ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

FINANACIAL PERFORMANCE OF BERHAN BANK AGAINST THE INDUSTRY AVERAGE

USING CAMEL APPROACH

BY

SELAMAIT TADELE

A THESIS IS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF ST. MARY'S UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINSTRATION IN ACCOUNTING AND FINANCE

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APPROVED BY BOARD OF EXAMINERS

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Simon Tarekegn (Asst Prof). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Name **Signature**

St. Mary's University, Addis Ababa June, 2021

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a University advisor.

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Advisor **Signature**

St. Mary's University, Addis Ababa June, 2021

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TABEL OF CONTENT

Acronyms

AQ:	Asset Quality
CAMEL:	Capital adequacy, Asset Quality, Management quality, earning quality, Liquidity
CAR:	Capital Adequacy Ratio
CBE:	Commercial Bank of Ethiopia
CSA:	Central Statistical Agency
EA:	Earning Ability
LIB:	Lion International Bank
LM:	Liquidity Management
LPR:	Loan Provision to Total Loan Ratio
MoFED:	Ministry of Finance and Economic Development
MQ:	Management Quality
NBE:	National Bank of Ethiopia
NIM:	Net Interest Margin
NPL:	Non-performing loans
ROA:	Return on Assets
ROE:	Return on Equity
FDIC:	Federal Deposit Insurance Corporation

ABSTRACT

This study entitled financial performance analysis is conducted to analyze and evaluate the financial performance of Berhan bank against the industry average of the private commercial banks in Ethiopian based on the CAMEL model approach. Specifically the study: examine the adequacy of capital employed by the banks to absorb unexpected losses; the banks' asset quality to generate interest income, the effect of quality of managements on the financial performance of the banks, the quality of earnings sustainability and growth, measure the liquidity of the bank on fulfilling its respective obligations and to evaluate the overall financial performance of Berhan bank against the industry average. The data relevant to meet the objective has been collected from the audited annual financial reports of Berhan bank and private commercial banks in Ethiopia from the year 2015-2019. The data was analyzed using descriptive statistical methods by using CAMEL ratio-based model to measure, describe and analyze the financial performance of banks. The finding of the study indicated that, Berhan Bank is holds above a minimum capital adequacy ratio recommended by experts in the banking sector. Therefore, Berhan Bank should maintain the required capital and diversify their tied up capital. Finally based on the research findings, the study makes the recommendations that Berhan Bank needs to focus on their credit risk management capacity, Income diversification, divert their attention towards maintaining the proper mix of non-interest bearing assets which can generate fee incomes and their loan exposures and there should also be control over overhead costs.

Key words: Capital Adequacy, Asset Quality, Management Quality Earning Ability, Liquidity, Financial Performance

CHAPTER ONE

INTRODUCTION

1. INTRODUCTION

The research is attempted to analyze and evaluate the financial performance of Berhan bank against the industry average of the Private commercial banks in Ethiopianby using CAMEL rating model during the last five years (2015-2019). This the first chapter incorporated the introduction, Overview of the Ethiopian banking System, statement of the problem, research objectives, research questions, significant of conducting the study and limitation of the study.

1.1 Background of the study

Sound financial health of a bank is the guarantee not only to its depositors but is equally significant for the shareholders, employees and whole economy as well. As a sequel to this maxim, efforts have been made from time to time, to measure the financial position of each bank and manage it efficiently and effectively. There are various ratios used to measure financial performance namely the Asset ratios-The return on Assets (ROA), Operating Ratios- Return on Income (ROI) and operating Equity - Return on Equity (ROE), (Ikhide 2000).

The CAMELS acronym stands for Capital adequacy, Asset quality, Management, Earnings and Liquidity, (Rose 2010). The purpose of CAMELS ratings is to determine a bank's overall condition and to identify its strengths and weaknesses in Financial, Operational and Managerial aspects. Despite the use of CAMEL Model by regulators to assess financial performance of banks, inefficiencies in performance have been experienced. Other countries have shifted to other Models like EAGLES (Earning ability, Asset quality, Growth, Liquidity, Equity and Strategy) (Wirnkar and Tanko 2007). There is therefore need to reassess the adequacy of the CAMEL Model as tool for assessing financial soundness of banks.

The main advantage of this sort of approach over others like balanced score card is that exam ratings (CAMEL ratings) are thought to be highly accurate measures of bank condition (at least of current condition), since they reflect supervisory assessments of private information (e.g., on

The quality of non-traded loans and the bank's management) that may be superior to that available to outside analysts (Cetorelli 1999). Although CAMEL ratings are not a comprehensive indicator of all the supervisory information gathered during a full scope exam, they serve as a convenient summary measure for analysis, (Lopez 1999).

CAMELS' framework system looks at five major aspects of a financial institution (banks) (banks) (FI): capital adequacy, asset quality, management soundness, earnings, liquidity, and an additional sixth aspect on sensitivity to market risk, (Hilbers, Krueger and Moretti 2000). The capital adequacy determines how well financial institutions (banks) can manage to operate with shocks to their balance sheets. It tracks capital adequacy ratios that take into account the most important financial risks; foreign exchange, credit, and interest rate risks by assigning risk weightings to the institution(banks)'s assets.

Asset quality determines the output/income for banks; credit risk affects the financial performance of an individual bank. The extent of the credit risk depends on the quality of assets held by an individual bank. The quality of assets held by a bank depends on exposure to specific risks, trends in non-performing loans, and profitability of bank borrowers especially the corporate sector, (Saunders, et al 2004).

Management determines the strategy and policy for financial performance improvement and wealth maximization for the stakeholders, (Saunders, et al 2004). Sound management is key to bank performance but is difficult to measure. It is primarily a qualitative factor applicable to individual institution (banks) s. Several indicators, however, can jointly serve as an indicator of management soundness, (McNally, Edward 1996). Expenses ratio, earning per employee, cost per loan, average loan size and cost per unit of money lent can be used as a proxy of the management quality, (Keshar Baral 2005).

Earning capacity or profitability keeps up the sound performance of a bank. Chronically unprofitable bank risks insolvency on one hand and on the others, unusually high profitability can reflect excessive risk taking of a bank, (Evan et al 2000). There are different indicators of profitability; Return on assets, return on equity, interest-spread ratio, earning-spread ratio, gross

margin, operating profit margin and net profit margin are commonly used profitability indicators, (Keshar Baral 2005).

Liquidity risk threats the solvency of banks and in return the performance (Khan, Tariqullah 1997). Liquidity risk arises when depositors of commercial banks seek to withdraw their money or when commitment holders want to exercise the commitments recorded off the balance sheet. Commercial banks have to borrow the additional funds or sell the assets at fire sale price to pay off the deposit liabilities. Liquidity risk may also arise when demand for unexpected loans cannot be met due to the lack of the funds. (Khan, Tariqullah 1997).Maintaining a high liquidity position to minimize such risks also adversely affects the profitability of banks.

1.2 Statement of the Problem

A sound financial and operational performance that eventually makes a bank profitable is the ultimate goal of commercial banks. All the strategies designed and activities should be performed in order to realize this objective. According to Dawit, (2016) studies made on performance of commercial Banks largely used Return on Asset, Return on Equity and Net Interest Margin as a common measure. There are different accounting based measures for banks operation performance or instance, operating expense ratio.

Evaluating the overall performance of banks have great importance due to the increasing integration of global financial markets and to understand were the bank stands. CAMEL model helps to reflect the banks conditions and performances of banks over years as well as enhances the on-site and off-site examination to bring better assessments towards banks' conditions. Its purpose is to deliver an accurate and reliable evaluation of a bank's financial performance in the areas such as capital adequacy, asset quality, management, earning ability and liquidity. The strength of these factors shows overall strength of the bank. The value of each component further determines the internal strength and how far it can take care of itself against the market risks (Saeid Mohammed, 2018).

Even though there are different studies conducted which evaluates the financial performance of commercial banks in Ethiopia, based on the researcher knowledge there is no study conducted to evaluate the financial performance of Berhan Bank. The researcher also believes that

understanding its financial performance helps the bank to really understand were its position is in the market, profitability measurements and to keep its strength and work on its weakness.

Although different studies by various researchers such as Minyahil (2013),Tesfay(2014),Gudata (2015),Dakito (2015) andErmias (2016) were made to explain bank performance using CAMEL approach these studies were not exhaustive in applying the banks industry and financial performance of one Berhan bank against the industry average. By taking as the research gap, this study assesses the bank industry viability and financial performance of Berhan bank against the industry average by using CAMEL model during the last five years (2015-2019).

This model is the supervisory and regulatory rating system. It takes into account five important components of a bank when it evaluates performance of the bank. These components are Capital Adequacy, Assets quality, Management efficiency, Earning quality and Liquidity position.

1.4. Objectives of the Study

1.4.1. General Objective

- The general objective of the study to analyze the financial performance of Berhan bank against the industry average of the private banks in Ethiopian based on the **CAMEL Rating Analysis.**

1.4.2. Specific Objectives

- To examine Comparative analysis of **Capital adequacy** of Berhan Bank with other private commercial banks.
- To examine Comparative analysis of **Asset quality** of Berhan Bank with other private commercial banks;
- To examine Comparative analysis of **Management efficiency** of Berhan Bank with other private commercial banks;
- To examine Comparative analysis of **Earnings quality** of Berhan Bank with other private commercial banks;

- To examine Comparative analysis of **Liquidity** of Berhan Bank with other private commercial banks;

1.5. Basic Research Questions

- How much the Berhan Bank capital adequacy position comparing with private commercial Banks in Ethiopia?
- How is Berhan Bank utilize its assets comparing with private commercial Banks in Ethiopia?
- How is Berhan Bank Management quality in generating revenue comparing with private commercial Banks in Ethiopia?
- To what extent the profitability of Berhan Bank strong enough to exist in the competitive financial industry?
- What is the Berhan Bank's financial position to meet its current obligation comparing with private commercial Banks in Ethiopia?

1.6 Significance of the study

The study is expected to generate the following benefits: First and for most the findings and recommendations of the study would provide a vital information for the top level management who design and administer organization productivity, growth and performance of private banks on the area of financial performance which needs improvement. Furthermore, it gives insight about the current situation and performance of banks to regulatory bodies, shareholders and investors. Besides, it also aids other researchers as reference for further investigation on issues which are related to these topics.

1.7. Limitation of the Study

This research was designed to evaluate the financial performance of private commercial banks using the CAMEL frame work. The time period of the study covers five years data from 2015 to 2019.As a result the study exclude the giant government bank Commercial bank of Ethiopia (CBE) and the researcher was limited to accesses the non-performing loan data due to its confidentiality instead used provision for non-performing loan.

1.8. Organization of the Study

The study was divided into five chapters in order to provide clarity and coherence on the bank industry viability and financial performance of Berhan Bank against the industry average. The first part of the dissertation was discussing the introduction, background, problem statement, objectives and questions and the significance, limitations and organization of the thesis.

The second chapter shall be discussing the relevance of the study in the existing literature. After the presentation of the existing related literature, the researcher was provided a synthesis of the whole chapter in relation to the study.

The third part of the study was discussing the methods and procedures used in the study. The chapter shall comprise of the presentation of the utilized techniques for data collection and research methodology. Similarly, it was also contain a discussion on the used techniques in data analysis as well as the tools used to acquire the said data.

The fourth chapter was discussion of the results of the study. Data to be presented evaluated by the financial ratios. With the said data, the chapter seeks to address the specific objective noted in the first chapter.

The last chapter was comprised of three sections: the summary of the major findings, conclusions of the study, and the recommendations. With the three portions, the chapter as able to address the problem stated in the initial chapters of the study. Reference and annex also was provided in the final part of the paper.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2. REVIEW OF RELATED LITERATURE

2.1. Introduction

In the early 1970s, federal regulators in the USA developed the CAMEL rating system to help structure the bank examination process. In 1979, the Uniform Financial Institutions (banks) Rating System was adopted to provide federal bank regulatory agencies with a framework for rating financial condition and performance of individual banks (Siems & Barr, 1998).

Barker & Holdsworth (1993) predicted banks failure; they found evidence that CAMEL rating is useful, even after controlling a wide range of publicly available information about the condition and performance of banks. According to Deyoung et al. (2001) "The CAMELS focuses on the evaluation of the performance of the financial institutions (banks) by examining its balance sheet, as well as, profit and loss statement by each component, thus observing the institution(banks)'s dynamic aspect".

Doumpos & Zopounidis (2009) said that "In the new globalize financial system, as with all new financial markets and products, the banks' economic situation can rapidly change than in the past. As a result of the new situation, supervisory authorities were directed towards changing their way of approach and assessment, paying more importance on ways to overcome and manage risks". As a result, this new situation that was created through the development of the financial system, a further area of assessment was added indicating market risk.

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Barr et al. (2002) viewed that “CAMEL rating has become a concise and indispensable tool for examiners and regulators”. This rating ensures a bank’s healthy conditions by reviewing different aspects of a bank based on variety of information sources such as a financial statement, funding sources, macroeconomic data, budget and cash flow. Said & Saucier (2003) examined the liquidity, solvency and efficiency of Japanese Banks using CAMEL rating methodology, for a representative sample of Japanese banks for the period 1993-1999, they evaluated capital adequacy, assets and management quality, earnings ability and liquidity position.

Godlewski (2003) tested the validity of the CAMEL rating typology for bank's default modification in emerging markets. He focused explicitly on using a logical model applied to a database of defaulted banks in emerging markets. Nurazi & Evans (2005) investigated whether CAMEL ratios could be used to predict bank failure. The results suggested that adequacy ratio, assets quality, management, earnings, liquidity and bank size are statistically significant in explaining bank failure. Tarawneh (2006) investigated a comparison of financial performance of Omaniscommercial banks using CAMEL model and he work on different measureable relationships between bank’s size, asset management, operational efficiency and financial performance.

2.2. CAMEL Model

CAMEL is, basically, a ratio based model commonly used for the evaluation of performance and ranking. In the 1980s, the US supervisory authorities, through the use of the CAMEL rating system, were the first to introduce ratings for on-site examinations of banking institution (banks)s. The concept introduced a uniform system of rating a banking institution (banks) in the United States. It is based on examiner assessment of a banking institution (banks) under certain supervisory criteria, and is used by all three US supervisory agencies, i.e. the Federal Reserve System, Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC). Under this system, each banking institution (banks) subject to on-site examination is evaluated on the basis of five (now six) critical dimensions relating to its operations and performance, which are referred to as the component factors. However, most of the developing countries are using CAMEL instead of CAMELS. Capital adequacy, Asset quality, Management efficiency, Earnings quality and Liquidity are seen to reflect the financial

performance, financial condition, operating soundness and regulatory compliance of the banking institution (banks).

2.3. CAMEL rating system

The 'CAMEL' rating is a supervisory rating system originally developed in the U.S. in 1979-80 to classify a Bank's overall position. It is applied to every bank and credit union in the U.S. and also implemented outside the U.S. by various banking supervisory regulators. The uniform financial institution(banks) rating system commonly termed to the acronym 'CAMEL' rating was accepted by the federal financial institution(banks) examination council on November 13, 1979 and then afterwards by the national credit union administration in October 1987. The ratings are given based on the ratio analysis of the financial statement. It has proven to be an effective internal supervisory tool for evaluating the soundness of a financial firm, on the basis of identifying those institutions (banks) requiring special attention or concern (The United States. Uniform Financial Institutions (banks) Rating System 1997, cited in Dang, 2011).

CAMEL is, basically a ratio-based model for evaluating the performance of banks. It is a model for ranking of the banks. CAMEL is an acronym for the five components of bank safety and soundness (Dang, 2011):

- Capital adequacy
- Asset quality
- Management quality
- Earning ability
- Liquidity

2.3.1. Capital Adequacy

The dimension of capital adequacy is an important factor to help the bank in understanding the shock attractive capability during risk. In this study, capital adequacy is measured by using the **equity to total assets ratio** (Vong & Chan, 2009). That means, capital adequacy enables a bank to meet any financial unexpected condition due to FX risk, credit risk, market risk, interest rate risk. Capital adequacy protects the interest of depositors of a bank.

Table 2.1 Capital Ratios Analysis

Ratios	Formula
CAR	$\frac{\text{Tile 1 Capita + Tier 2 Capital}}{\text{Risk-Weighted Asset}}$
Capital to total asset	$\frac{\text{Total Capital}}{\text{Total Asset}}$
Leverage Ratio	$\frac{\text{DEBT}}{\text{Total Shareholders' Equity}}$

2.3.2. Asset Quality

The dimension of asset quality is an important factor to help the bank in understanding the risk on the exposure of the debtors. In this paper, this parameter is measured by the provision for loan loss reserve to total asset ratio (Merchant, 2012). This ratio assures to cover the bad and doubtful loans of the bank. This parameter will benefit the bank in understanding the amount of funds that have been reserved by the banks in the event of bad investments.

Table 2.2 Asset Quality Ratios Analysis

Ratios	Formula
NPLs to total loans	$\frac{\text{NPLs}}{\text{Total loans}}$
NPLs to total equity	$\frac{\text{NPLs}}{\text{Total Equity}}$
Allowance for loan loss ratio	$\frac{\text{Allowance for loan loss}}{\text{Total loans}}$

2.3.3. Management Quality

Management quality reflects the management soundness of a bank. The management acts as a safeguard to operate the bank in a smooth and decent manner and is called excellence management or skillful management, whenever it controls its cost and increases productivity, ultimately achieving higher profits. Here, this parameter is measured by total cost to total income ratio.

Table 2.3 Management Quality Ratios Analysis

Ratios	Formula
Cost to income	$\frac{\text{Cost}}{\text{Income}}$
Operating Cost to Net Operating Income	$\frac{\text{Operating Cost}}{\text{Net Operating Income}}$

2.3.4. Earnings Quality

Earning is an important parameter to measure the financial performance of an organization. Earning quality mainly measures the profitability and productivity of the bank, explains the growth and sustainability of future earnings capacity. In the same way, bank depends on its earning to perform the activities like funding dividends, maintaining adequate capital levels, providing for opportunities for investment for bank to grow, strategies for engaging in new activities and maintaining the competitive outlook. Here two ratios are used to determining the profitability of banks i.e., return on asset and return on equity

Table 2.4 Earning ability Ratios Analysis

Ratios	Formula
Net interest income	$\frac{\text{Net Interest Income}}{\text{Total Loan \& Advance}}$

Return on asset (ROA)	$\frac{\text{Net Interest Income}}{\text{Total asset}}$
Return on equity (ROE)	$\frac{\text{Net Interest Income}}{\text{Shareholder's Equity}}$

2.3.5. Liquidity Performance

Liquidity ratio in a bank measures the ability to pay its current obligations (Hazzi & Kilani, 2013). For having sound banking operations it needs to have liquidity solvency. If any bank faces liquidity crisis, bank can't meet up its short-term obligations. Liquidity crisis seems to be a curse to the image of banks. So it is a prime concern to banks. Cash and investments are the most liquid assets of a bank. An adequate liquidity position means a situation, where institution (banks) can obtain sufficient funds, either by rising liabilities or by converting its assets quickly at a reasonable cost. Here liquidity performance is measured by net investment to total asset ratio. This ratio can be defined as the amounts of assets have been engaged in investment.

Table 2.5 Liquidity Ratios Analysis

Ratios	Formula
Customer deposits to total assets	$\frac{\text{Total Customer Deposit}}{\text{Total Assets}}$
Total loan to customer deposits (LTD)	$\frac{\text{Total Loan}}{\text{Total Customer Deposit}}$

2.4. Empirical Literature Review

Jie Liu (2011) examines the impact of independent variables from CAMEL model on bank performance in China's banking sector. The independent variables from CAMEL model include: capital adequacy, asset quality, management, earning and liquidity. The sample size for the research was the 13 Chinese banks listed in Shanghai Stock Exchange and Shenzhen Stock

Exchange from 2008 to 2011. Jie Liu adopted fixed effects multiple linear regression model in his study to measure the relationship between internal determinants from CAMEL model and bank performance. The findings of this research show that return on assets can be influenced by shareholders' risk-weighted capital adequacy ratio, NPL to total loans ratio, costs to income ratio, net interest rate margins, and loans to deposits ratio. Meanwhile, this study indicates that return on equity can be influenced by costs to income ratio, operating expenses to assets ratio, and Loans to deposits ratio.

SuvitaJha and Xiaofeng Hui (2012) compare the financial performance of different ownership structured commercial banks in Nepal based on their financial characteristics and identify the determinants of performance exposed by the financial ratios, which were based on CAMEL Model. Eighteen commercial banks for the period 2005 to 2010 were financially analyzed. In addition, econometric model (multivariate regression analysis) by formulating two regression models used to estimate the impact of capital adequacy ratio, non-performing loan ratio, interest expenses to total loan, net interest margin ratio and credit to deposit ratio on the financial profitability namely return on assets and return on equity of these banks. The result shows that public sector banks are significantly less efficient than their counterpart however domestic private banks are equally efficient to foreign-owned (joint venture) banks. Furthermore, the estimation results reveal that return on assets was significantly influenced by capital adequacy ratio, interest expenses to total loan and net interest margin, while capital adequacy ratio had considerable effect on return on equity.

Maryam Azizi and DR. YusefAhadiSarkani (2014) review the financial performance of Mellat Bank using CAMEL model and each of the model dimensions examined using trend analysis method and both mean and standard deviation statistics. In the process they determined all the model criteria had an ascending trend in the period under study. In the inferential statistics section, again the relationship between model variables and the financial performance of Mellat Bank was studied and examined using two linear and multiple regressions as well as OLS method. Results of the study indicate that there is a positive significant relationship between the indices of liquidity, quality of management and earnings with financial performance. Yet, no relationship was seen between capital adequacy and assets quality with bank financial performance and multiple regression test showed only a positive significant relationship with

financial performance in management quality section. As a result, Mellat Bank has better financial performance in management quality section.

Christopher Ifeacho (2014) investigates the impact of bank-specific variables and selected macroeconomic variables on the South African banking sector for the period 1994-2011 using the capital adequacy, asset quality, management, earnings, and liquidity (CAMEL) model of bank performance evaluation. The study employs data in annual frequency from South Africa's four largest banks, namely, ABSA, First National Bank, Nedbank, and Standard Bank. These banks account for over 70% of South Africa's banking assets. Using return on assets (ROA) and return on equity (ROE) as measures of bank performance, the study finds that all bank-specific variables are statistically significant determinants of bank performance. Specifically, the study shows that asset quality, management quality, and liquidity have a positive effect on both measures of bank Performance, which is consistent with a priori theoretical expectations. Capital adequacy, however, exhibits a surprising significant negative relationship with ROA, while its relationship with ROE is significant and positive as expected. Except for interest rates (in the ROA model), unemployment rate (in the ROA model), and the rate of inflation (in the ROE model), the rest of the macroeconomic variables are statistically insignificant. The study reveals that bank performance is positively related to interest rates and negatively related to unemployment rates and interest rates.

The initiate researches work by Anteneh, Arega and Yonas, (2011), evaluated the performance of selected commercial banks of Ethiopia using a framework of CAMEL for the period of 2000-2010. They found that independent variables in CAMEL framework have highly explained the performance variables i.e., return on assets and return on equity. The private banks were in a better position than the public banks in terms of asset quality, management quality, and earning ability, while public banks were better in capital adequacy. However, liquidity position was high for both private and public commercial banks.

Mulalem (2015) has studied the financial performance of 14 commercial banks using CAMEL approach for the period 2010 -2014. The finding of his study showed that Wegagen bank stood at first position followed by Bunna International Bank and Lion International Bank while Construction and Business Bank secured the least position. In addition to descriptive he has used

fixed effect regression model to investigate the impact of CAMELS factors on financial performance i.e ROA and ROE, were the result shows that capital adequacy, Asset Quality and Management efficiency have negative relation whereas earning and liquidity shows positive relationship with both profitability measures with strong statically significance except Capital Adequacy which is insignificant for ROA whereas Asset quality for ROE.

Hamduetal (2015) assessed the soundness of selected commercial banks by referring audited annual reports from the year 2003-2013. The study result shows CAMEL framework is the best fit measurement for Ethiopian Banks and it give a comprehensive result which is very helpful for the governor to set a well determined policy and procedure.

Dakito (2015) investigated the performance of 8 commercial banks for the period of 2000-13 using CAMEL approach by descriptive and econometric analyses. The finding showed that NIB's overall performance was good. Furthermore, he has measured the relationship between capital adequacy and financial performance using GLS regression model. The regression results exhibited the existence of positive relationship between capital adequacy and bank performance.

Ermias (2016) evaluated the financial Performance of six senior Private Commercial Banks over the period 2000-2014 using CAMEL model. The study found out that UNB, NIB, and BOA have held from 1st to 3rd rank based on the CAMEL model composite rating system. The findings also indicated that bank specific factors incorporated in the CAMEL model affect to the extent of 67.5% of the changes in profitability of the private commercial banks in Ethiopia.

Anteneh et al (2013), on their study entitled health Check-up of Commercial Banks in Ethiopia, assessed the health of 8 private and public commercial banks using the 10 years annual report of each commercial banks (2000-2010) which were selected based on three criteria i.e., capital size of the banks, year of establishment and rank of banks in 2010 African banks rating. The study finding showed that the independent variables in CAMEL framework have highly explained the performance variables i.e., return on assets and return on equity. The private banks were in a better position than the public banks in terms of asset quality, management quality, and earning ability, while public banks were better in capital adequacy. However, liquidity position was high for both private and public commercial banks.

Minyahil (2013) measured the Performance of seven Commercial Banks of Ethiopia over the period 2004/5-2010/11. The result of the study showed that, during the study period, the performance of Commercial banks in Ethiopia mainly changes in accordance with NBE directives.

The study by, Tesfaye (2014) examined the determinants of Ethiopian banks performance considering bank specific and external variables on selected banks' profitability for the 1990-2012 periods. He found that bank specific variables by large explained the variation in profitability.

Gudata (2015) who measures the financial performance of five commercial banks of the period 2007-2011 using ratio analysis was found that Commercial Bank of Ethiopia stands first in assets management whereas Awash International Bank took the first rank in terms of profitability performance. The Cooperative Bank pertains to stand last in terms of liquidity management and United Bank stood at the first rank in terms of solvency and risk management among all sample banks under study.

2.5. Conclusion and Knowledge Gap

Although various studies were conducted by different researchers to explain bank performance using CAMEL parameters there are no studies conducted to evaluate the financial performance of Berhan bank with bank industry average. Moreover, these studies were not exhaustive in applying the bank industry viability and financial performance of one bank against the industry average. By taking as the research gap, this study assessing the bank industry viability and financial performance of Berhan bank against the industry average by using CAMEL Rating Analysis model.

CHAPTER THREE

RESEARCH METHODOLOGY

3. Introduction

This chapter presents the underlying principles of research methodology and the choice of the appropriate research method for the thesis. The chapter is organized as follows. Section 3.1 discusses the research approach and design, Section 3.2 discusses variables, data sources and data collection methods, Section 3.3 discuss population and sample design while the last sections 3.4 discuss data analysis and tools.

3.1. Research Design and Approach

The study aims to evaluate the financial performance of Berhan Bank against the industry average of the private commercial banks in Ethiopia by focusing on all five parameters of CAMEL Rating Analysis model i.e. Capital adequacy, Asset quality, Management Efficiency, Earnings quality and Liquidity.

To analyze the financial performance of Banks the quantitative approach are used. Quantitative methods emphasis on mathematical and statistical methods to financial objective to measurement and numerical analysis of data collected from the annual audited financial statements and annual reports of the banks.

This study is used a descriptive financial ratio analysis to describe, measure, compare analyses the performance of Berhan Bank against the industry average of the private commercial banks in Ethiopia. The purpose of using the descriptive research method is to acquire accurate, factual, systematic data that can give an actual picture of the data set for this study.

3.2. Variables, Data Sources and Data Collection Method

This paper has taken into account the performance of the seventeen (17) private commercial banks in Ethiopia for the period ranging from 2015 to 2019. Data collected from the annual reports of the banks have been tabulated through the computer spreadsheets and only CAMEL

Rating Model have been used to examine the financial strength of the banks with regard to capital adequacy, asset quality, management efficiency, earning ability and liquidity. For the comparative analysis, the spreadsheets have been interpreted through based on average on the sub-parameters of each parameter of CAMEL. The sum of this average was then taken to arrive at the group average of individual banks for each parameter of CAMEL. Finally, the computing Birahan bank with others banks by taking group averages.

3.3. Discuss population and sample design

This study focuses on all private commercial banks that operate inside Ethiopia. For the purpose of this study researcher was employed judgmental sampling technique and selected Berhan bank as a sample for this study and use all private commercial banks in the banking industry. As of September 2020, there are seventeen banks in Ethiopia. These are Awash international bank (AIB), Bank of Abyssinia (BOA), Wegagen bank (WB), United bank (UB), Nib international bank (NIB), Dashen bank (DB), Development bank of Ethiopia, Cooperative bank of Oromia, Lion international bank, Zemen bank, Oromia international bank, Buna international bank, Berhan international bank, Abay bank S.C, Addis international bank S.C, Debub global bank S.C and Enat banks.

3.4. Data Analysis Tools

This study covers the period of five years from 2015-2019.To evaluate the financial performance of Berhan Bank against the industry average of the private commercial banks in Ethiopia, CAMEL analysis is used, which is a standard analysis for measuring performance of financial institutions (banks) and the latest tool nowadays. CAMEL test consists of Capital Adequacy, Asset Quality, Management Quality, Earning Ability and Liquidity. To achieve the desired results, the researcher would like to utilize six ratios that define their respective parameters of CAMEL. These are mentioned in the following:

CAMEL Parameters	Ratios
Capital Adequacy	Equity to Asset
Asset Quality	Total provision loan
Management Quality	Cost to Income
Earning Performance	i) Net Profit to Total Asset
	ii) Net Profit to Total Equity
Liquidity	Net Loan to Total Asset

Source: Merchant, 2012

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4. Introduction

Under this section the researchers presented and analyzed the data which have been gathered from the bank's Audited financial statement of secondary. Hence the data presented here have been presented in the form of tables (as per annexed) and figures, they are expressed in percentages. The data which have been presented and analyzed on the figures have also been interpreted in words for answering the research questions. The researcher applies selected financial ratios from a framework of different researchers of various studies related with financial performance evaluation of commercial banks. As applied in this study, financial ratios as a measure of financial performance were grouped into five performance measurements as Capital Adequacy, Asset Quality, Management Quality, Earning Ability and Liquidity. The banking industry is subject to these ratios.

4.1. CAMEL Ratio Analysis

4.1.1. Capital Adequacy

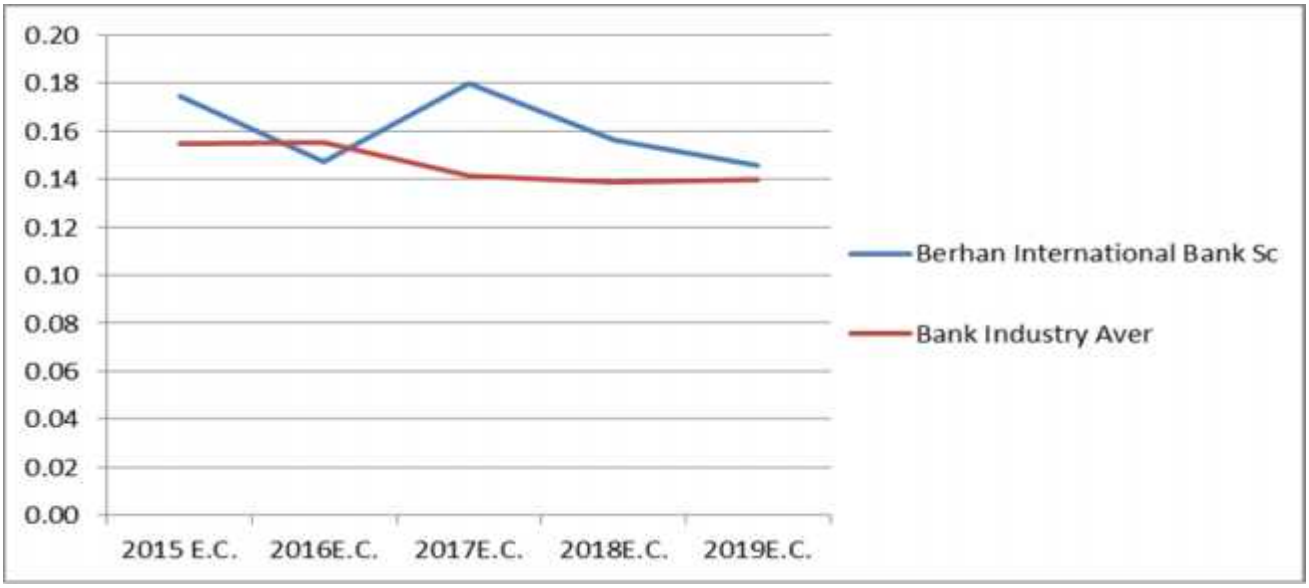
The NBE has set specific measure of the capital adequacy position of Banks, which is the ratio the Capital Adequacy Ratio (CAR) (Directive No. SBB/9/95). The directive clearly set out the computation mechanism and the conversion factors for both on and off-balance sheet items and strictly set for all banks not to maintain their capital level below 8% of their risk weighted assets. Regardless of such regulatory framework, the major intention of holding capital is to build the internal strength of the bank to withstand losses during crisis (Dang (2011). However some authors argue that capital also affects performance via creating liquidity, hence banks with strong capital position are able to reduce their financing costs, for example by paying low interest rates on their debt (Diamond, 2000). However, holding high capital level is not without drawbacks: a higher CAR ratio reduces the ROE due to two mechanisms: A high ratio indicates a lower risk, and the theory of markets to balance advocating a strong relationship at risk and profitability would lead us to infer a lower profitability. To gauge the capital adequacy,

bank supervisors currently use the capital- risk asset ratio. The adequacy of capital is examined based upon the two most important measures such as Capital Adequacy Ratio (CAR) or Capital to Risk-weighted Assets ratio, and the ratio of capital to assets.

Table 4.1. Total Capital to Total Assets

Bank Name	2015 E.C.	2016 E.C	2017 E.C	2018 E.C	2019 E.C	AVR	RANK
Coperative Bank of Oromia	0.12	0.11	0.09	0.08	0.08	**0.10**	**1**
Awash International Bank	0.13	0.13	0.11	0.09	0.09	**0.11**	**2**
Oromia International Bank Sc.	0.10	0.12	0.10	0.11	0.12	**0.11**	**2**
United Bank	0.12	0.12	0.11	0.11	0.11	**0.11**	**3**
Dashen Bank	0.12	0.12	0.12	0.13	0.12	**0.12**	**4**
Bank of Abyssinia	0.13	0.13	0.11	0.13	0.13	**0.13**	**5**
Lion International Bank	0.14	0.13	0.13	0.13	0.13	**0.13**	**6**
Nib International Bank	0.16	0.16	0.14	0.13	0.13	**0.14**	**7**
Bunna International Bank Sc	0.15	0.14	0.14	0.15	0.18	**0.15**	**8**
Zemen Bank Sc	0.16	0.14	0.14	0.14	0.16	**0.15**	**8**
Abay Bank Sc	0.16	0.16	0.15	0.15	0.16	**0.15**	**8**
Berhan International Bank Sc	0.17	0.15	0.18	0.16	0.15	**0.16**	**9**
Wegagen Bank	0.18	0.17	0.16	0.14	0.14	**0.16**	**9**
Enat Bank S.c.	0.20	0.21	0.19	0.18	0.17	**0.19**	**10**
Debub Global Bank S.c.	0.19	0.25	0.21	0.21	0.18	**0.21**	**11**
Addis International Bank Sc	0.26	0.26	0.22	0.21	0.20	**0.23**	**12**
TOTAL	**0.15**	**0.16**	**0.14**	**0.14**	**0.14**	**0.15**	

Line chart 1 Total Capital to Total Assets



Capital adequacy is measured by using the shareholder's equity to total assets ratio. From the above table 4.1 and charts, it is found that capital adequacy ratio is well and increasing over the years and CAMEL rating of capital adequacy, asset quality and management quality ratios. The analysis of capital adequacy parameter (debt equity ratio), which represents the degree of leverage of a bank and indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, shows that Coperative Bank of Oromia s in the top position with a debt equity ratio equal to 0.10 followed by Awash International Bank Sc. (0.11), Oromia International Bank (0,011), and so on and Addis International Bank Sc is in the last position (0.23). High ratio indicates less protection for depositors and creditors.

The average value of CAR of the Berhan Bank compare from Bank Industry Average during the past five years industry average was 0.15 the minimum was 0.14 and the maximum 0.16. Berhan Bank was 0.16 the minimum was 0.15 and the maximum 0.18 it was above the industry average as well as the minimum requirement. This implies all banks have a capacity to safeguard their depositors if unanticipated loss occurs. The maximum value of CAR of the Berhan Bank 0.18 implies there is a tied up capital in the bank while demanding by investors.

4.1.2. Assets Quality

The asset side of a Bank's balance sheet is another bank specific variable that affects the profitability of a bank. Even if the total package of the Bank's asset consist of various asset components such as cash, deposit with banks including reserves at the NBE, loans, investments, fixed assets etc, there seems an agreement to focus on the quality of the loan portfolio. This seems due to the large size of loans in the Banks balance sheet which mainly emanated from the inherited intermediation activity of banks. In addition, more often bank loan of a bank is the major asset that generates the major share of the banks income. Hence the quality of loan portfolio determines the profitability of banks. The highest risk facing a bank is the losses derived from delinquent loans and it's highly affects the performance of Banks (Dang, 2011). Liu and Wilson (2010) find that a deterioration of the credit quality reduces the ROA and ROE. Asset quality is an important parameter for any banking institution (banks), as the quality of its assets has a major role on the earning ability of that institution (banks). A deteriorating quality of assets is the prime source of banking problems. Asset quality measured in relation to the level

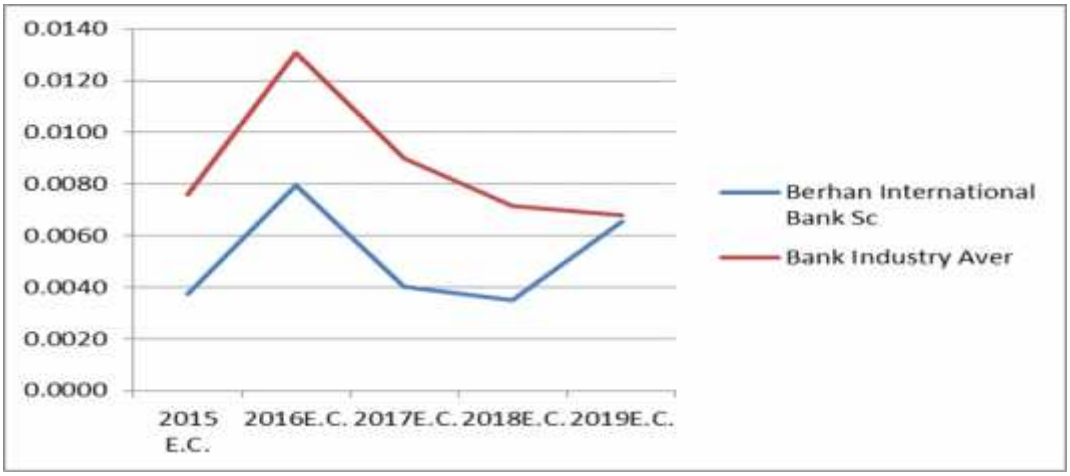
and severity of nonperforming assets, recoveries and the level of provisioning. Knowing the level of asset quality of the banking industry using different tool specifically using non-performing loan data will be very crucial. (Mekonnen et al 2015)

For the purpose of evaluating the quality of asset for Ethiopian banking industry this study is using non-performing loans to total loans ratio.

Table4.2. Non-Performing Loans (NPLs) to total loans outstanding

Bank Name	2015 E.C.	2016E.C.	2017E.C.	2018E.C.	2019E.C.	AVR	RANK
Awash International Bank	0.0007	0.0012	0.0042	0.0003	0.0020	**0.0017**	**1**
Dashen Bank	0.0012	0.0023	0.0073	0.0006	0.0000	**0.0023**	**2**
Bank of Abyssinia	0.0000	0.0024	0.0035	0.0066	0.0063	**0.0038**	**3**
United Bank	0.0016	0.0032	0.0031	0.0070	0.0042	**0.0038**	**3**
Enat Bank Sc	0.0059	0.0041	0.0064	0.0015	0.0013	**0.0039**	**4**
Addis International Bank Sc	0.0047	0.0040	0.0040	0.0040	0.0045	**0.0042**	**5**
Zemen Bank Sc	0.0000	0.0073	0.0100	0.0053	-0.0001	**0.0045**	**6**
Berhan International Bank Sc	0.0037	0.0079	0.0040	0.0035	0.0065	**0.0051**	**7**
Wegagen Bank	0.0045	0.0058	0.0042	0.0059	0.0051	**0.0051**	**7**
Abay Bank Sc	0.0048	0.0059	0.0000	0.0104	0.0068	**0.0056**	**8**
Oromia International Bank Sc.	0.0057	0.0062	0.0083	0.0025	0.0089	**0.0063**	**9**
Debub Global Bank Sc	0.0007	0.0102	0.0070	0.0066	0.0074	**0.0064**	**10**
Lion International Bank	0.0107	0.0090	0.0048	0.0067	0.0120	**0.0086**	**11**
Bunna International Bank Sc	0.005	0.039	0.036	0.006	0.006	**0.0183**	**12**
Coperative Bank of Oromia	0.0348	0.0572	0.0000	0.0029	0.0013	**0.0192**	**13**
Nib International Bank	0.0342	0.0387	0.0362	0.0411	0.0362	**0.0373**	**16**
Bank Industry AVR	**0.0076**	**0.0131**	**0.0090**	**0.0071**	**0.0068**	**0.0087**	

line chart 2 **Non-Performing Loans (NPLs) to total loans outstanding**



As shown on table 4.2 the results of assets quality parameter, which evaluates the proportion of bad loans over total loans, shows that Awash International Bank is in the top position with a loan loss provisions to total loans ratio equal to 0.0017 followed by Dashen Bank (0.023), Bank of Abyssinia (0.038), and so on shown on the above table. Nib International Bank is in the last position with a ratio equal to 0.037. Since a high ratio means a bad quality of assets, we can conclude that Awash International Bank has the best assets while Nib International Bank has the worst ones.

And as shown on table 4.2 the average value of the banking sector in Ethiopia is 7.36% which is above the minimum requirement set by National Bank of Ethiopia of 5%. That means non-performing loan management system of the sector is poor. The maximum value of NPL ratio of 10.39% on the year 2016 indicated there are banks with higher NPL ratio and have high risk compared to the lower NPL ratio with low risk.

Regarding the past five years the Berhan Bank the average value of NPL ratio was 0.0051 the minimum was 0.0037 and the maximum 0.0065 and Bank Industry Average value of NPL ratio was 0.0087 the minimum was 0.0131 and the maximum 0.0090.This implies that the bank which can meet the minimum statutory obligation of 5% and it was have low risk compared to other banks in the industry. NPLs ratio of Berhan Bank compared to the industry which is considered as an outstanding achievement.

4.1.3. Management Efficiency

Management Efficiency is one of the main internal factors that determine the bank profitability but it is also one of the complexes issue to capture with financial ratios (Ongore 2013). However, different authors try to use financial ratios of the financial statements to act as a proxy for management efficiency. One of these ratios used to measure management quality is operating profit to income ratio (Rahman et al. 2009; Sangmi and Nazir, 2010).

However, some used the ratio of costs to total assets (Nassreddine, 2013). In whatever way the argument goes measuring the management efficiency requires getting deep into evaluation of the management systems, organizational discipline, control systems, quality of staff and others. In

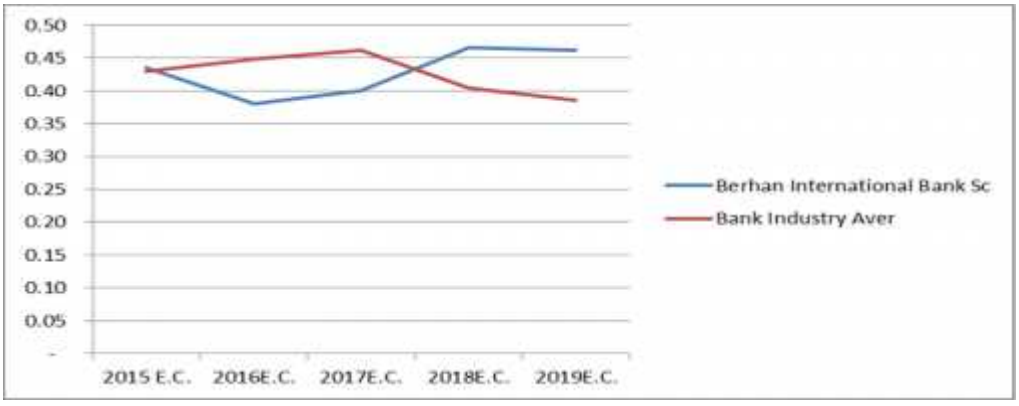
the Ethiopian context the regulatory organ considers all the aforesaid variables. Hence, a single quantitative measure of the management performance is not set.

Measure of management quality is subjective by its nature. Management quality needs information like qualitative data applicable to individual institution (banks). However several indicators can jointly serve as an indicator of management soundness. The study measure the quality of the manager by using non-interest expense with net income plus non-interest income. The lower this ratio indicates the management capability to control or minimize cost per unit of revenue generated is relatively better than other banks.

Earnings before Tax (EBT) to Total Revenue (TR)

Bank Name	2015 E.C.	2016E.C.	2017E.C.	2018E.C.	2019E.C.	AVR	RANK
Zemen Bank Sc	0.33	0.32	0.33	0.31	0.26	0.31	**1**
Enat Bank Sc	0.36	0.35	0.34	0.30	0.27	0.32	**2**
Awash International Bank	0.35	0.37	0.40	0.36	0.32	0.36	**3**
Nib International Bank	0.39	0.38	0.38	0.38	0.36	0.38	**4**
Dashen Bank	0.35	0.38	0.44	0.42	0.40	0.40	**5**
Addis International Bank Sc	0.42	0.41	0.45	0.42	0.38	0.42	**6**
Bank of Abyssinia	0.38	0.44	0.44	0.44	0.41	0.42	**7**
Bunna International Bank S.c	0.44	0.42	0.44	0.41	0.42	0.43	**8**
Abay Bank Sc	0.45	0.46	0.45	0.41	0.37	0.43	**9**
Berhan International Bank Sc	0.43	0.38	0.40	0.46	0.46	0.431	**10**
Wegagen Bank	0.44	0.46	0.45	0.42	0.45	0.44	**11**
Lion International Bank	0.48	0.49	0.43	0.40	0.41	0.44	**11**
United Bank	0.44	0.43	0.71	0.40	0.38	0.47	**12**
Oromia International Bank Sc.	0.51	0.56	0.53	0.40	0.43	0.49	**13**
Debub Global Bank Sc	0.61	0.50	0.54	0.47	0.38	0.50	**14**
Coperative Bank of Oromia	0.50	0.75	0.59	0.52	0.51	0.57	**16**
Bank Industry AVR	**0.44**	**0.45**	**0.47**	**0.41**	**0.40**	**0.43**	

Line chart 3 Earnings before Tax (EBT) to Total Revenue (TR)



As shown on table 4.3. the results of management quality parameter, defined as return on equity, which measures the profitability of a bank, shows that Zemen Bank Scis in the top position with return on equity ratio equal to (0.31) followed by Enat Bank Sc (0.32), Awash International Bank (0.36),Berhan International Bank Sc. (0.42) and Zemen Bank Sc is in the last position with a ratio equal to (0.031).And so onArgument based on the table.

The average value for banking industry in Ethiopia and the Berhan Bank of Management quality, which is measured by non-interest expense to net interest income and non-interest income, is 0.42 and 0.43 respectively as shown on table 4.3. This implies Ethiopian banking industry on average consume 0.43 cents to generate a single birr revenue. Berhan Bank spent maximum 0.42 cents to get one birr revenue.

4.1.4. Earning quality:

Earning ability indicate the ability of the banks in generating revenue by using the asset, shareholders equity and using the proportion of gross income. To assess the earnings performance of a bank, it will be helpful to look at a variety of ratios and measures: these include: (1) return on assets (ROA) (2) return on equity (ROE) and profit margin (PM). There are requirements that are used as to evaluate Earning like:

- Majority of earnings is annuity in nature (low volatility).
- The growth trend of the past years is consistent with or better than industry norm and there are multiple sources of income (both interest and noninterest income).

The earning ability of specific banks shows how well the performance of the bank is. The higher the performance of the bank is the higher profitability of the banking industry. The earning ability of the banking sector in Ethiopia has been measured by comparing how well the average assets generate net interest income.

4.2.4.1. Interest Income to Average asset

Bank Name	2015 E.C.	2016E.C.	2017E.C.	2018E.C.	2019E.C.	AVR	RANK
Nib International Bank	0.03	0.02	0.02	0.02	0.02	0.02	1
Zemen Bank Sc	0.06	0.06	0.05	0.06	0.07	0.06	2
Dashen Bank	0.06	0.06	0.07	0.08	0.08	0.07	3
Oromia International Bank Sc.	0.07	0.07	0.07	0.08	0.09	0.07	3
Addis International Bank Sc	0.06	0.07	0.07	0.08	0.08	0.07	3
Debub Global Bank Sc	0.04	0.07	0.06	0.08	0.07	0.07	3
Berhan International Bank Sc	0.06	0.08	0.08	0.09	0.09	0.08	4
Awash International Bank	0.07	0.07	0.07	0.09	0.09	0.08	4
Coperative Bank of Oromia	0.07	0.07	0.08	0.08	0.08	0.08	4
Bank of Abyssinia	0.07	0.07	0.08	0.09	0.10	0.08	4
United Bank	0.07	0.08	0.08	0.09	0.10	0.08	4
Wegagen Bank	0.07	0.07	0.07	0.09	0.09	0.08	4
Lion International Bank	0.07	0.08	0.08	0.09	0.10	0.08	4
Abay Bank Sc	0.07	0.08	0.07	0.08	0.08	0.08	4
Enat Bank Sc	0.07	0.07	0.07	0.09	0.09	0.08	4
Bunna International Bank S.c	0.08	0.09	0.08	0.09	0.09	0.09	5
Bank Industry AVR	**0.06**	**0.07**	**0.07**	**0.08**	**0.08**	**0.07**	

Line chart 4. Interest income to Average asset

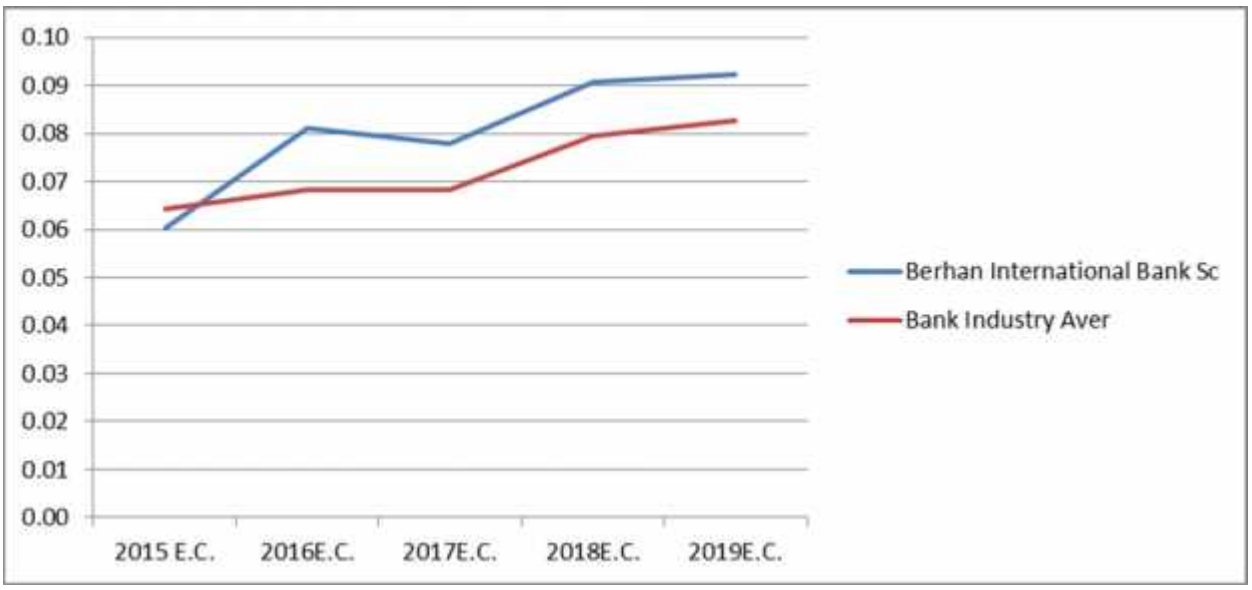


Table 4.4. Presents CAMEL rating of earnings ability and liquidity ability ratios. Results of earnings ability, represented by return on assets, show that Nib International Bank Bank S.c has the higher return on assets with a ratio of (0.02) followed by Zemen Bank Sc (0.06), Debub Global Bank Sc (0.07), Berhan International Bank Sc(0.08) and CDM (0,009) while United Bank has that lower return on assets (0,008).

The banking industry in Ethiopia on average generates 0.07 of interest income from average asset and the past five year trend it becomes increasing as shown on table 4.4. Regarding the Berhan bank the average was 0.08 and the five year trend it was increasing with the increasing rate as well as better than the industry average .This implies the Berhan bank adequate management of the result in lowers the loan loss and in return require lower loan allowance or pose low level of market risks and the majority of earnings is annuity in nature (low volatility).The growth trend of the past five years is consistent with or better than industry norm and there are multiple sources of income (both interest and non-interest income). The findings of my study is resemble with (Mekonnen et al. 2015).

4.2.4.2. Return on Assets (ROA)

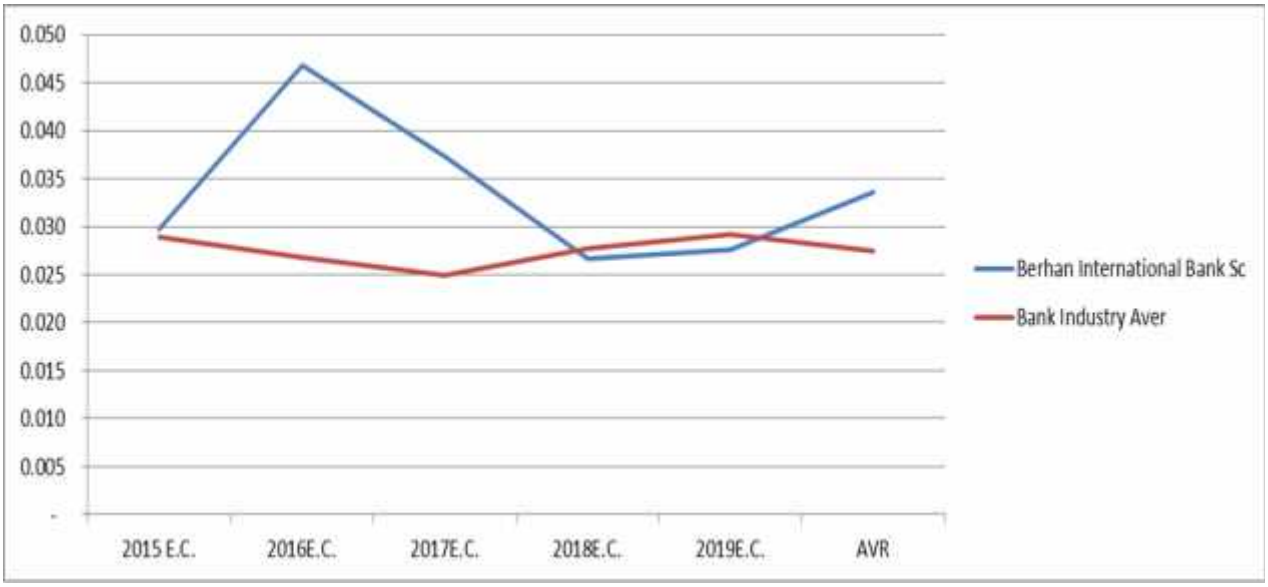
ROA is a major ratio that indicates the profitability of a bank. It is a ratio of Income to its total asset (Khrawish, 2011). It measures the ability of the bank management to generate income by utilizing company assets at their disposal. In other words, it shows how efficiently the resources of the company are used to generate the income. It further indicates the efficiency of the management of a company in generating net income from all the resources of the institution (banks) (Khrawish, 2011). When (2010), state that a higher ROA shows that the company is more efficient in using its resources.

The study uses return on asset ratio to measure how the performance of the bank is. The higher the ratio is the better soundness of the banking sector. It also indicates how well the average asset generates income.

Table 4.5. Table Return on Assets

Bank Name	2015 E.C.	2016E.C.	2017E.C.	2018E.C.	2019E.C.	AVR	RANK
Awash International Bank	0.0007	0.0012	0.0042	0.0003	0.0020	**0.0017**	**1**
Dashen Bank	0.0012	0.0023	0.0073	0.0006	0.0000	**0.0023**	**2**
Bank of Abyssinia	0.0000	0.0024	0.0035	0.0066	0.0063	**0.0038**	**3**
United Bank	0.0016	0.0032	0.0031	0.0070	0.0042	**0.0038**	**3**
Enat Bank Sc	0.0059	0.0041	0.0064	0.0015	0.0013	**0.0039**	**4**
Addis International Bank Sc	0.0047	0.0040	0.0040	0.0040	0.0045	**0.0042**	**5**
Zemen Bank Sc	0.0000	0.0073	0.0100	0.0053	-0.0001	**0.0045**	**6**
Berhan International Bank Sc	0.0037	0.0079	0.0040	0.0035	0.0065	**0.0051**	**7**
Wegagen Bank	0.0045	0.0058	0.0042	0.0059	0.0051	**0.0051**	**7**
Abay Bank Sc	0.0048	0.0059	0.0000	0.0104	0.0068	**0.0056**	**8**
Oromia International Bank Sc.	0.0057	0.0062	0.0083	0.0025	0.0089	**0.0063**	**9**
Debub Global Bank Sc	0.0007	0.0102	0.0070	0.0066	0.0074	**0.0064**	**10**
Lion International Bank	0.0107	0.0090	0.0048	0.0067	0.0120	**0.0086**	**11**
Bunna International Bank Sc	0.005	0.039	0.036	0.006	0.006	**0.0183**	**12**
Coperative Bank of Oromia	0.0348	0.0572	0.0000	0.0029	0.0013	**0.0192**	**13**
Nib International Bank	0.0342	0.0387	0.0362	0.0411	0.0362	**0.0373**	**16**
Bank Industry AVR	**0.0076**	**0.0131**	**0.0090**	**0.0071**	**0.0068**	**0.0087**	

Line chart 5. Table Return on Assets



As shown on table 4.5 Ethiopian banking industry on average can generate of the assets utilized. This implies all banks in Ethiopia on average earn (0.028) cents for each birr asset utilized. The Berhan Bank on average can generate (0.034) return of the asset utilized. This means the bank

can generate 0.034 cents by utilizing a single birr asset. The banking industry at least generates a minimum of 0.5% return on asset utilized.

The earning ability of the Berhan Bank during the past five years was higher comparing to the industry. The higher the ratio is the better soundness of the banking sector. The Basel accord states if banks returns on asset greater than or equal to 1% is said to banks performance is in good position. Ethiopian banking industry is greater than the minimum point set by the accord. Olweny and shipo, 2011 state that if banking industry scored above 1.5 the banks is said to be strong.

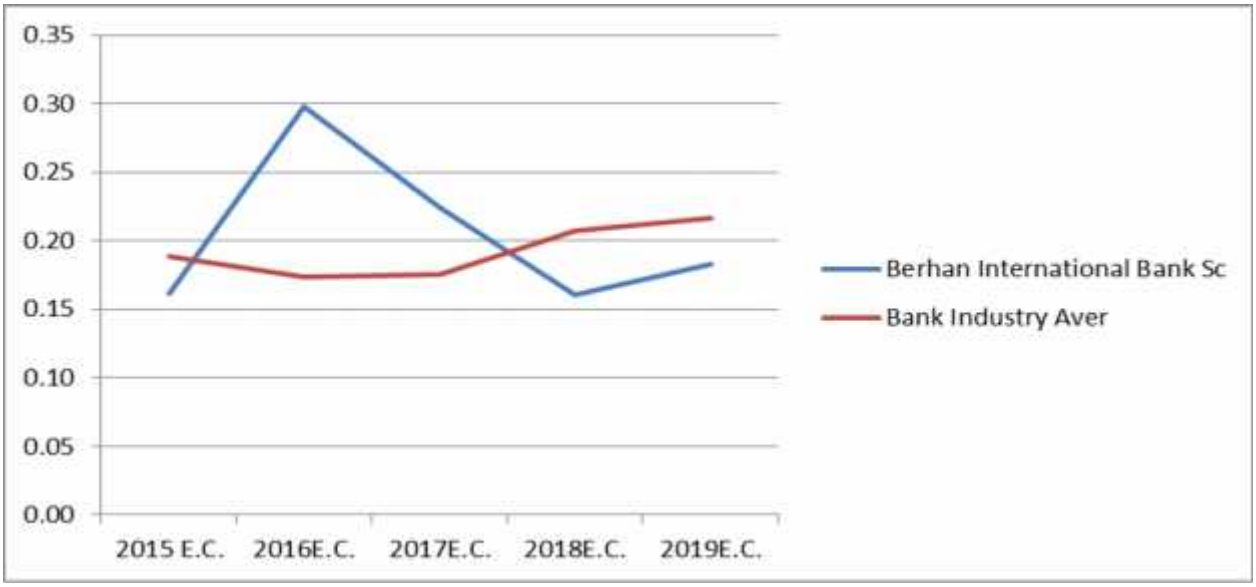
4.2.4.3. Return on Equity (ROE)

ROE is a financial ratio that refers to how much profit a company earned compared to the total amount of shareholder equity invested or found on the balance sheet. ROE is what the shareholders look in return for their investment. A business that has a high return on equity is more likely to be one that is capable of generating cash internally. Thus, the higher the ROE the better the company is in terms of profit generation. It is further explained by Khrawish (2011) that ROE is the ratio of Net Income after Taxes divided by Total Equity Capital. It represents the rate of return earned on the funds invested in the bank by its stockholders. ROE reflects how effectively a bank management is using shareholders' funds. Thus, it can be deduced from the above statement that the better the ROE the more effective the management in utilizing the shareholders capital

Table 4.6. Return on Equity

Bank Name	2015 E.C.	2016E.C.	2017E.C.	2018E.C.	2019E.C.	AVR	RANK
Enat Bank Sc	0.14	0.14	0.12	0.15	0.15	0.14	**1**
Addis International Bank Sc	0.15	0.15	0.13	0.14	0.16	0.15	**2**
Coperative Bank of Oromia	0.25	0.03	0.13	0.23	0.23	0.17	**3**
Wegagen Bank	0.15	0.14	0.17	0.22	0.15	0.17	**3**
Nib International Bank	0.16	0.17	0.16	0.16	0.19	0.17	**3**
Debub Global Bank Sc	0.09	0.19	0.14	0.19	0.25	0.17	**3**
Bank of Abyssinia	0.17	0.18	0.23	0.16	0.17	0.18	**4**
United Bank	0.17	0.18	0.17	0.21	0.22	0.19	**5**
Dashen Bank	0.26	0.23	0.21	0.19	0.16	0.21	**6**
Bunna International Bank S.c	0.23	0.23	0.17	0.19	0.20	0.20	**6**
Zemen Bank Sc	0.22	0.23	0.22	0.18	0.24	0.21	**6**
Abay Bank Sc	0.21	0.18	0.15	0.20	0.24	0.20	**6**
Berhan International Bank Sc	0.16	0.30	0.22	0.16	0.18	0.21	**7**
Oromia International Bank Sc.	0.17	0.13	0.19	0.34	0.24	0.22	**8**
Lion International Bank	0.21	0.21	0.21	0.24	0.25	0.22	**8**
Awash International Bank	0.23	0.22	0.24	0.31	0.41	0.28	**9**
Bank Industry AVR	**0.19**	**0.18**	**0.18**	**0.21**	**0.22**	**0.20**	

Line chart 6. Table Return on Equity



As shown on table 4.6the Ethiopian banking industry on average can generate 0.19 of the equity utilized. This implies all banks in Ethiopia on average earn 0.19 cents for each birr equity utilized. The Berhan Bank on average can generate 0.21 return of the equity utilized. This means the bank can generate 0.21 cents by utilizing single birr equity. The banking industry at least generates a minimum of 0.21 return on asset utilized.

It indicates the Berhan Bank management team was not effective in converting the reinvested money into profits. This shows that low money the bank able to generate for the same birr spent by the other banks. On the other hand the Ethiopian banking industry strong enough regarding in generating profit using properly their shareholder investment.

4.1.5. Liquidity Management

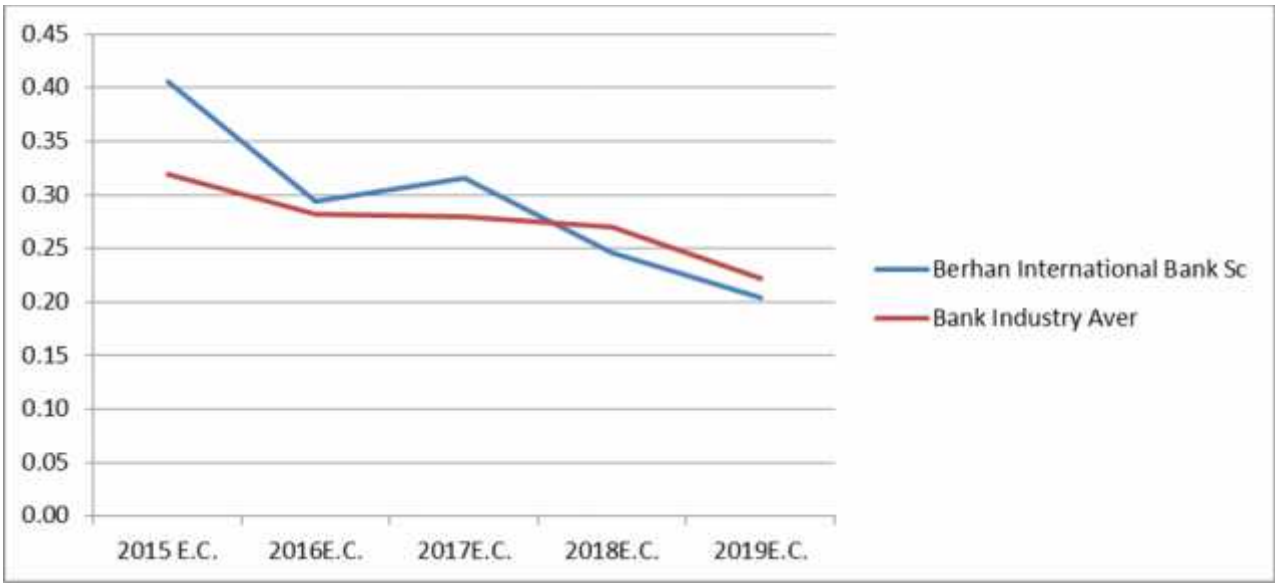
Liquidity indicates the ability of the bank to meet its financial obligations in a timely and effective manner. There are variations among scholars with regard to the measurement ratios. The most common financial ratios that reflect the liquidity position of a bank according to Samad (2004) are customer deposit to total asset and total loan to customer deposits. Other scholars use different financial ratio to measure liquidity. For instance Ilhomovich (2009) used cash to deposit ratio to measure the liquidity level of banks in Malaysia. In the Ethiopian context there seems clear measure of the liquidity: the liquid asset to deposit ratio, which the National Bank of Ethiopia, has set the minimum liquid asset of the Bank not to be less than 15% of the Bank's net current liability. Out of this the directive obliged banks to hold 5% of them in primary reserve assets (see directive no SBB 55/2013).

Liquidity management is one of the most important functions of a bank. If funds tapped are not properly utilized, the institution (banks) will suffer loss. Idle cash balance in hand has no yield. On the other hand if the bank does not keep balanced liquid cash in hand, it cannot be able to pay the demand withdrawal of depositors, as well as, installment of creditors and ultimately payment for other contingent liabilities. These will lead overtrading position to the institution (banks) and create problems to borrow funds at high rate. Proper balanced liquidity should be maintained by avoiding inadequate cash position, or excess cash position.

Table 4.7. Liquid assets to total deposits (LA/TD)

BANKS	2015 E.C	2016 E.C	2017 E.C	2018 E.C	2019 E.C	AVR	RANK
Nib International Bank	0.18	0.24	0.20	0.18	0.14	0.19	**1**
United Bank	0.23	0.22	0.19	0.20	0.13	0.20	**2**
Dashen Bank	0.28	0.30	0.19	0.20	0.14	0.22	**3**
Awash International Bank	0.21	0.25	0.23	0.27	0.19	0.23	**4**
Wegagen Bank	0.25	0.28	0.28	0.20	0.18	0.24	**5**
Oromia International Bank Sc.	0.23	0.23	0.25	0.29	0.19	0.24	**5**
Bank of Abyssinia	0.56	0.23	0.17	0.17	0.14	0.25	**6**
Bunna International Bank S.c	0.23	0.23	0.28	0.27	0.22	0.25	**6**
Abay Bank Sc	0.25	0.23	0.27	0.31	0.28	0.27	**7**
Coperative Bank of Oromia	0.33	0.25	0.24	0.31	0.26	0.28	**8**
Lion International Bank	0.34	0.29	0.30	0.26	0.22	0.28	**8**
Enat Bank Sc	0.32	0.28	0.29	0.26	0.24	0.28	**8**
Berhan International Bank Sc	0.41	0.29	0.32	0.25	0.20	0.29	**9**
Zemen Bank Sc	0.30	0.40	0.42	0.40	0.22	0.35	**10**
Addis International Bank Sc	0.44	0.49	0.41	0.35	0.34	0.40	**11**
Debub Global Bank Sc	0.62	0.30	0.48	0.38	0.45	0.45	**12**
Bank Industry AVR	**0.32**	**0.27**	**0.27**	**0.26**	**0.22**	**0.27**	

Line chart 7. Liquid assets to total deposits (LA/TD)



The analysis of the last CAMEL component, which is liquidity ability represented by deposits on total assets ratio shows that Nib International Bank is the best hedged against liquidity risk with a

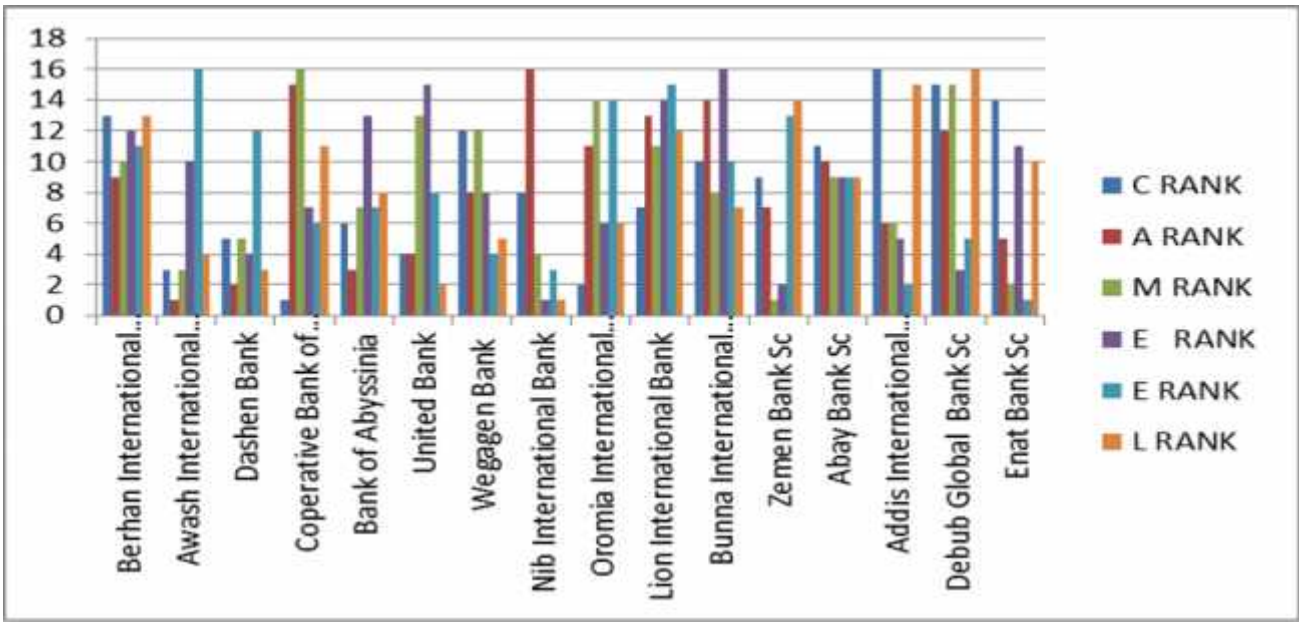
ratio equal to (0.19) followed by United Bank with a ratio equal to (0.20), Dashen Bank with a ratio equal to (0.22), Berhan International Bank Sc with a ratio equal to (0.29) and In the last position, we find Debub Global Bank Sc with a ratio equal to (0.45). And so on Argument based on the table.

As shown on table 4.5 the liquidity position of the banking industry in Ethiopia on average is 0.27.This implies the banking sector on average hold liquid assets of 0.27 cents for one birr unexpected demand for withdrawal of deposits. The industry has a maximum of 0.32 of liquid assets. This means the banking sector in Ethiopia has liquid assets amount of o.32 cents for every unanticipated demand of withdrawal of deposits. Moreover, the banking industry scores a minimum of 0.22 liquidity position. This indicates all banks in Ethiopia hold at least 0.22 cents liquid assets for a single birr unanticipated withdrawal from deposits. When we see the Berhan bank the minimum is 0.25 and the maximum 0.41 and on average 0.29 during the last five years this implies that the bank meet the minimum requirement of liquidity position of 20% set by the National Bank of Ethiopia. The liquidity positions of the banking industry in Ethiopia show that properly balanced liquidity maintained by avoiding inadequate cash position, or excess cash position in order to cover immediate disturbance to the banks. The higher the ratio of the Berhan bank indicates the bank is able to control the disturbance that will be occurring.

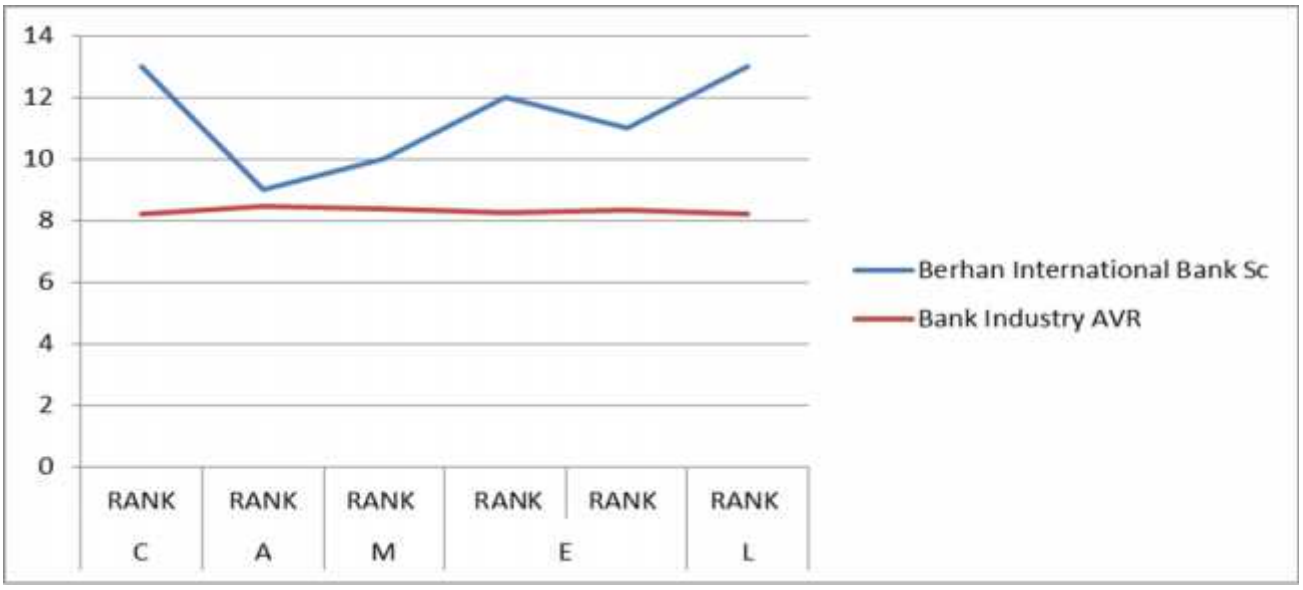
Table4.8. Composite ranking of banks using CAMEL mode

Bank Name	C RANK	A RANK	M RANK	E RANK	L RANK	AVR	RANK
Berhan International Bank Sc	13	9	10	12	11	13	11.333333	14
Awash International Bank	3	1	3	10	16	4	6.17	3
Dashen Bank	5	2	5	4	12	3	5.17	1
Coperative Bank of Oromia	1	15	16	7	6	11	9.33	10
Bank of Abyssinia	6	3	7	13	7	8	7.33	5
United Bank	4	4	13	15	8	2	7.67	6
Wegagen Bank	12	8	12	8	4	5	8.17	7
Nib International Bank	8	16	4	1	3	1	5.50	2
Oromia International Bank Sc.	2	11	14	6	14	6	8.83	9
Lion International Bank	7	13	11	14	15	12	12.00	15
Bunna International Bank S.c	10	14	8	16	10	7	10.83	12
Zemen Bank Sc	9	7	1	2	13	14	7.67	6
Abay Bank Sc	11	10	9	9	9	9	9.50	11
Addis International Bank Sc	16	6	6	5	2	15	8.33	8
Debub Global Bank Sc	15	12	15	3	5	16	11.00	13
Enat Bank Sc	14	5	2	11	1	10	7.17	4

Bar chart 8 Composite ranking of banks using CAMEL mode



Line chart 8 Composite ranking of banks using CAMEL mode



By considering all of the parameters of CAMEL after composite ranking, it is seen that Dashen Bank is the top position assessed by the CAMEL Model compared to other banks under the study

because of its strong performance on the Capital Adequacy (debt-equity ratio), Asset Quality (% of NPLs to total loans and % of NPLs to total assets ratios), Management Efficiency (loan & advances to deposits, ROE and net profit per employee ratios) and Earnings Ability (ROA, and net profit margin ratios). Nib International Bank is the second position, followed by Awash International Bank, and other banks are based on the above table respectively. On the other hand, Lion International Bank and Berhan International Bank Sc is the lowest position compared to other banks respectively under study because of its poor performance on the Capital Adequacy (capital adequacy ratio, loan & advances to total assets and debt-equity ratios), Asset Quality (% of NPLs to total loans and % of NPLs to total assets ratios), Management Efficiency (loan & advances to deposits, ROE and net profit per employee ratios) and Earnings Ability (ROA, spread and net profit margin ratios).

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1. Conclusion

CAMEL'S model is a tool mainly used to evaluate financial performance of Berhan Bank against the industry average of the private commercial banks in Ethiopian.

Capital adequacy ratio refers to the ability of the capital base of a financial institution to absorb unanticipated shocks. Capital adequacy of any financial institution is instrumental in the formation of risk perceptions about it amongst its stakeholders. Capital adequacies are a measure of the amount of a bank's core capital expressed as a percentage of its assets weighted credit exposures. (Mekonnen et al 2015). The specifics of CAR calculation vary from country to country, but general approaches tend to be similar for countries that apply the Basel Accords. The study takes into consideration Capital adequacy measurement based up on the leverage ratio, which take into consideration core capital which is Tier I capital to total assets. The average value of CAR of the Berehan Bank is (**0.16)** which is above the minimum requirement set by the Basel accord and adopted by National Bank of Ethiopia of 8%. This implies the bank have a capacity to safeguard their depositors if unanticipated loss occurs. The maximum value of CAR of (0.18) implies there is a tied up capital in the sector while demanding by investors. These findings resemble with the findings of (Mekonnen et al 2015).

Asset quality is an important parameter for any banking institution, as the quality of its assets has a major role on the earning ability of that institution. A deteriorating quality of assets is the prime source of banking problems. Asset quality measured in relation to the level and severity of non-performing assets, recoveries and the level of provisioning. Knowing the level of asset quality of the banking industry using different tool specifically using non-performing loan data will be very crucial. (Mekonnen et al 2015)

For the purpose of evaluating the quality of asset for Berehan Bank this study is using non-performing loans to total loans ratio. The average value of the Berehan Bank is (0.0051) which is below the minimum requirement set by National Bank of Ethiopia of 5%. That means non-

performing loan management system of the bank is good. The maximum value of NPL ratio of (0.0079) indicates the bank also with lower NPL ratio and has lower risk compared to the industry average (0.0035) higher NPL ratio with high risk. The study findings are similar to (Mekonnen et al 2015).

Measure of management quality is subjective by its nature. Management quality needs information like qualitative data applicable to individual institution. However several indicators can jointly serve as an indicator of management soundness. The study measure the quality of the manager by using earning before tax with total revenue. The lower this ratio indicates the management capability to control or minimize cost per unit of revenue generated is relatively better than other banks. The average value for Berhan Bank of Management quality, which is measured by non-interest expense to net interest income and non-interest income, is (0.42) This implies Berhan Bank on average consume 0.43 cents to generate a single birr revenue. The industry average was (0.43) which spent maximum 0.43 cents to get one birr revenue. This implies the Berhan Bank spent one cent more compared to the banks in the industry to get one birr revenue. Whereas 0there are banks which spent minimum (0.38) of revenue to cover controllable expenses. This implies that Berhan bank had somewhat efficient managers who have a capacity to minimize cost up to 0.38 cents to generate one birr revenue. My study findings similar with the finding of Mulualem: Mekonnen et al (2015).

The earning ability of specific banks shows how well the performance of the bank is. The higher the performance of the bank is the higher profitability of the banking industry. The earning ability of the Berehan Bank has been measured by comparing how well the average assets generate net interest income. This study uses net interest income to total loan to measure earning ability of the selected banks. Berehan Bank on average generates (0.08) of net interest from every loan granted. This implies that Berehan Bank can generate on average 0.08 cents net interest for a single birr loan granted. The industry average was (0.07) of net interest against credit given. This implies the banking industry have managers who can utilize their asset efficiently and generate 0.68 cents for each birr asset utilized. The findings of my study is resemble with (Mekonnen et al. 2015).

The study uses return on asset ratio to measure how the performance of the bank is. The higher the ratio is the better soundness of the banking sector. It also indicates how well the average asset generates income. Berehan Bank on average can generate (0.034) of the assets utilized. This implies the bank on average earn (0.034) cents for each birr asset utilized. The industry can generate a (0.028) return of the asset utilized. This means all banks in Ethiopia can generate (0.028) cents by utilizing a single birr asset. This means the banks utilized 1 birr asset at least to get 2.5 cents. In general all banks in Ethiopia can generate greater than the minimum requirement set by the Basel accord of 1% of return on average assets to be in good position.

ROE is a financial ratio that refers to how much profit a company earned compared to the total amount of shareholder equity invested or found on the balance sheet. The Ethiopian banking industry on average can generate (0.19) of the equity utilized. This implies all banks in Ethiopia on average earn (0.19) cents for each birr equity utilized. The Berhan Bank on average can generate (0.21) return of the equity utilized. This means the bank can generate (0.21) cents by utilizing single birr equity. The banking industry at least generates a minimum of (0.17) return on asset utilized. It indicates the Berhan Bank management team was not effective in converting the reinvested money into profits. This shows that low money the bank able to generate for the same birr spent by the other banks. On the other hand the Ethiopian banking industry is strong enough regarding in generating profit using properly their shareholder equity.

Liquidity positions specifically determine how well the banks are liquid in order to cover immediate disturbance to the banks. The liquidity position of the Berehan Bank have been measured how the liquid asset are able to cover deposit disturbance occur. The higher the ratio indicates the banks are able to control the disturbance that will be occurring. This study uses liquid assets to deposits ratio to measure liquidity position of the banks. The liquidity position of the banking industry in Ethiopia on average is (0.27) This implies the banking sector on average hold liquid assets of (0.27) cents for one birr unexpected demand for withdrawal of deposits. The industry has a maximum of (0.32) of liquid assets. This means the banking sector in Ethiopia has liquid assets amount of 0.32 cents for every unanticipated demand of withdrawal of deposits. Moreover, the banking industry scores a minimum of (0.22) liquidity position. This indicates all banks in Ethiopia hold at least (0.22) cents liquid assets for a single birr unanticipated withdrawal from deposits. When we see the Berhan bank the minimum is (0.20) and the

maximum 40.52% and on average 29.3% during the last five years this implies that the bank meet the minimum requirement of liquidity position of 20% set by the National Bank of Ethiopia. The liquidity positions of the banking industry in Ethiopia show that properly balanced liquidity maintained by avoiding inadequate cash position, or excess cash position in order to cover immediate disturbance to the banks. The higher the ratio of the Berhan bank indicates the bank is able to control the disturbance that will be occurring.

5.2. Recommendation

Based on the research findings, the study makes the following recommendations for Berhan Bank.

The paper analyzes the institutional viability and financial performance of Berhan Bank against the industry average of the private commercial banks in Ethiopian based on the CAMEL model for the 2015-2019 periods. The study finds capital adequacy, asset quality, management quality earning ability and liquidity for the financial performance of private Commercial Banks in Ethiopia.

As a matter of policy implication it is recommended that: -Berhan Bank needs to develop their credit risk management capacity- the high level of nonperforming assets mainly loans and advances are affecting the profitability of the Bank.

For this reason, improving performance require to institute a strong credit risk management system that can efficiently identify bankable borrowers and a system that can monitor their performance after the loan is granted. In addition, the regulatory framework should support and make sure the bank to have strong credit risk management practice. This can be done though strengthening the internal risk management system to assist the identification, measurement and monitoring of credit risk as well as directing the supervision focus towards credit risk.

Income diversification should also get focus- The share of income from foreign operation in the form of service charge is found to be one of key drivers of the performance of Berhan Bank.

The bank should divert their attention towards maintaining the proper mix of non-interest bearing assets which can generate fee incomes and their loan exposures. The focus to introduce fee based services which are less exposed to credit risk should be one of the areas that Berhan Bank needs to work for in the future if they need to sustain their profitability performance.

There should also be control over overhead costs- the share of overhead costs (non-interest expense) in the total expense appears to be a significant determinant factor of performance. Therefore Berhan Bank should engage themselves in cost control activities like introducing technology based banking services and limiting excessive branch expansions which potentially reduce costs via reducing the number of staff to be employed and the branch opening costs. This should however be done without compromising the future growth motives of the bank. Moreover, CAMELS framework can well measure Berhan Bank financial performance. Therefore, Berhan Bank is highly recommended to use CAMELS framework as there measurement tools.

Liquidity is a bank's capacity to fund increase in assets and meet both expected and unexpected cash and collateral obligations at reasonable cost and without incurring unacceptable losses. To improve liquidity performance, Berhan Bank should have to hold high quality liquid assets and convert them in the event of liquidity shortage. Even if liquid assets offer lower returns, holding more liquid assets and better matching cash-flows of assets and liabilities will reduce the liquidity risk of the bank and protect it from insolvency. Effective liquidity risk management helps ensure a bank's ability to meet its obligations as they fall due and reduces the probability of an adverse situation developing. Therefore, the researchers recommend the management of Berhan Bank to hold liquid asset at optimum level between liquidity risk and profitability.

As it is indicated in the finding the overhead efficiency ratio of Berhan Bank with in the study period is unfavorable. Regarding these, Berhan Bank expected to maximize services other than interest income, which is unique from the usual incomes like fees and non-interest income including deposit and transaction fees, insufficient funds (NSF) fees, annual fees; monthly account service charges, check and deposit slip fees, etc. In addition, the researchers suggest Berhan Bank should have to struggle to cut costs and have consequently to eliminate such non-

interest expenses. The researchers also recommend Berhan Bank managements to give great considerations in controlling of operating as well as non-interest expenses.

5.3. Suggestion for Future Studies

As a suggestion for future studies, it would be interesting to examine the institutional viability and financial performance of other banks against the industry average of the commercial banks in Ethiopian to see if that would generate a different result. Since one of the restrictions is that the model of this study doesn't contain macro-variables like GDP, inflation, foreign exchange rate and an interest rate to see how these are correlated to the financial performance of banks.

The scope of this paper was to institutional viability and financial performance of Berhan Bank against the industry average of the commercial banks in Ethiopian. However, this framework is also equally important to evaluate the financial performance of other financial institution like insurance and microfinance found in Ethiopia as well as other countries.

It would also be motivating to do a comparison between Ethiopian Banks and banks in other countries in the region or worldwide by considering monetary and non-monetary information as well as quantitative and qualitative data.

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APPENDICES

APPENDIX I

Private Commercial Banks

Consolidated Balance Sheet

Year ending 2015 to 2019

Assets	**2015**	**2016**	**2017**	**2018**	**2019**
Cash on hand	14,244.48	15,666.79	20,263.12	25,506.60	21,216.22
Cash at Bank	1,901.37	14,382.96	38,577.47	36,203.04	12,239.55
Reserve Account with NBE	19,850.44	28,983.76	27,566.20	43,172.86	19,178.70
Deposit with foreign Banks	5,811.67	8,619.32	11,343.28	10,681.86	10,555.77
Treasury Bills	1,055.42	1,562.63	2,042.46	3,061.81	3,890.57
Other Investments	497,793.03	230,315.84	308,714.81	383,017.98	476,670.26
Trust fund	218.50	274.73	387.15	1,320.92	1,007,535.62
Sundury Debtors & Other debit balances	7,641.03	24,165.24	32,930.50	32,980.90	20,152.85
Total Loans & Advances	203,624.95	211,056.53	255,282.03	320,671.32	201,731.35
Less Provision For Doubtful Debts	11,357.15	12,434.45	17,430.33	32,403.36	36,093.96
Net Loans & advances	200,589.13	209,269.57	252,315.77	311,454.40	197,396.21
Customers' liability	8,570.54	10,483.49	15,383.85	18,685.64	25,668.60
Fixed assets (inta. Asset)	11,937.97	18,104.55	23,708.73	34,963.96	28,349.50
Total Asset	746,729.93	532,276.75	690,436.94	842,235.71	1,060,291.69
Liabilities	17,658.34	22,935.12	32,905.11	46,283.97	57,872.47
Deposits	332,391.73	401,962.74	517,224.28	667,224.10	943,536.19
Demand Deposits	157,228.21	183,652.16	228,004.73	295,976.83	119,818.23
Saving Deposits	168,960.86	212,068.62	282,328.10	361,176.96	180,516.91
Fixed Deposits	28,670.70	36,275.04	48,037.74	71,918.57	58,826.37
Foreign bank their a/c	890.73	1,939.67	4,518.27	3,219.38	2,623.94
Trust fund	-	-	-	-	-
Short term loans	122.54	205.26	256.14	486.78	507.86
Other credit balances	7,578.76	59,932.89	79,799.01	76,684.51	13,671.38
Margin held on L/C	4,055.67	18,945.44	22,875.24	18,514.27	10,606.64
Long term loans	312.95	320.05	1,287.05	1,071.31	1,443.17
Provision for taxation	1,093.84	1,427.02	1,852.78	2,059.86	1,614.44
State dividened payable	47.39	16,008.95	154.03	244.95	311.31
Other provisions	-	-	-	-	-

Bank's liability	2,056.86	2,498.60	4,312.74	1,803.48	2,457.46
Capital & reserves	30,597.87	36,082.65	71,312.67	80,359.07	92,982.16
Authorized & paid	20,023.39	22,600.35	59,139.95	64,054.61	30,996.65
Legal reserves	10,313.21	13,986.03	13,534.12	17,759.01	14,150.50
General and special reserves	237.54	352.73	21.83	1,626.98	4,347.14
Retaned Earning	2,052.13	2,162.87	2,581.36	6,211.48	6,522.54
Profit & loss A/C	5,568.24	7,335.88	10,126.52	12,909.91	16,069.60
Total	108,140.87	131,938.17	178,635.40	240,839.11	312,617.81

APPENDIX II

Private Commercial Banks

Consolidated Income Statement

Year ending 2015 to 2019

Description	2015	2016	2017	2018	2019
Interest Income	26,069.01	33,645.07	42,357.21	63,336.14	81,278.24
Interest Expense	8,472.51	11,148.83	15,502.48	25,094.88	34,676.56
Net Interest Income	17,596.50	22,496.24	26,854.73	38,241.26	46,601.69
Service Charge & Commission Income	7,341.00	7,003.58	8,803.72	10,889.03	8,386.94
Other Income	2,446.33	2,720.42	3,058.86	- 1,465.23	2,835.77
Total Non Interest Income	5,377.02	6,102.93	7,966.24	8,758.73	10,877.58
Net Interest Income & Non Interest income	11,406.18	15,407.61	19,158.28	24,702.35	30,628.73
Employees Salary & Benefits	8,355.55	10,288.22	12,298.82	10,911.07	11,992.25
Provision For Doubtful Loans and other assets	17,501.20	21,923.62	23,158.33	25,407.52	1,653.29
General Expenses	5,575.08	8,164.63	9,283.07	12,903.01	6,492.83
Total Non Interest Expenses	5,841.40	9,775.25	12,107.70	15,283.76	17,672.94
Prior Year Ajustment	2,904.61	2,772.00	5,422.18	5,827.34	1,191.59
Operating Income before Tax	10,026.58	14,042.45	16,892.70	23,946.54	32,969.14
Tax	1,666.34	1,744.23	2,415.51	2,879.59	3,980.66
Net Income After Tax & Provisions	15,299.33	16,175.43	17,097.87	17,668.57	25,932.94

APPENDIX III

Berhan International Bank Sc

Balance Sheet

Year ending 2015 to 2019

Assets	2015	2016	2017	2018	2019
Cash on hand	460.21	762.57	1,177.56	1,362.95	1,477.84
Cash at Bank	470.94	157.86	517.40	629.79	695.79
Reserve Account with NBE	183.46	373.13	376.00	431.99	82.57
Deposit with foreign Banks	128.61	262.87	328.91	251.97	801.47
Treasury Bills	-	-	-	-	-
Other Investments	832.91	1,586.87	2,198.32	3,071.44	4,292.57
Trust fund					10.00
Sundury Debtors & Other debit balances	165.70	286.99	476.91	1,036.87	1,413.15
Total Loans & Advances	1,875.49	3,701.65	5,254.25	7,191.45	10,215.77
Less Provision For Doubtful Debts				124.41	182.42
Net Loans & advances	**1,875.49**	**3,701.65**	**5,254.25**	**7,067.04**	**10,033.35**
Customers liability					
Fixed assets (inta. Asset)	54.63	64.36	159.53	215.91	365.82
Total Asset	**4,171.94**	**7,196.30**	**10,488.88**	**14,067.97**	**19,172.56**
Liabilities					
Deposits	**3,067.90**	**5,296.52**	**7,592.40**	**10,861.68**	**14,964.28**
Demand Deposits	1,034.65	1,784.13	1,928.30	3,967.48	5,358.54
Saving Deposits	1,772.52	3,017.56	4,734.23	5,772.12	8,298.78
Fixed Deposits	260.73	494.83	929.87	1,122.08	1,306.96
Foreign bank their a/c					
Trust fund					
Short term loans					
Other credit balances	242.05	456.10	520.21	631.48	702.78
Margin held on L/C	101.18	296.36	368.41	314.52	569.46
Long term loans					
Provision for taxation	34.01	87.08	122.79	58.62	140.07
State dividened payable					
Other provisions					
Bank's liability					
Capital & reserves	**726.80**	**1,060.24**	**1,885.07**	**2,201.68**	**2,795.97**

Authorized & paid	573.12	730.62	1,396.12	1,709.05	2,000.00
Legal reserves	75.27	140.31	227.48	308.39	422.87
General and special reserves				(23.89)	(24.50)
Retaned Earning	78.41	189.31	261.46	208.13	397.60
Profit & loss A/C					
Total	**4,171.94**	**7,196.30**	**10,488.88**	**14,067.98**	**19,172.56**

APPENDIX IV

Berhan International Bank Sc

Income Statement

Year ending 2015 to 2019

Description	**2015**	**2016**	**2017**	**2018**	**2019**
Interest Income	210.35	460.42	687.94	1,112.79	1,535.81
Interest Expense	73.06	134.49	227.46	417.35	605.04
Net Interest Income	**137.30**	**325.93**	**460.47**	**695.44**	**930.77**
Service Charge & Commission Income	115.95	242.37	395.57	349.41	543.25
Other Income	46.44	83.46	81.26	85.56	119.66
Total Non-Interest Income	**162.38**	**325.83**	**476.83**	**434.97**	**662.91**
Net Interest Income & Non Interest income	**299.68**	**651.76**	**937.30**	**1,130.41**	**1,593.68**
Employees Salary & Benefits	74.76	158.89	283.00	438.75	622.86
Provision For Doubtful Loans and other assets	7.00	29.39	21.13	25.18	66.82
General Expenses	80.22	110.61	161.76	255.55	323.94
Total Non-Interest Expenses	**161.97**	**298.90**	**465.89**	**719.48**	**1,013.62**
Prior Year Ajustment					
Operating Income before Tax	**137.71**	**352.87**	**471.41**	**410.93**	**580.06**
Tax	34.01	87.08	141.42	83.09	122.13
Net Income After Tax & Provisions	**103.70**	**265.79**	**329.99**	**327.85**	**457.93**