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I would like to take this opportunity to thank the National Bank of Ethiopia, the Bank's shareholders and the Bank's Board of Directors for their guidance and support and the team of AIB's Management and employees for their dedicated service to their Bank. Special thanks goes to our customers for doing business with AIB without which AIB's success stories could not have been recorded over the past fourteen years. Their continued support is indispensable for AIB's success in the future. I would also like to thank our foreign correspondent banks for their support and confidence in AIB.

Finally, I look forward to fast global economic recovery, continuation of a high level of Ethiopia's economic growth within an environment of a sustainable level of domestic inflation. Achievement of these lofty objectives sooner than later obviously provides an opportunity to AIB to report another year of uninterrupted success story in 2009/10 financial year. Thank you.



***AIB/ AIC Headquarters Building
(Dream Coming to Reality)***



REPORT OF THE BOARD OF DIRECTORS

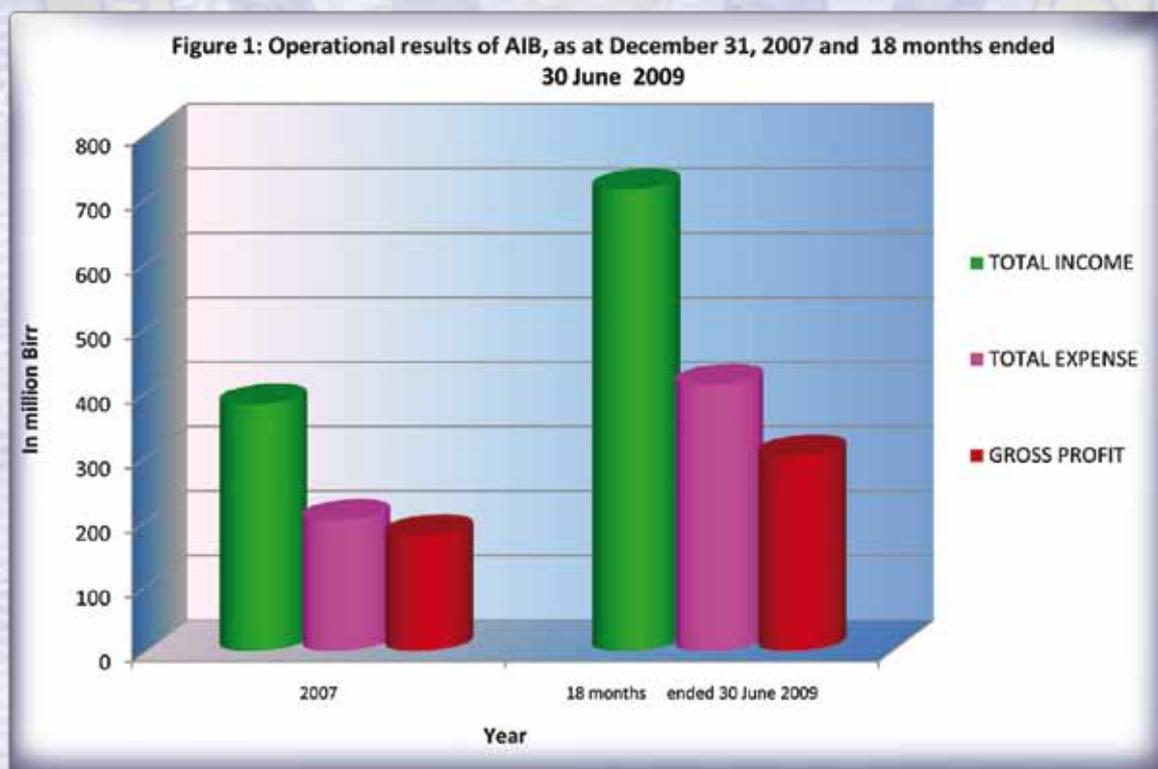
The Board of Directors of Awash International Bank S.C. (AIB) presents to the 14th Annual General Meeting of shareholders its report and audited financial statements of the Bank covering the period of eighteen months ended June 30, 2009. The period covered is eighteen months because the Bank had to meet a new legal requirement of changing its financial year from the Gregorian Calendar year end to the financial year running from July 1 of each year to June 30 of the following year.

1. Review of Major Operational Activities

1.1 Operational Results

In view of the challenges posed by tight monetary policy and foreign exchange constraints faced during the period under review the operational results of the Bank during the eighteen months period were encouraging. The aggregate income and expenses of the Bank stood at Birr 715.5 million and Birr 412.4 million, respectively. A net profit after tax of Birr 213.8 million was achieved reflecting earnings per share of birr 558.

Looking at the components of total income, interest income constitutes 58% followed by gains on foreign exchange dealings, commission and service charges and other income at



25% and 17%, respectively. Credit growth was curtailed during the period following the

National Bank of Ethiopia's directives issued to stem inflation. Consequently, the share of interest income in the Bank's overall income was lower than it used to be in prior years.

The share of gains on foreign exchange dealings in total income has become more prominent than was the case in the past years partly owing to the accelerated depreciation of the local currency over the period under review.

On the expense side, the lion's share of about 44% was accounted for by interest expenses. This was followed by salaries and benefits (24%), administrative and general expenses (21%), and provision for doubtful loans and advances (11%). The share of interest expense in total income continues to rise owing to the growing volume of interest-bearing deposits, particularly savings deposits.



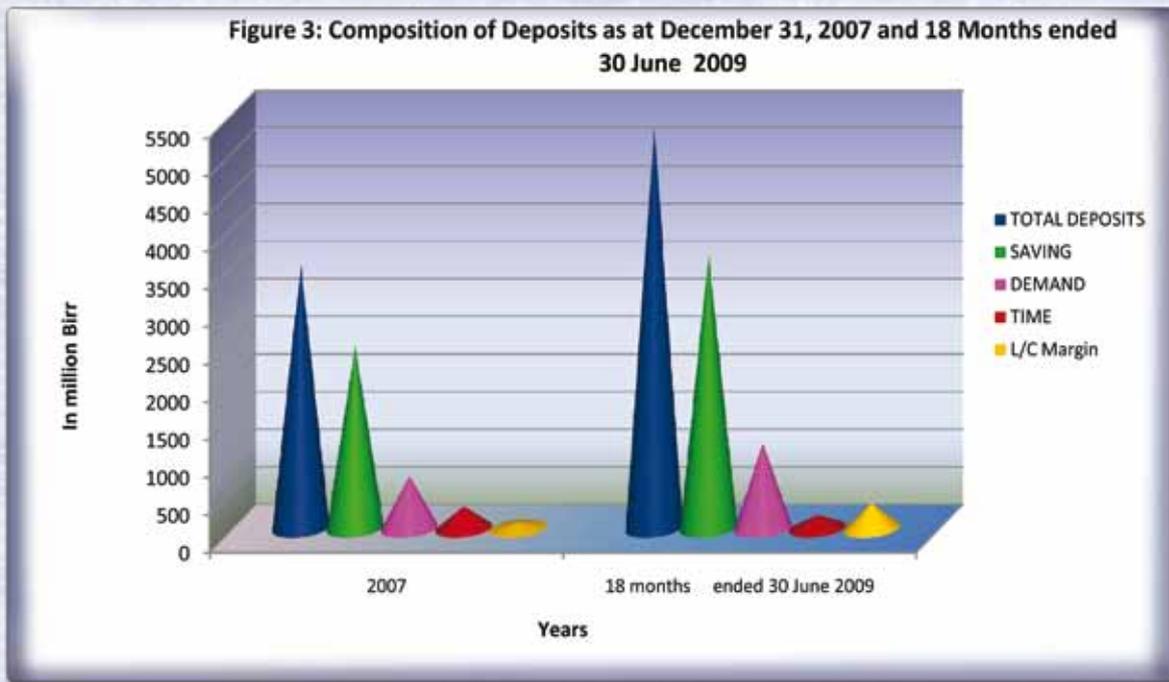
The significant depreciation of the Birr, apart from its potential contribution to encouraging the country's exports, has also led to a general price rise in imported materials which the Bank uses causing significant increases in administrative and general expenses.

1.2 Proposal on Dividend

The Board of Directors recommends that out of the total appropriatable profit of Birr 152.4 million (Birr one hundred fifty two million four hundred thousand) Birr 7.6 million (Birr seven million six hundred thousand) should be retained and a dividend of Birr 144.8 million (Birr one hundred forty four million eight hundred thousand) paid in cash or used for the purchase of the Bank's shares, depending upon the shareholders' choice.

1.3 Deposit Mobilization

The total deposit of AIB, including margins held on letters of credit, as at June 30, 2009 stood at Birr 5.3 billion. AIB crossed the Birr 5 billion mark in time as projected in its strategic plan. Out of the total deposits, savings deposits accounted for 68.8%, followed by demand deposits (21.4%), margins held on letters of credit (6.4%) and time deposits (3.4%).



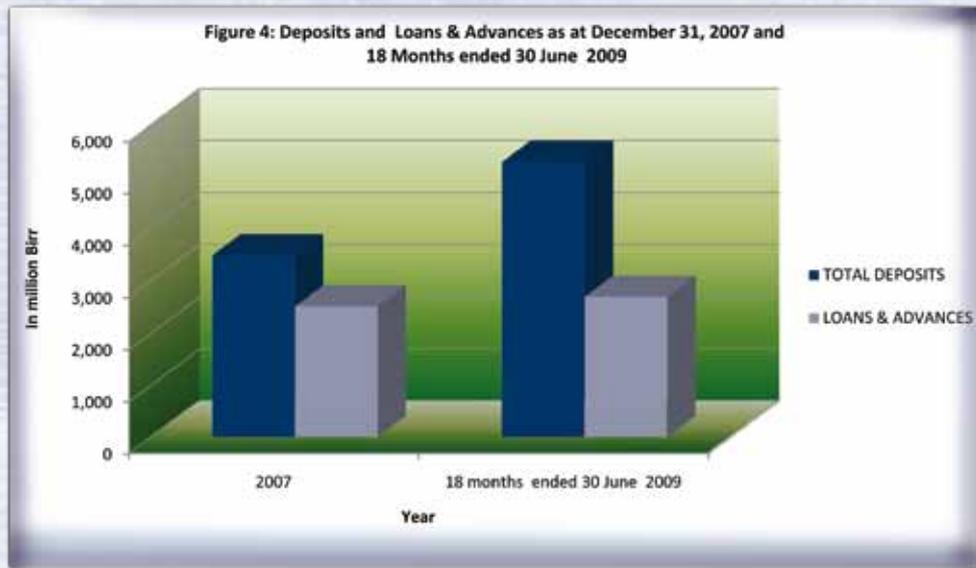
The short term cost implications of the growing level of interest bearing deposits, particularly when credit growth is curtailed due to the dictates of national policy, are quite clear. Nevertheless, AIB's deposit growth portrays the growing public confidence in the Bank, which is the very foundation on which banking business stands. Deposit growth also strengthens the base for future credit expansion which a growing economy undoubtedly requires as well as the base on which the Bank's continued profit growth and shareholder benefits rest over the medium and longer term.

1.4 Lending Activities

The growth of loans and advances was curtailed during the period under review as a result of the tight monetary policy adopted by the National Bank of Ethiopia. Reserve requirement which was raised from 5% to 10% in July, 2007, was further raised to 15%, and liquidity requirement was also raised from 15% to 25% in April 2008. In addition, a credit ceiling was also enforced during the first half of 2009. In a situation where the Bank continues to record high deposit growth, the constraint on lending activity created a strong negative impact on the contributions of credit activity to the Bank's profitability.

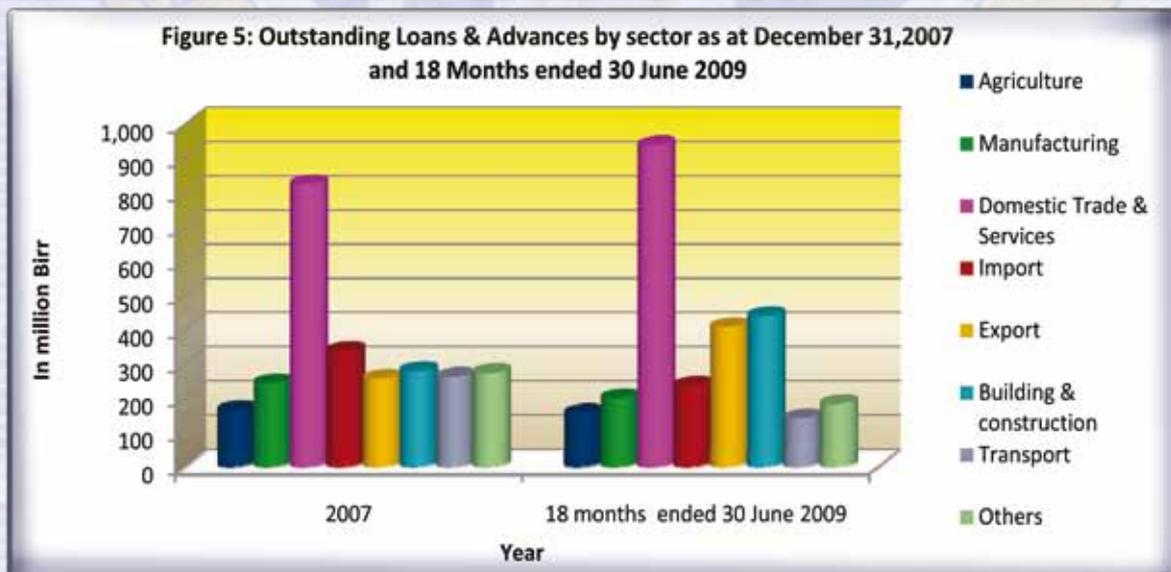
The Bank's level of net loans and advances of Birr 2.6 billion, net of provisions, in relation to the level of its deposits of Birr 5.3 billion, including margins on letters of credit, indicates a loan/deposit ratio of about 50% which is very low.

Since the growth and expansion of Ethiopia's young modern private sector depends upon the availability of a growing level of credit, we look forward to the easing of inflationary pressures in the economy through concerted policy actions so as to allow banks to resume an adequate rate of credit growth for the private sector as soon as possible.



The sectoral breakdown of loans and advances as at June 30, 2009 indicates that 35% was taken up by domestic trade and services, followed by international trade (24%), building and construction (16%), manufacturing (7%), agriculture (6%), transport (5%), and the rest being taken up by others showing that domestic trade and services and international trade continued taking up the lion’s share of the Bank’s loans and advances.

The Bank continued to give close attention to minimizing credit risk through pre-disbursement precautions and post-disbursement follow-up as a result of which a non-performing loans ratio of a single lower digit was maintained at the end of the period under review. Birr 21.3 million was written off during the period and an additional provision of Birr 43.5 million was held raising the total provision for doubtful loans and advances to Birr 149.2 million as at June 30, 2009.



1.5 International Banking

International Banking Operations of the Bank contributed over 30% of the Bank's total income during the period under review. The impact of the global financial crisis and the subsequent economic crisis is reflected in a low growth recorded in foreign exchange earnings of the Bank during the period under review compared to the 18 months period ended 30 June 2008. The volume of the Bank's export earnings showed a modest growth of about 10% compared to export earnings during the 18 months period ended 30 June 2008. Foreign exchange earnings from international inward remittances grew only by 2%. A small growth of about 3% was also observed in the volume of imports during the period under review.

1.6 Branch Expansion

AIB opened 13 branches during the period under review in various parts of the country raising the total number of its branches to 61 and making it the leading private bank in Ethiopia in terms of branch network. AIB's drive to take banking services closer to its customers will continue based on appropriate studies.

1.7 Human Resource Development

In order to meet the Bank's human resource requirements, particularly its branch expansion program, the total number of the Bank's employees increased to 2,284 as at June 30, 2009 compared to 1,698 at the end of December 2007.

During the period under review, various education and training programs were undertaken in order to upgrade the level of education and skill of the Bank's employees. Accordingly, 503 and 475 employees benefited from formal education programs in 2008 and first half of 2009; and 343 and 188 employees took short term training during 2008 and the first half of 2009 respectively. The Bank will strengthen and continue its human resource development programs in the future in order to meet the growing demand of its customers for high quality, cost effective and efficient banking services.

Furthermore, the Bank conducted a salary scale and benefits study and made significant salary adjustments in September, 2008 in addition to providing bonus and salary increments to its employees in order to motivate them and so enable it to remain competitive in the domestic banking industry.

2. Other Developments

2.1 Computerization

Though all branches in Addis Ababa, including the branches newly opened during the period, provide on-line banking services to their customers, rolling out the on-line banking services to outlying branches could not be made at the planned pace due to various unforeseen circumstances. Only two outlying branches in Adama and one branch in Hawassa benefited from this technology and are providing on-line banking services to their customers. Special attention will be given to ensure that the remaining outlying branches benefit from the technology as soon as possible.

2.2 Headquarters and Branch Buildings

The construction of the Bank's headquarters building has progressed very well and it is expected to be completed soon. Escalation in the cost of building materials made completion of the project within the planned budget impossible despite continued efforts made by the Board to contain costs. However, it should be noted that the Bank has averted significant costs which the late start of the construction work would have entailed by embarking on the project as early as it could.

Construction of branch buildings is also underway in Shashemene and Nekemte towns. Furthermore, the necessary ground works are completed enabling construction of branch buildings in Ghimbi and Adama to begin during the first half of 2009/10 financial year. The Bank's plan of building its own branch premises progressively in order to reduce rising rental costs over the medium and longer term and to create conducive environments for providing efficient and cost effective banking services to its customers will continue.

2.3 Implementation of the Bank's Capital Increase

Implementation of the shareholders' decision for raising the Bank's paid-up capital to Birr 550 million has progressed well. The paid up capital of the Bank at the end of June 2009 reached Birr 445.5 million compared to Birr 282.3 million at the end of December 2007 and it is expected that the Birr 550 million paid-up capital target will be met by the end of December 2009 dead line set by the shareholders. In this regard, we would like to thank the predominant majority of the Bank's shareholders for paying up their subscriptions on time as usual. We would also like to encourage the few shareholders who could not yet fully pay up their subscriptions to pay them up soon in order to enable their Bank to reach the paid-up capital target within the time frame set by the shareholders.

3. Looking Ahead

The future poses several challenges in the economic sphere both on the global and domestic fronts. Although there are some signs of global economic recovery, there is still no clear evidence on the speed of recovery and resumption of a sustainable growth path. However, the strong will exhibited and the concerted actions being taken by governments of developed economies to get out of the deep global financial and economic crises casts a glimpse of hope. It appears that there is a strong will to grab the lessons to be learned from the global crises and put in motion concerted global actions towards the emergence, in due course, of a much more credible and responsible global financial system which will no more become a cause for creating global financial and economic crises and their negative impact on the economic well being of people all over the world. We look forward to the fruits of the lessons learned from the global financial and economic crises.

On the domestic front, the tight monetary policy, which prevailed during the period ending June 30, 2009 was marked by higher levels of reserve and liquidity requirements than before and credit ceilings have continued into the 2009/10 financial year with a tougher stance. Official reports indicate a decline in the magnitude of inflation, although single digit inflation is yet to be achieved on a sustainable basis. The situation points towards the need for the continuation of an appropriate set of policy actions in order to put inflation under control as soon as possible.

It is clear that monetary policy measures make their own contributions towards reducing inflationary pressures. However, it seems that the implications of the continuation of a tight monetary policy on the health and growth of Ethiopia's up-coming private sector, including private banks, as well as on the country's general economic growth, merits close attention and analysis in tandem with an appropriate mix of policy measures required to put inflation under control in a sustainable manner.

Another dimension to the challenge on the domestic front is related to the availability of adequate foreign exchange to meet the requirements of a growing economy. Fast recovery of the global economy benefits Ethiopia's economy in several ways. It helps recovery and growth of demand for Ethiopia's export commodities as well as recovery of their global prices. Furthermore, it facilitates timely release of financial grants from various foreign sources and helps to increase tourist flows as well as remittances from Ethiopians living abroad thereby enhancing the country's foreign exchange earnings from which AIB will benefit. Therefore, we look forward to a quick recovery of the global economy.

The recent significant depreciation of the Birr is expected to encourage growth of Ethiopia's export volumes in due course. However, credit requirements of exporters for maintaining and increasing the volume of their exports has been on the rise owing to depreciation of the Birr. Tight monetary policy and credit ceilings leave no room for banks to accommodate this growing credit demand by exporters without heavily curtailing credit requirements

of private sector actors in other sectors of the economy engaged in providing essential goods and services. The paradox of the need to enhance foreign exchange earnings from exports which require a growing level of credit on the one hand, and enforcement of a water-tight credit ceiling on the other, is indeed a delicate one. Nevertheless, it calls for urgent attention and resolution.

Given the nature of the major challenges referred to above, meeting them successfully requires concerted actions by all stakeholders and AIB will do its part. Obviously, meeting them successfully brightens the hope of maintaining AIB's track record of growing profitability in the coming financial year, although the present environment of fast growing interest bearing deposits and constrained credit growth do not justify such optimism at this stage. Therefore, the situation also demands exploring avenues of enhancing non-interest income and controlling expenses to the greatest extent possible. In this regard, concerted efforts of the Bank's Board of Directors, management and employees and continued strong backing of the Bank's shareholders are indispensable. We believe that the team spirit and concerted actions which prevail among these stakeholders will continue in order to maintain AIB's track record of success in the coming year.

As we look ahead to the coming year, we see AIB relocated in its new Headquarters building in the heart of Addis Ababa making the first private bank in Ethiopia, after the renaissance of the market economy in Ethiopia, the first owner of its Headquarters building. We all look forward to celebrating that landmark together thanks to the strong support and laudable wisdom of the Bank's shareholders. The Banks shareholders have always and unflinchingly stood by their Bank in trying times to ensure that their Bank achieves, not only its short-term business plans but also its far-reaching strategic objectives of becoming a strong, credible, and respected first private bank always moving diligently in pursuit of its vision: **TO BE THE MOST PREFERRED BANK OF THE PEOPLE.**

The Directors would like to take this opportunity to thank the National Bank of Ethiopia for its guidance and the Bank's customers for working with AIB and its shareholders for their continued support.

Finally, we look forward to the continuation of the country's economic growth in an environment of price stability and the resumption of an adequate pace of growth of credit flows to Ethiopia's young private sector to enable it to play its historical role of being the engine of Ethiopia's sustainable economic growth and development. We also look forward to AIB's successful operation in the coming year.

AUDITORS' REPORT



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

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2009

We have audited the annexed financial statements of the Awash International Bank Share Company on pages 19 to 28 which have been prepared under the historical cost convention and accounting policies set out on page 22.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion on those statements, based on our audit, and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the accounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud, irregularity or error. We believe our audit provides a reasonable basis for our opinion.

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 Br. 35,283,084 (31 December 2007 – Br. 37,095,243) had been claimed by the Bank in accordance with the terms and conditions of the guarantees. However, these claims have not been settled by the insurance company and the Federal Supreme Court has ruled in favour of the Bank with respect to the entire principal amounts claimed and interest thereon from the date the insurance company was sued by the Bank. Both the bank and the insurance company have appealed to the Federal Cassation Court. Our opinion is not qualified in this respect.

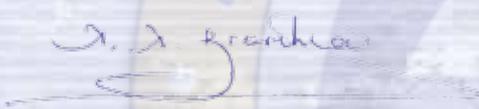
AUDITORS' REPORT TO THE SHAREHOLDERS OF THE AWASH INTERNATIONAL BANK SHARE COMPANY ON THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2009

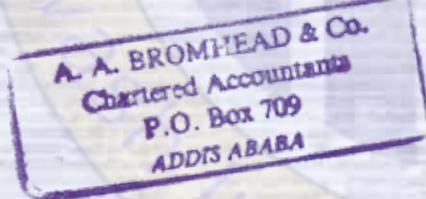
OPINION

In our opinion, the financial statements annexed, together with the notes thereon, present a true and fair view, in all material respects, of the financial position of the Awash International Bank Share Company at 30 June 2009 and of the results of its operations and cash flow for the eighteen months period then ended in accordance with generally accepted accounting principles.

We have no comments to make on the report of your Bank's Directors and in accordance with Article 375 of the Commercial Code of Ethiopia 1960, recommend acceptance of it.


A.A. Bromhead & Co.
Chartered Accountants and
United Kingdom Registered Auditor
Auditors of Awash International Bank S.C.

Addis Ababa
5 October 2009



**AWASH INTERNATIONAL BANK SHARE COMPANY
BALANCE SHEET
AT 30 JUNE 2009**

CURRENCY:

BIRR

	Note	30.06.09	31.12.07
ASSETS			
Cash and Bank Balances			
Cash on hand	1a	478,417,174	177,462,283
Reserve Account with National Bank of Ethiopia		700,000,000	310,248,703
Payment and settlement account with National Bank of Ethiopia		1,071,074,842	235,413,409
Deposits with local banks		99,419,498	557,732
Deposits with foreign banks	1a	<u>837,866,527</u>	<u>350,943,402</u>
		3,186,778,041	1,074,625,529
Other assets	1a, 2	520,730,551	241,391,566
Treasury Bills		-	550,000,000
Investments in shares		4,058,798	3,564,400
Loans and advances	3, 4	2,563,991,102	2,402,600,567
Customers' liabilities for commercial letters of credit and acceptances, as per contra	1b	709,851,899	417,687,080
Fixed assets	1c, 5	<u>147,161,743</u>	<u>93,192,385</u>
TOTAL ASSETS		<u>7,132,572,134</u>	<u>4,783,061,527</u>
LIABILITIES			
Deposits			
Demand deposits		1,132,932,418	697,938,076
Savings deposits		3,648,934,344	2,426,412,932
Fixed deposits		<u>180,543,692</u>	<u>294,846,699</u>
		4,962,410,454	3,419,197,707
Margins held on letters of credit		339,224,103	88,772,718
Other liabilities	6	325,830,413	322,192,075
Provision for tax	7	33,950,488	52,680,764
Bank's liabilities for commercial letters of credit and acceptances, as per contra	1b	<u>709,851,899</u>	<u>417,687,080</u>
TOTAL LIABILITIES		<u>6,371,267,357</u>	<u>4,300,530,344</u>
CAPITAL AND RESERVES			
Share capital	8	445,483,236	282,300,378
Legal reserve		152,052,528	98,591,017
Retained earnings		11,403,706	6,653,706
Profit and loss account		<u>152,365,307</u>	<u>94,986,082</u>
		761,304,777	482,531,183
TOTAL LIABILITIES AND CAPITAL		<u>7,132,572,134</u>	<u>4,783,061,527</u>



BEKELE NEDI
CHAIRMAN OF THE BOARD OF DIRECTORS

**AWASH INTERNATIONAL BANK SHARE COMPANY
PROFIT AND LOSS ACCOUNT
FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2009**

CURRENCY: BIRR

	Note	Eighteen months ended 30.06.09	Year ended 31.12.07
INCOME			
Interest income	9	414,632,251	232,346,001
Commissions and services		100,499,923	52,288,426
Gain on foreign currency transactions and translations		179,567,957	84,909,801
Other income		<u>20,768,207</u>	<u>12,559,141</u>
		<u>715,468,338</u>	<u>382,103,369</u>
EXPENSES			
Interest expense	10	180,056,886	84,680,302
Salaries and benefits		100,661,514	42,905,968
Administrative and general expenses	11	88,054,809	46,670,398
Provision for doubtful loans, advances and other receivables	3	43,509,000	28,402,827
Audit fee		<u>115,000</u>	<u>115,000</u>
		<u>412,397,209</u>	<u>202,774,495</u>
NET PROFIT BEFORE TAX		303,071,129	179,328,874
PROVISION FOR TAX	7	<u>(89,225,084)</u>	<u>(52,680,764)</u>
NET PROFIT AFTER TAX		213,846,045	126,648,110
TRANSFER TO LEGAL RESERVE		<u>(53,461,511)</u>	<u>(31,662,028)</u>
		160,384,534	94,986,082
DIRECTORS' ALLOWANCE		<u>(8,019,227)</u>	<u>-</u>
		<u>152,365,307</u>	<u>94,986,082</u>
BALANCE BROUGHT FORWARD		94,986,082	68,176,184
DIVIDENDS PAID		<u>(90,236,082)</u>	<u>(68,176,184)</u>
RETAINED EARNINGS		<u>(4,750,000)</u>	<u>-</u>
		<u>-</u>	<u>-</u>
BALANCE CARRIED FORWARD		<u>152,365,307</u>	<u>94,986,082</u>
EARNINGS PER SHARE		<u>558</u>	<u>526</u>

**AWASH INTERNATIONAL BANK SHARE COMPANY
CASH FLOW STATEMENT
FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2009**

CURRENCY: BIRR

	Note	Eighteen months ended 30.06.09	Year ended 31.12.07
Net cash inflow from operating activities	14	<u>1,384,963,070</u>	<u>774,006,968</u>
Cash flow from investing activities:			
Maturity / (Purchase) of Treasury Bills		550,000,000	(449,000,000)
Dividends received and interest on Treasury Bills		1,034,000	1,466,340
Investment in fixed assets		(74,402,762)	(41,783,322)
Disposal of fixed assets		421,000	-
Investment in shares		<u>(494,398)</u>	<u>(298,055)</u>
Net cash inflow / (outflow) from investing activities		<u>476,557,840</u>	<u>(489,615,037)</u>
Cash flow from financing activities:			
Issue of shares		163,182,858	82,300,378
Dividends paid		<u>(92,119,213)</u>	<u>(64,986,832)</u>
Net cash inflow from financing activities		<u>71,063,645</u>	<u>17,313,546</u>
Effects of exchange rate changes on cash and cash equivalents		<u>179,567,957</u>	<u>84,909,801</u>
Increase in cash and cash equivalents		2,112,152,512	386,615,278
Cash and cash equivalents at the beginning of the period/year		<u>1,074,625,529</u>	<u>688,010,251</u>
Cash and cash equivalents at the end of the period/ year		<u>3,186,778,041</u>	<u>1,074,625,529</u>

AWASH INTERNATIONAL BANK SHARE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with the historical cost convention, generally accepted accounting principles and the laws and regulations of Ethiopia including the Commercial Code of Ethiopia 1960, Banking Business Proclamation No. 592/2008 and the Directives of the National Bank of Ethiopia. The principal accounting policies are set out below:

Foreign currencies:

- (a) (i) Foreign exchange transactions during the period are expressed in Birr at the actual rates prevailing on the transaction dates.
- (ii) Foreign currencies on hand and correspondent banks' balances at 30 June 2009 are translated at average exchange rates for transactions.

Commercial letters of credit and acceptances

- (b) Customers' and bank's liabilities for commercial letters of credit and acceptances are stated at the full values of the commitments without deducting the margins held.

Fixed assets

- (c) Depreciation is provided on the basis of the following methods per annum:
 - i) Premises
5% on straight-line basis.
 - ii) 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 deducting disposal proceeds of the year to their respective opening book values:

Computers	25%
Other assets	20%

- Vehicles
- Office equipment
- Furniture and fittings

- iii) Fixed assets in store are not depreciated.

Interest on import bills

- (d) Interest income on advances on import bills is recognised on collection.

Vision: To be the most preferred Bank of the people

**AWASH INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2009**

CURRENCY: BIRR

2. OTHER ASSETS

	<u>30.06.09</u>	<u>31.12.07</u>
Uncleared effects, local	242,799,535	126,451,870
Uncleared effects, foreign	146,234,865	22,361,424
Stationery stock	2,131,943	1,374,924
Other stock items	1,599,772	1,703,592
Prepaid rents	23,162,710	15,133,703
Other advances and receivables	72,532,237	38,121,263
Cheque books and revenue stamps	1,279,627	1,956,001
Managed loan	8,570,700	13,713,120
Acquired property	<u>24,419,162</u>	<u>22,575,669</u>
	522,730,551	243,391,566
Provision for doubtful receivables	<u>(2,000,000)</u>	<u>(2,000,000)</u>
	<u>520,730,551</u>	<u>241,391,566</u>

3. LOANS AND ADVANCES

Domestic trade and services	940,412,449	826,573,739
Import	237,574,870	339,169,736
Building and construction	441,053,362	280,179,097
Manufacturing	201,346,849	244,514,955
Transport	142,268,496	263,724,795
Agriculture	157,336,144	165,631,649
Export	409,370,909	258,510,956
Non-performing loans and advances	135,239,561	123,360,884
Personal	<u>48,566,462</u>	<u>27,903,756</u>
	<u>2,713,169,102</u>	<u>2,529,569,567</u>
Less: Provision for doubtful loans and advances:		
At 1 January 2008	126,969,000	109,392,260
Written-off in the period / year	<u>(21,300,000)</u>	<u>(9,826,087)</u>
	105,669,000	99,566,173
Additional provision made in the Period/year	<u>43,509,000</u>	<u>27,402,827</u>
	<u>149,178,000</u>	<u>126,969,000</u>
	<u>2,563,991,102</u>	<u>2,402,600,567</u>

**AWASH INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2009**

4. The Bank is a party to various legal proceedings in relation to loans and advances, the ultimate resolution of which is not expected to have a materially adverse effect on the financial position of the Bank or the results of its operations.

5. FIXED ASSETS

CURRENCY: BIRR

Cost	<u>Balance 01.01.08</u>	<u>Additions</u>	<u>Transfer/ Disposal</u>	<u>Balance 30.06.09</u>
Land-leasehold Premises	9,580,264	-	-	9,580,264
Vehicles	7,427,866	-	-	7,427,866
Computers	31,880,527	13,498,876	(590,050)	44,789,353
Office equipment	39,148,491	3,757,413	(551,826)	42,354,078
Furniture and fittings	17,760,635	6,546,867	27,939	24,335,441
Construction in progress	10,829,155	5,089,888	(230,875)	15,688,168
	<u>35,226,773</u>	<u>45,509,718</u>	<u>-</u>	<u>80,736,491</u>
	<u>151,853,711</u>	<u>74,402,762</u>	<u>(1,344,812)</u>	<u>224,911,661</u>
Depreciation				
Premises	1,871,158	557,090	-	2,428,248
Vehicles	17,324,193	7,127,937	(522,018)	23,930,112
Computers	23,181,746	6,310,988	(137,956)	29,354,778
Office equipment	9,638,578	3,624,321	16,883	13,279,782
Furniture and fittings	6,645,651	2,160,493	(49,146)	8,756,998
	<u>58,661,326</u>	<u>19,780,829</u>	<u>(692,237)</u>	<u>77,749,918</u>
NET BOOK VALUE	<u>93,192,385</u>			<u>147,161,743</u>

Included in construction in progress is Br. 77,589,751 being 80% of the payments made for the construction of the Bank's headquarters building to 30 June 2009. However, the Bank's share in the ownership of the building has not yet been formally determined.

**AWASH INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2009**

CURRENCY: BIRR

6. OTHER LIABILITIES

	<u>30.06.09</u>	<u>31.12.07</u>
C.P.O.s and certified cheques issued	103,263,871	101,890,398
Exchange commission payable	14,842,610	10,733,383
Blocking inwards	53,129,526	47,278,097
Current and savings accounts blocked	5,969,569	10,598,871
Other banks	55,817,602	76,081,712
Accrued interest	4,608,033	11,162,010
Board of Directors' allowance	8,019,227	-
Managed loan	8,570,700	13,713,120
Others	40,873,498	27,059,836
Dividends payable	3,586,796	5,469,927
MT and TT payable	19,436,214	14,475,445
Accrued annual leave	<u>7,712,767</u>	<u>3,729,276</u>
	<u>325,830,413</u>	<u>322,192,075</u>

7. PROVISION FOR TAXATION

Profit before tax	303,071,129	179,328,874
Add: Provision for other doubtful receivables	-	1,000,000
	<u>303,071,129</u>	<u>180,328,874</u>
Less: Interest on Treasury Bills	(590,955)	(1,137,644)
Dividend on investments	(443,045)	(328,696)
Provision held prior to 2002 now written off	(4,620,181)	(3,259,986)
	<u>(5,654,181)</u>	<u>(4,726,326)</u>
Taxable profit	<u>297,416,948</u>	<u>175,602,548</u>
Taxation at 30%	89,225,084	52,680,764
Tax payable: Beginning balance	<u>52,680,764</u>	<u>38,907,720</u>
	<u>141,905,848</u>	<u>91,588,484</u>
Less: Tax paid:		
For the previous year	(52,680,764)	(38,907,720)
For the current period	<u>(55,274,596)</u>	-
	<u>(107,955,360)</u>	<u>(38,907,720)</u>
Tax payable	<u>33,950,488</u>	<u>52,680,764</u>

**AWASH INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2009**

CURRENCY: BIRR

8. SHARE CAPITAL

The authorised share capital of Awash International Bank Share Company is Br. 1,500,000,000 (31 December 2007 – Br. 500,000,000) comprising 1,500,000 ordinary shares of Birr 1,000 each, of which the following is:

	<u>30.06.09</u>	<u>31.12.07</u>
Subscribed	489,235,000	289,551,000
Paid-up	445,483,236	282,300,378

9. INTEREST INCOME

Interest income relates to the following assets:

	Eighteen months ended <u>30.06.09</u>	Year ended <u>31.12.07</u>
Loans and advances	401,329,650	212,634,577
Call accounts	13,302,601	19,711,424
	<u>414,632,251</u>	<u>232,346,001</u>

10. INTEREST EXPENSE

Interest expense relates to the following liabilities:

Savings deposits	157,959,111	69,548,531
Time deposits	22,097,775	14,394,413
Short term borrowings	-	737,358
	<u>180,056,886</u>	<u>84,680,302</u>

**AWASH INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2009**

CURRENCY: BIRR

11. ADMINISTRATIVE AND GENERAL EXPENSES

	Eighteen months ended <u>30.06.09</u>	Year ended <u>31.12.07</u>
Rents	24,541,515	12,606,375
Advertising	2,989,015	1,868,469
Depreciation	19,780,829	12,404,116
Stationery and printing	6,904,287	3,624,019
Business travel and transportation	2,239,837	646,622
Communications	11,657,092	6,332,936
Maintenance	3,436,079	1,535,514
Insurance	3,131,159	1,278,106
Others	<u>13,374,996</u>	<u>6,374,241</u>
	<u>88,054,809</u>	<u>46,670,398</u>

12. CONTINGENT LIABILITIES

	<u>30.06.09</u>	<u>31.12.07</u>
Letters of Guarantee	<u>93,656,444</u>	<u>129,911,686</u>

13. CAPITAL COMMITMENTS

The Bank entered into capital commitments to construct a multi-storey banking and insurance building in co-operation with the Awash Insurance Company S. C. The contracted cost of the building, including variation orders up to 30 June 2009, amounted to Br. 181,875,000. The actual share of the Bank's commitment is still to be formally determined.

**AWASH INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2009**

CURRENCY: BIRR

14. CASH FLOW FROM OPERATING ACTIVITIES

	Eighteen months ended <u>30.06.09</u>	Year ended <u>31.12.07</u>
Net profit before tax	303,071,129	179,328,874
Depreciation	19,780,829	12,404,116
Provision for doubtful loans, advances and other receivables	43,509,000	28,402,827
Gain on disposal of fixed assets	(352,968)	-
Fixed assets written off	583,426	26,180
Gain on foreign currency transactions and translations	(179,567,957)	(84,909,801)
Dividends received and interest on Treasury Bills	(1,034,000)	(1,466,340)
Directors' allowances paid	<u>-</u>	<u>(3,568,727)</u>
Operating profit before changes in operating assets and liabilities	185,989,459	130,217,129
(Increase) in loans and advances to customers	(204,899,535)	(75,025,979)
Increase in deposits by customers	1,543,212,747	697,894,627
(Increase) in other assets	(279,337,868)	(40,863,251)
Increase in other liabilities and margins held on letters of credit	<u>247,953,627</u>	<u>100,692,162</u>
Net cash inflow from operating activities before profit tax	1,492,918,430	812,914,688
Profit tax paid	<u>(107,955,360)</u>	<u>(38,907,720)</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>1,384,963,070</u>	<u>774,006,968</u>

15. CHANGE OF FINANCIAL YEAR END

The Bank has changed its financial year end to 30 June in compliance with Article 2(10) of the Banking Business Proclamation No. 592/2008 and has opted to issue these financials statements for the eighteen months period 1 January 2008 to 30 June 2009.

16. COMPARATIVES

In order to facilitate comparison, certain of the 2007 figures have been reclassified in these financial statements.

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

