

# Financial Performance Analysis of Afghanistan International Bank (AIB) During 2020-2024: Assessing Stability, Growth, and Future Prospects

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### **CERTIFICATE OF APPROVAL**

This is to certify that Student Hussain Poiamanish bearing PRN 230291412592 of Master of Business Application of Symbiosis School of Online & Digital Learning has completed the Capstone project titled “Financial Performance Analysis of Afghanistan International Bank (AIB) During 2020-2024: Assessing Stability, Growth, and Future Prospects” under my guidance and has given a satisfactory account of it in this report.

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Signature

Date

## STUDENT DECLARATION

I, (Hussain Poiamanish) hereby declare that the report entitled (Financial Performance Analysis of Afghanistan International Bank (AIB) During 2020-2024: Assessing Stability, Growth, and Future Prospects) at SSODL in partial fulfilment of the requirement of the award of the (MBA “Finance Specialization”) is my original work.

The findings in this project are based on data collected by me and I have not copied from any other student or any other source. This report has not been submitted by me elsewhere.

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## ABSTRACT

**This study concentrated mainly on analyzing AIB's financial performance for the period 2020-2024, with an insist on recognizing its strengths, challenges, and strategic opportunities for sustainable growth. AIB demonstrated significant improvements in profitability, liquidity, and solvency, reflecting effective management and conservative risk approaches in Afghanistan's volatile market and uncertain socio-economic environment.**

**Key findings revealed a consistent upward trend in profitability ratios such as ROA and ROE, indicating better asset utilization and management efficiency. However, despite these gains, the bank's lending and deposit growth rates showed persistent decline, signaling reduced customer confidence and limited revenue from traditional interest-based activities. Conversely, the bank's reliance on fee and commission-based income increased, helping to offset the shrinking interest income. Liquidity and solvency ratios improved, with AIB adopting a more conservative stance by lowering leverage and maintaining high liquidity buffers, which enhances resilience against economic uncertainties.**

**Based on these insights, several strategic recommendations were proposed. These include developing targeted lending products to stimulate loan growth, launching aggressive deposit mobilization campaigns, optimizing operational processes to improve efficiency, and refocusing on interest income by cross-selling products. Additionally, continuous monitoring of key performance indicators and risk management strategies is vital to sustain growth and stability.**

**In conclusion, while AIB has demonstrated resilience and positive financial trends, revitalizing its lending and deposit activities is critical for future profitability. Implementing the recommended strategic initiatives will enable AIB to enhance its growth rates, strengthen stakeholder confidence, and build a more resilient foundation for long-term success in Afghanistan's challenging market environment.**

**TABLE OF CONTENTS**

<b>TITLE PAGE</b>	1651
<b>CERTIFICATE OF APPROVAL</b>	1652
<b>STUDENT DECLARATION</b>	1653
<b>ACKNOWLEDGEMENTS</b>	1654
<b>ABSTRACT</b>	1655
<b>CHAPTER ONE INTRODUCTION</b>	1658
Statement of Problems or Research-Hypothesis	1658
Research Questions	1658
Objective of the Research	1659
General Objective	1659
Specific Objectives	1659
Scope and Limitations of the Study	1659
Organization of the Study	1659
<b>CHAPTER TWO LITERATURE REVIEW</b>	1660
<b>CHAPTER THREE METHODOLOGY</b>	1662
Research Design	1662
Population	1662
Sampling Size	1662
Sampling Technique	1662
Source of Data	1662
Secondary Data Collection	1662
Data Analysis	1662
<b>CHAPTER FOUR FINDINGS AND DISCUSSION</b>	1663
Ratio Analysis	1663
Profitability Ratios	1663
Return on Assets Ratio (ROA)	1663
Interpretation	1664
Return on Equity (ROE)	1664
Interpretation	1664
Profit Expense Ratio (PER)	1664
Interpretation	1665
Liquidity Ratios	1665
Loan to Deposit Ratio (LDR)	1665
Interpretation	1666
Cash Deposit Ratio (CDR)	1666
Interpretation	1667
Loan to Asset Ratio (LAR)	1667
Interpretation	1667
Solvency Ratios	1667
Debt to Equity Ratio (DER)	1668
Interpretation	1668
Equity Multiplier (EM)	1669
Interpretation	1670
Efficiency Ratios	1670
Cost to Income Ratio (CIR)	1670
Interpretation	1671
Assets Turnover Ratio (ATR)	1671
Interpretation	1671
Growth Potential Rate or Ratios	1671
Earnings Growth Rate	1673
Interpretation	1674
IJSRT26APR766	1656
<a href="http://www.ijisrt.com">www.ijisrt.com</a>	

<b>CHAPTER FIVE REFLECTIONS &amp; CONCLUSION</b>	1675
<b>RECOMMENDATIONS</b>	1676
<b>IMPLEMENTATION PLAN</b>	1677
Strategic Initiatives & Action Steps	1677
Monitoring & Evaluation	1677
Risk & Mitigation Strategies	1677
Expected Outcomes	1678
<b>REFERENCES</b>	1679
<b>APPENDIXES</b>	1680

## CHAPTER ONE INTRODUCTION

Afghanistan International Bank was registered with Afghan Investment Support Agency (AISA) on 27 December 2003, yet Afghanistan International Bank “AIB” was founded with the support of the Asian Development Bank as a commercial bank on 22 March 2004 by obtaining the license from Afghanistan Central Bank (Da Afghanistan Bank “DAB”), Its Islamic banking operation was began on 21 July 2014 and the current shareholders of AIB are Horizon Associates, the Wilton Holdings, and International Finance Corporation (IFC). AIB had 31 branches in 2013, but the number of branches was changeable; consequently, it was increased or decreased according to the Socio-economic or political-economic situation of Afghanistan, in addition to the deliberation of AIB strategies and objectives.

From the beginning, AIB had targeted almost special clients, and customers or unique corporate and non-corporate organizations, like UN Offices, INGOs, DNGOs, and specific parts of Afghanistan's corporate economic communities; on the other hand, concreted its leading status by providing pioneer services, products, and strategies in Afghanistan's banking sectors from the initial stage till the developed level.

The AIB Vision and Mission are as follows:

- *Our Vision*

We aspire to remain the most reputable financial institution and bank of choice in Afghanistan.

- *Our Mission*

Our mission is to foster economic development in Afghanistan, to be a catalyst for growth, and ultimately contribute to the prosperity of the country and its people.

AIB has highlighted or bolded to remain reputable financial institutions, the bank of choice, foster economic development, being catalyst for growth, and eventually, contribute to the prosperity of Afghanistan and its people. However, political instability, weak economy, and other increasing issues are preventing Afghanistan from utilizing its available opportunities. Eventually, it looks problematic, and difficult for AIB as well to track the paths which was highlighted for its ongoing concern concept or survivorship.

### A. *Statement of Problems or Research-Hypothesis*

From the time of its establishment and beyond, the most questionable and complicated issue for any business is the ongoing concern. Will the business continue its operation or not? As a result, the performance of each business must be under constant evaluation and examination to find out the irregularities and fix them sooner, financial performance assessment helps to avoid the operation decline or even stop the firm from closeout.

Whereas the proper status of profitability, liquidity, solvency, efficiency, and growth potential are the factors that will guarantee the firm's continuity and keep it alive. On the other hand, Afghanistan's domestic market suffers from economic, political, and demographic instability and conflicts; ultimately, corporations will experience significant challenges to maintain successful performance and keep the operation active consistently.

Eventually, AIB is not an exception in Afghanistan's fluctuated market; not even its clients, but as well its staff and shareholders will have usual concern regarding the continuity and constant growth of AIB; to provide clarity, confidence, and positivity regarding AIB's efficiency to the above motioned stakeholders, the periodic performance evaluation will be a perfect method to represent a comprehensive financial image through the analysis of AIB's financial performance; that every stakeholder could trust AIB with peace of mind and assurance.

As a result, the problem of going concern will be resolvable through constant financial performance analysis and sharing such reports with stakeholders. This will assist AIB to visualize the growth trend to the stakeholders, and they will keep their business interaction with AIB for further interest.

### ➤ *Research Questions*

After middle of Aug 2021, Afghanistan have experienced several huge changes like political change, professional's immigration, most of the embassies, international NGOs, domestic NGOs, and private corporations left Afghanistan or closed their operation in Afghanistan; since almost all of mentioned groups were AIB's stakeholders; hereby, the main questions for this research are as follows; additionally, to compare and evaluate the AIB's financial Health efficiently, one year before the above challenges and three years later these issues considered.

- How were the status or conditions of AIB's financial elements during the period 2020-2024?

- Is AIB still a reputable financial institution, and maintained its leading position in Afghanistan's Banking sector as well?
- What are the observed key financial trends in the AIB's financial performance over the period 2020-2024?
- Is AIB's future optimistic, based on its financial performance from 2020-2024?

➤ *Objective of the Research*

• *General Objective*

Analyzing AIB's Financial Performance for the period 2020-2024 is the general objective of this research, because during this time an outstanding event has happened in Afghanistan that has faced the businesses or corporations in Afghanistan with new challenges economically, politically, and demographically after two decades of fragile stability.

✓ *Specific Objectives*

- To evaluate the key financial ratios of AIB, including profitability, liquidity, solvency, efficiency, and growth potential, over the period 2020-2024.
- To analyze the trends and patterns in AIB's financial performance during 2020-2024 and assess its financial stability amidst Afghanistan's socio-economic challenges.
- To determine the extent to which AIB has maintained its reputation and market position as a leading financial institution in Afghanistan during the specified period.
- To provide insights into AIB's future financial outlook based on the analysis of its performance data from 2020 to 2024, considering current economic and political contexts.

*B. Scope and Limitations of the Study*

The scope of this study has been covered, mainly analysing AIB's financial performance during the period 2020-2024 by looking at key indicators such as total assets, liabilities, equity, net profit, revenue, expenses, liquidity ratios, profitability ratios, and growth potential rates. The data used will come from the bank's annual reports, financial statements, and relevant details, as well as with inclusion of some additional information from industry reports and economic indicators if needed. The focus will be on AIB's financial operations within Afghanistan, the analysis will primarily use quantitative methods like ratio analysis to evaluate performance over these years. Since the study is based on publicly available data, it may not cover non-financial factors such as customer satisfaction or internal management strategies unless they are explicitly documented in the financial reports, such as AIB's balance sheet, income statement, equity statement, and cash flow statement. Also, the research will avoid detailed operational or strategic internal aspects.

Overall, the goal is to provide a clear and detailed financial assessment of AIB's performance over the underlined period of five years. To say in different words, evaluating AIB's financial performance over five years, highlighting its trends, strengths, weaknesses, and growth potential areas for improvement within the defined timeframe, and determining AIB's future growth outlook.

Due to the time limitation, budgetary boundary, research title relevancy, and university deadline for the capstone project, this study is limited to the analysis of AIB's financial performance. Therefore, the compression of the two or three banks' financial performance, Afghanistan's political and economic situation, AIB's strategies, and AIB's customer service relationship management performance will be abroad of this project's capacity or concentration.

*C. Organization of the Study*

To comprehensively approach this research, and sequentially reach to the pre-planned result, this study separated into three chapters. The first chapter consists or includes introduction, background study, statement of problems or hypothesis, research questions, general and specific objectives, research design and methodology, scope and limitations of the study, along with its literature review. The second chapter will focus straight-forward on the whole findings, such as data analysis, interpretation, and representing the achievements broadly. Ultimately, the last chapter will have engagement with reflections, conclusions, recommendations, and implementations, and will end with references, along with Appendices.

## CHAPTER TWO

### LITERATURE REVIEW

To analyze the financial performance of corporations or enterprises, many approaches and models exist, like market power theory, efficiency structure theory, empirical approaches, dynamic financial analysis, behavioral and sentiment analysis, and so on. As long as this study focuses on banking institutions, and they usually publish their audit reports, annual reports, and financial statements at the year-end. Consequently, the literature review for this study mainly considered the review of financial reporting and empirical approaches or ratio analysis.

Felix I. Lessambo, 2018, “Financial reporting is essentially a way of following standard practices to give to the readers of the financial statements an accurate depiction of a firm’s finances, including its revenues, expenses, profits, capital, and cash flows. Financial reporting is also a building block of market-based monitoring of companies, which allows shareholders and the public at large to assess management performance. 1) In the wake of the international financial crisis of the 1990s, the international community embarked on a range of initiatives to Strengthen the international financial architecture. 2) Financial reporting plays a crucial role in supporting the efficient functioning of the capital markets. Robust financial reporting increases investors’ confidence, which in turn leads to better capital allocation decisions and economic growth. As a map, financial statements form the basis for understanding the financial position of a business firm and for assessing its historical and prospective financial performance. Financial statements have the capability of presenting clear representations of a firm’s financial health, leading to informed business decisions.”

Lyn M. Fraser Aileen Ormiston, 2014, “Financial statements provide insight into the company’s current status and lead to the development of policies and strategies for the future. It should be pointed out, however, that management also has responsibility for preparing the financial statements. The analyst should be alert to the potential for management to influence the outcome of financial statement reporting; in order to appeal to creditors, investors, and other users. It is important that any analysis of financial statements includes a careful reading of the notes to the financial statements, and it may be helpful to supplement the analysis with other material in the annual report and with other sources of information apart from the annual report.”

Krasimir Kulchev., 2017, “Financial statements are a primary source of data for studying the financial position of enterprises. In addition to the interpretation of financial statements, financial analysis also involves an extensive factor analysis which requires wider data base. The full potential of contemporary financial analysis, however, could only be deployed provided that analysts have access to both inside and outside data resources, i.e. data obtained from financial statements and from capital markets.”

MD Aminul Islam, 2014, “In financial analysis process ratio analysis is the most dominant and logical structure to help business related stakeholder. Under the financial ratio analysis process there are few categories to identical area of financial institution. So business stakeholders try to concentrate to get overall business overview from profitability, liquidity, assets management and solvency ratio analysis. These ratios not only help to decision making process also emphasized on risk avoiding and profit raising related factors. To calculate this ratio, need to take quantitative data from bank trading activity and other sources.”

Nic La Rosa, 2021, “The integrated ratio analysis methodology (IRAM) was originally created to satisfy the requirement for a robust instrument to assist with the comparative financial analysis of organisations. The range of applications for which the system can be utilised has, subsequently, expanded such that it possesses an enhanced utility for internal financial performance assessment requirements.”

Felix I. Lessambo, 2018, “When it comes to investing, analysing financial statement information (also known as quantitative analysis) is one of, if not, the most important elements in the fundamental analysis process. At the same time, the massive amount of numbers in a company’s financial statements can be bewildering and intimidating to many investors. However, through financial ratio analysis, one may be able to work with these numbers in an organized fashion. Ratio analysis is a diagnostic tool that helps to identify problem areas and opportunities within a company.”

Karen P. Schoenebeck Mark P.Holtaman, 2017 “Ratio analysis can reveal valuable information about a company’s financial attributes, such as profitability, efficiency in managing assets, and whether the company has too much debt. When computing ratios, analysts often compare a company’s ratios with prior periods, competitors, or industry averages.”

Simeon Spiteri, 2020, “Ratios need to be compared over time or with similar companies in order to identify key financial strengths and financial weaknesses of an organisation. The other techniques can also be used in order to strengthen the analysis of a firm. Furthermore, the results stemming from ratios should be compared with qualitative factors like the strategy of the organisation and measures adopted by management in the past years in order to have a clearer picture of the financial health of the organisation.”

Idrish Allad, 2015, "Ratio is the mathematical relationship between two or more quantities of financial statements. According to Batty, "The term 'accounting ratios' is used to describe significant relationships which exist between figures shown on a Balance-Sheet, in a Profit and Loss Account, in a budgetary control system, or in any other part of the accounting. Ratio can be expressed in the form of (a) percentage, (b) fraction, (c) times and (d) days."

Pierre Lucouw, 2013, "Much has been said and written about the analysis of financial statements. The biggest advantage of a ratio analysis is that numerical information is converted into a summarised and comparable format. With an analysis the figures are reduced to understandable indicators. Text books on financial analysis and financial management provide detailed information on analysis and more specifically ratio analysis of financial statements. Unfortunately, very little attention is devoted to the interpretation of the analysis. When preparing financial statements, the emphasis is placed on providing reliable information, most of which is historic information. When analysing the information, a better understanding may be obtained, but no new knowledge is added."

Paul Barnes, 1987, "Financial ratios are used for all kinds of purposes. These include the assessment of the ability of a firm to pay its debts, the evaluation of business and managerial success, and even the statutory regulation of a firm's performance. Not surprisingly they become norms and actually affect performance."

Furthermore, a research has been done by Tahiri-Noor Rahman in 2018 in regards to AIB's financial performance analysis for the period 2013-2016. It reveals that AIB maintained a generally strong liquidity position, evidenced by favourable liquidity ratios and an increasing deposit base, indicating growing public trust. Profitability analysis shows that while the bank's return on assets remained stable at a modest level, its return on equity and profit efficiency improved over time, suggesting enhancements in managerial performance. Solvency ratios demonstrated a decreasing trend in debt reliance, with the bank becoming less risky and more solvent, although some indicators, for instance, the debt-to-asset ratio, showed an upward movement, warranting cautious monitoring. However, his study's gaps include a relatively short analysis period, and a focus just on profitability, liquidity, and solvency ratios without exploring efficiency and future growth potential ratios, and also, the political and economic challenges are not considered either. Overall, these gaps highlight the need for further future research.

Eventually, from the above literature review for this study, several points are prominent regarding the financial reports and financial performance analysis that need to summarise them as benchmarks of diverse theories, approaches, and models. Firstly, financial statements are crucial for stakeholders since, providing an accurate depiction of a firm's finances, and supporting market based monitoring, plus form the basis for understanding a bank's financial position beside assessing historical and prospective performance; secondly, or along with that, financial reports help understanding the firm's current status and developing future policies, and strategies. Thirdly or finally, for comprehensive analysis of management performance or financial performance of any firm, financial statements are the primary source of data; on the other hand, Financial analysis involves calculating, comparison, and interpreting of financial statements using both internal and external data, with ratio analysis being a key method to evaluate profitability, liquidity, efficiency, growth potential, and solvency. It helps decision-making, risk assessment, and identifying areas for improvement by comparing current ratios with historical or industry benchmarks. This approach simplifies complex data, providing valuable insights into a company's financial health and performance.

## CHAPTER THREE METHODOLOGY

### ➤ *Research Design*

According to the nature or context of data and collected information, as well as with consideration of the research title and research objectives, the most proper and effective research method will be a combination of quantitative and descriptive research design for this study, analyzing the numeric data through quantitative approach will assist us to get clear insight of the data, and use the descriptive approach to interpret the result of quantitative method for further clarifications and specifications.

### • *Population*

Analyzing AIB's financial performance is the objective of this research; hereby, the numbers are extracted from AIB bank annual reports, like balance sheets, profit and loss statements, and cash flow statements, through the website. [www.aib.af](http://www.aib.af)

### • *Sampling Size*

To answer or resolve the research questions properly, AIB's last five years' reports are considered. From the year 2020 up to the year 2024.

### • *Sampling Technique*

The last five years' reports have been sampled to accomplish this study.

### • *Source of Data*

Due to the time limitation and special security situation of Afghanistan, the secondary data are the only source of data for this study.

### • *Secondary Data Collection*

All the secondary data have been collected through the internet, I have downloaded the related articles, textbooks, publications, AIB Financial Reports, annual reports, and Journals with the accessibility of the internet and websites.

### ➤ *Data Analysis*

After the necessary and adequate investigation based on the literature review, the indicators highlighted to end out this study is ratio analysis such as Profitability, liquidity, solvency, efficiency, and growth potential ratios. These ratios will assess, evaluate, examine, visualize and represent AIB's financial position, and its future growth outlook comprehensively, for further details the ratios are specified one by one as follows.

- Profitability Ratios: Return on Assets (ROA), Return on Equity (ROE), and Profit Expense Ratio (PER).
- Liquidity Ratios: Loan to Deposit Ratio (LDR), Cash Deposit Ratio (CDR), Loan to Asset Ratio (LAR).
- Solvency Ratios: Debt to Equity Ratio (DER), Debt to Total Assets Ratio (DTAR), and Equity Multiplier (EM).
- Efficiency Ratios: Cost to Income Ratio (CIR), and Assets Turnover Ratio (ATR)
- Growth Potential Ratios: Loan Growth Rate, Deposit Growth Rate, and Earnings Growth Rate.

## CHAPTER FOUR FINDINGS AND DISCUSSION

The bank’s financial statements include the balance sheet, income statement, equity statement, and cash flow statement; these annual statements just report the figures, numbers or amounts in a specific currency. Although, adequate explanations and notes will be available on every bank’s financial reports to clarify the contents, but to understand the financial performance from a bigger prospective, than really necessary to assess, examine, and compare the reports figures against each other, and compare them with previous years ‘reports as well. The result will be a bigger picture of financial performance to represent the comparable financial positions, financial trends, growth paths, strengths, weaknesses, and the challenges that the bank faced to achieve profitability and maintain continuity.

### ❖ Ratio Analysis

The method to evaluate the financial performance by examining the relationship and interconnectedness of financial report items is ratio analysis; in ratio analysis, the proportion of key figures will be assessed. Ratios assist in assessing numerous features of financial performance; for instance, profitability, liquidity, solvency, efficiency, and growth potential. To elaborate further, Ratio analysis is a financial evaluation technique that uses financial statements to assess a company's financial health. It involves calculating and analyzing relationships between various financial aspects, such as profitability, liquidity, efficiency, solvency, and growth potential possibilities. By employing mathematical formulas, ratio analysis helps in comparing financial data over time or against industry benchmarks, providing insights into a company's performance and operational efficiency.

#### A. Profitability Ratios

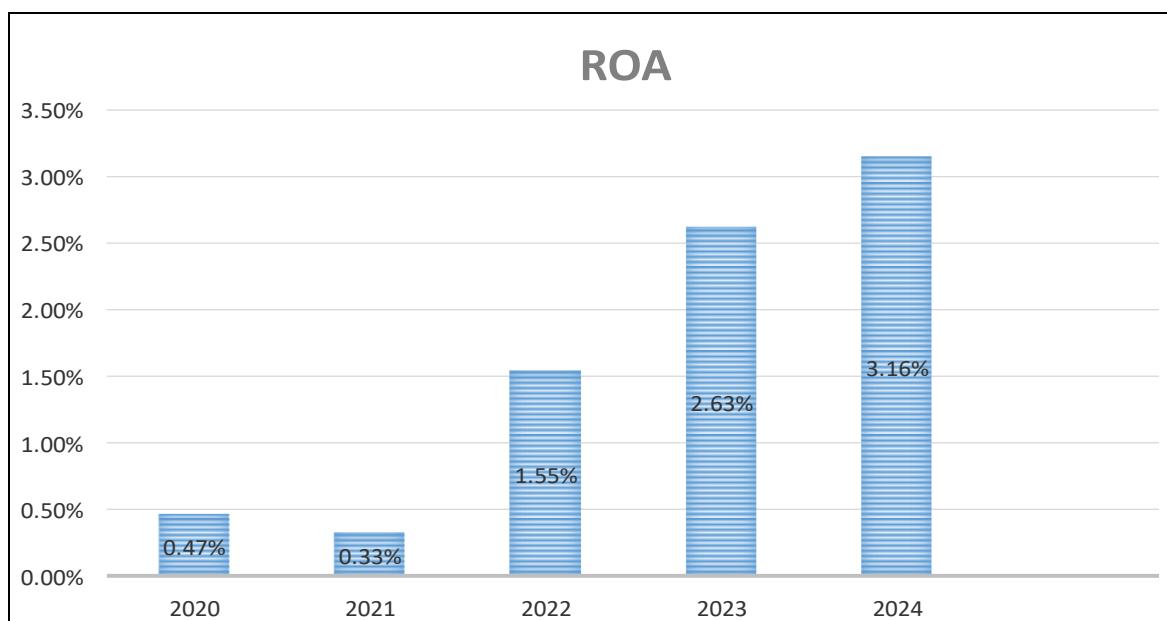
To assess how the profit is generated for AIB during 2020-2024, the ROA, ROE, and PER are examined. evaluates through them, how AIB created profit effectively, and how the profit trend is over the entire period of 2020-2024. Actually, profitability ratios judge the effectiveness of operational activities from the management point of view. These measurements try to examine the effectiveness of utilized resources or assets against the achieved profit. As much as a miner amount of resources be able to generate a greater amount of profit, then the profitability occurred efficiently. To assess profitability ratios, it will be necessary to perform some mathematical calculations to gain specific percentages or numbers and compare them with each pervious or next year’s ratios.

#### ➤ Return on Assets Ratio (ROA)

ROA measures how the bank manages its economic resources or assets to produce returns effectively. The higher ROA shows more proficiency in profit generating, and the lower shows reverse result. The final result of operation is net profit and the proportion of net profit by total assets will result ROA. Moreover, ROA is one of the crucial parameters to determine management performance, since better assets management will result better net profit.

Table 1 Return on Assets Ratio (ROA)

Years	2020	2021	2022	2023	2024
AIB ROA	0.47%	0.33%	1.55%	2.63%	3.16%



Graph 1 Return on Assets Ratio (ROA)

• *Interpretation*

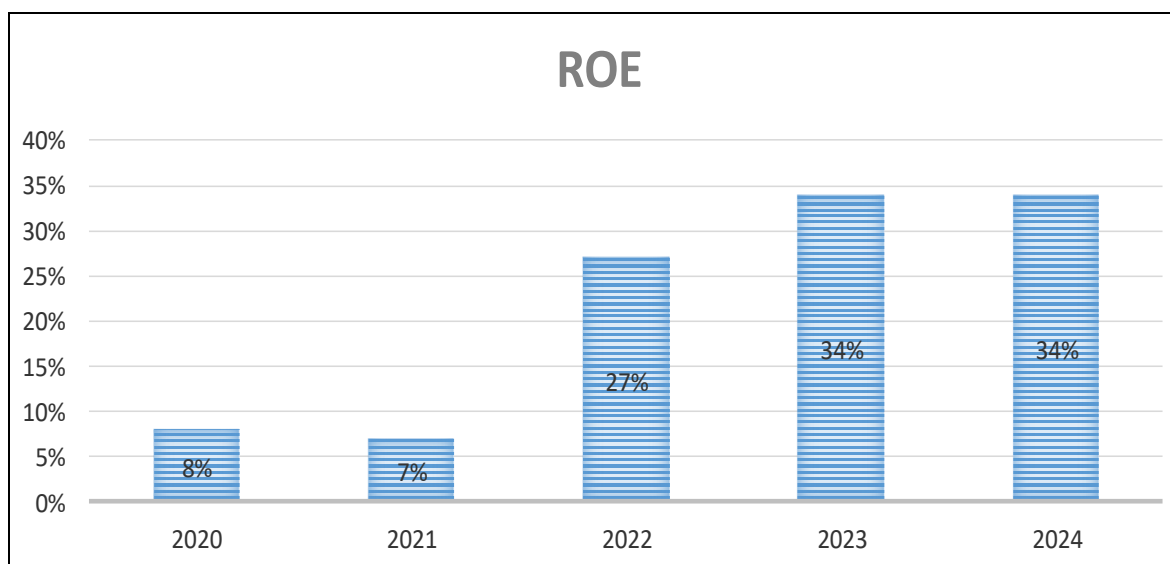
The AIB’s ROA table and Graph reveals the upward trend of profitability relative to its total assets for the years 2020-2024; profitability is rising constantly, just shows declines in 2021, and the lower percentage of The ROA for 2020 and 2021 might be due to more operation expenses or maybe the instable political situation caused assets management issues for AIB. Yet growth momentum is expedited during the years 2022-2024, that it means the bank becomes more efficient in generating profits from its assets. This sustained growth of profitability shows a positive future outlook for AIB, and if this trend goes straight forward, the growth potential will be possible for AIB in coming years, as well guarantees the AIB’s continuity. Overall, this positive trend indicates effective management and a potentially strong financial position in the coming years for AIB. Although the Afghan banking sector is experiencing several kinds of sanctions for the period 2022 to 2024, yet the growing ROA for AIB is outstanding, which represents that AIB’s management has done well during economic uncertainties and market shrinkages.

➤ *Return on Equity (ROE)*

ROE calculates how effectively the owners’ capital is used to generate profit, the ROE will be achieved by dividing the net income to the average shareholders’ equity. ROE visualize the Shareholders expectations regarding the utilization of their equity they allocated for investment against the targeted earnings. To elaborate further, ROE links the management performance to the owner’s equity usage and specify the relationship between the equity to the net profit.

Table 2 Return on Equity (ROE)

Years	2020	2021	2022	2023	2024
AIB ROE	8%	7%	27%	34%	34%



Graph 2 Return on Equity (ROE)

• *Interpretation*

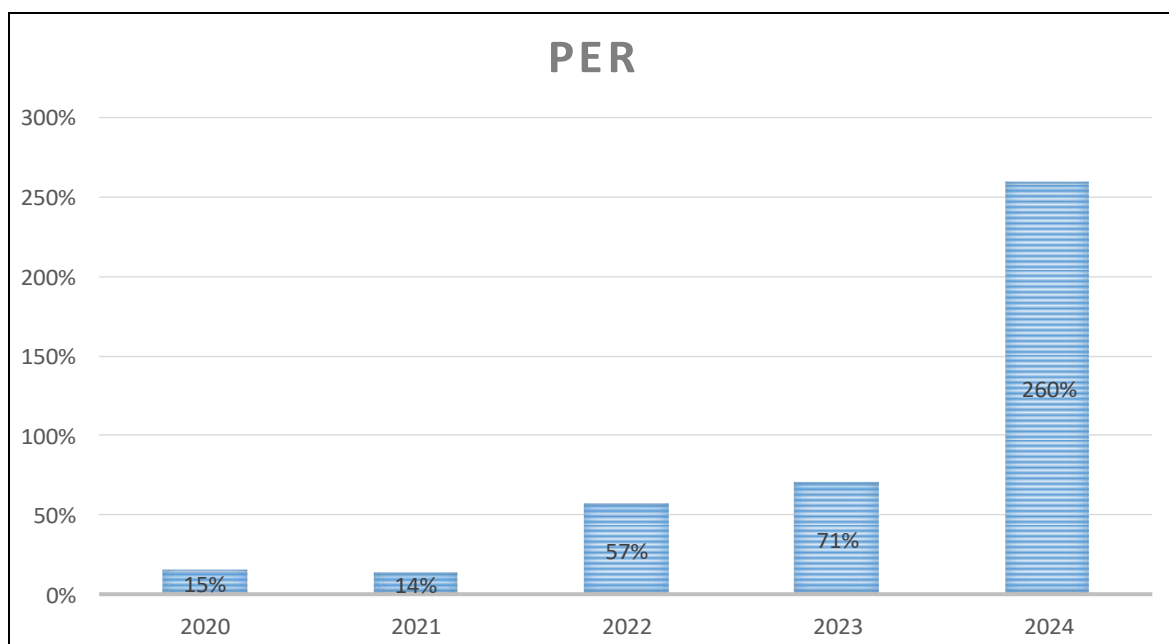
The ROE for AIB in 2020 and 2021 shows limited efficiency in generating profit against the owner’s equity, it might conveys many reasons like worse country economic or politic condition, market volatility and may AIB’s management issues, however in 2022 it displays remarkable jump and a significant improvement occurred, this upward trend continued in 2023 and stabilized in 2024, this indicates management efficiency over using allocated equity effectively and represents good strategic management that AIB’s management preformed will to survive AIB from fluctuated years of 2020 and 2021 and made further profitability and stability to AIB’s operation. Over all, the graph reflecting sustainable profitability and efficient management performance over five years; ultimately, AIB has demonstrated a strong turnaround and increased effectiveness in converting equity into profits over these years.

➤ *Profit Expense Ratio (PER)*

PER is a key metrics, it measures how expenses were done to generate profit. If the lower number of expenses creates a higher number of income, it indicates a high level of resource utilization efficiency and a healthy generating of return on investment. This measurement tool linkage between the total expenses and net profit. It provides insights, how much of the revenue is composed by how much of expenses, which indicates cost management efficiency.

Table 3 Profit Expense Ratio (PER)

Years	2020	2021	2022	2023	2024
AIB PER	15%	14%	57%	71%	260%



Graph 3 Profit Expense Ratio (PER)

• *Interpretation*

The PER Graph stipulates a significant transformation for AIB. For 2020 and 2021 low PER indicates that income is the small fraction of expenses and it means limited profitability and high level of expenses, might AIB had many branches during this period and it caused more operation expenses, and as well the profit amounts are low for these two years, since Afghanistan had experienced political and economic instability during this time as well. Suddenly PER transformed for the year 2022, so it shows efficient management performance in cost cutting and hard working on profitability improvement. Based on PER the cost management and profitability improvement started in 2022 and significantly progressed during 2023 and 2024, even in the year 2024 both of them were outstanding that caused a high percentage of PER in this year. Eventually, AIB’s management has performed exceptional improvement in profitability and in expense deduction efficiency during the five-year period, even PER for 2024 exhibits exceptional performance in cost management and profit improvement.

*B. Liquidity Ratios*

Liquidity ratios help that how the bank recovers its short term debt obligations, it explains how much is total of cash, and receivables, to fulfil the current liabilities or it represents that how many times the current liabilities are recoverable by the current assets. As much as the liquidity ratios be higher, it will indicate higher liquidity position for the bank or firm and it means that the current assets can cover the current liabilities strongly. Despite the best liquidity ratios depend on the type of industry. Yet LDR, CDR, and LAR are selected to analyse the AIB’s Liquidity for the highlighted period.

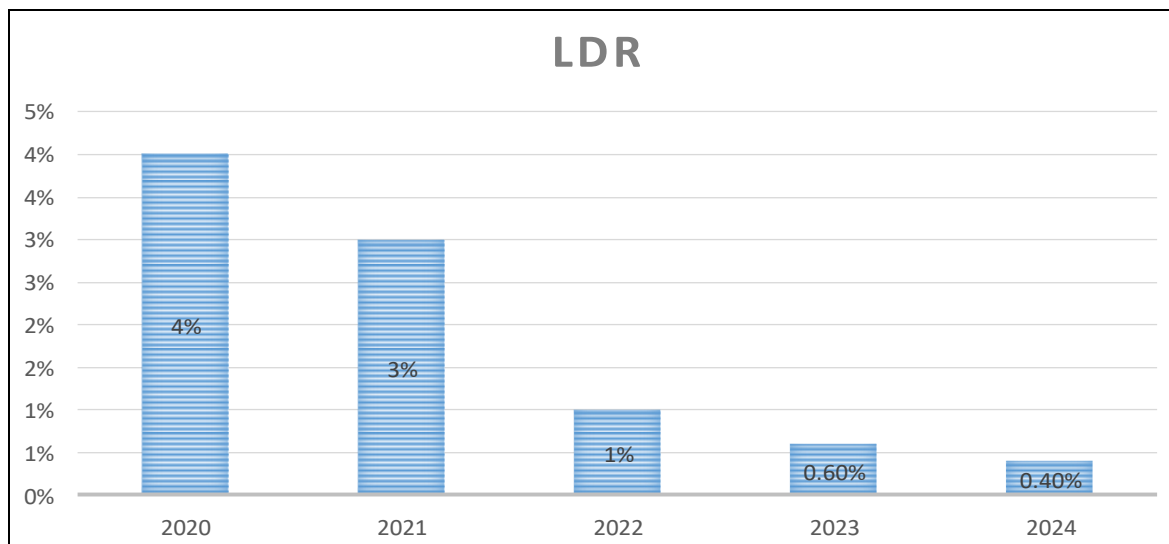
To explain it in other words, Liquidity ratios for a banking institution are financial metrics that measure the bank’s ability to meet its short-term obligations and maintain sufficient liquid assets to cover withdrawals and operational needs. These ratios, such as loan to deposit ratio, cash to deposit ratio, and loan to asset ratio help assess how well the bank manages its liquidity risk by ensuring it has enough high-quality liquid assets to withstand financial stress or sudden deposit withdrawals. Maintaining strong liquidity ratios is crucial for safeguarding the bank’s stability, complying with regulatory requirements, and ensuring confidence among depositors and investors.

➤ *Loan to Deposit Ratio (LDR)*

The LDR expresses that from the one AFN deposit which is received from customers, how many of them are paid as loans to the borrower against specific interest rate, or more clearly, it compares a bank’s total loans to its total deposits, indicating its liquidity and lending practices. A higher LDR exhibit that the bank’s lending is increasing, and it may face the bank to liquidity issue against short term obligations, yet may cause more profitability. Untimely, as much as the LDR be higher, the bank might tolerate further liquidity risks, and conversely, too much lower LDR indicates that the bank is not utilizing its deposits effectively to generate income.

Table 4 Loan to Deposit Ratio (LDR)

Years	2020	2021	2022	2023	2024
AIB LDR	4%	3%	1%	0.60%	0.40%



Graph 4 Loan to Deposit Ratio (LDR)

• *Interpretation*

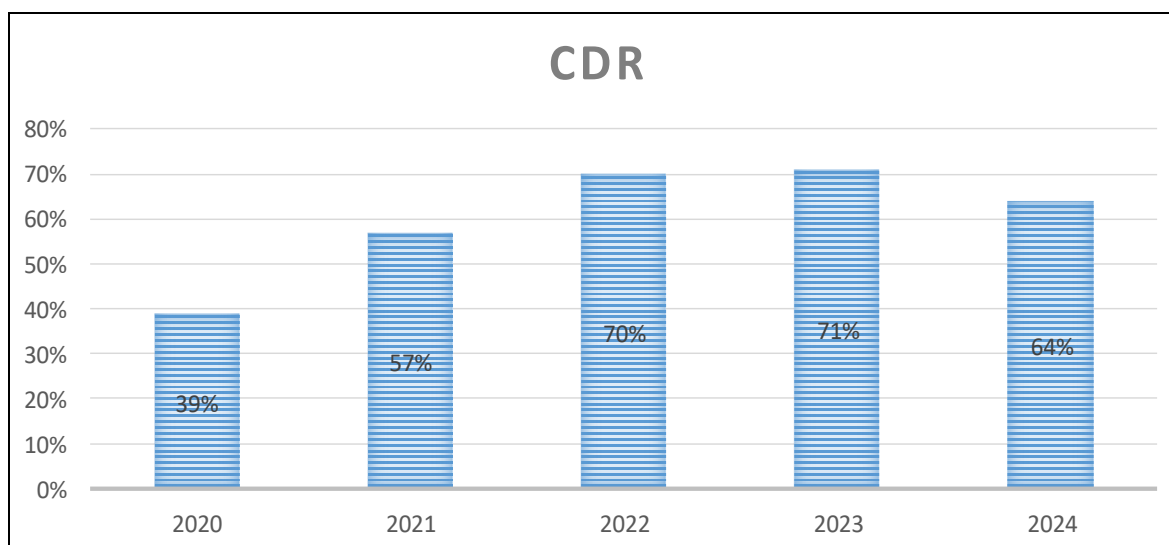
AIB LDR explaining a downward trend over 5 years. it unhide that AIB’s decision towards a more liquid position and decreasing further lending practices, might trying to Strengthen liquidity buffers, reduce risk exposure, or even have the only chance which is adapting to the changing economic conditions, it might uncover a reason that the market does not have the further capacity to absorb more fund for investment through the bank landings, as a result there is no adequate borrowers to lend the deposits to them. Anyway, the trend represents that the AIB is practicing a downward lending policy, and reversely experiencing more and more reserve cash. So, this lowering LDR indicates higher liquidity and lower risk, yet limited earning opportunities via lending.

➤ *Cash Deposit Ratio (CDR)*

This indicator measures the proportion of cash reserves to total customers’ deposits. So, a higher CDR indicates a stronger liquidity position, meaning a larger portion of the bank’s deposits is kept as cash for liquidity issues and managing cash flow effectively. The reserved Cash amount includes the part of customers’ deposit amounts for liquidity usage, plus the bank’s funds allocated for lending purposes. On the other hand, the higher CDR percentage means there are no adequate borrowers to borrow the funds as well, and the funds are stagnant. Banks determine their LDRs with consideration of Liquidity Management, Risk Assessment, and Regulatory Compliance. Since too much higher LDR reduces profitability and too much lower LDR reduces liquidity, than it is crucial to maintain a proper level of LDR.

Table 5 Cash Deposit Ratio (CDR)

Years	2020	2021	2022	2023	2024
AIB CDR	39%	57%	70%	71%	64%



Graph 5 Cash Deposit Ratio (CDR)

• *Interpretation*

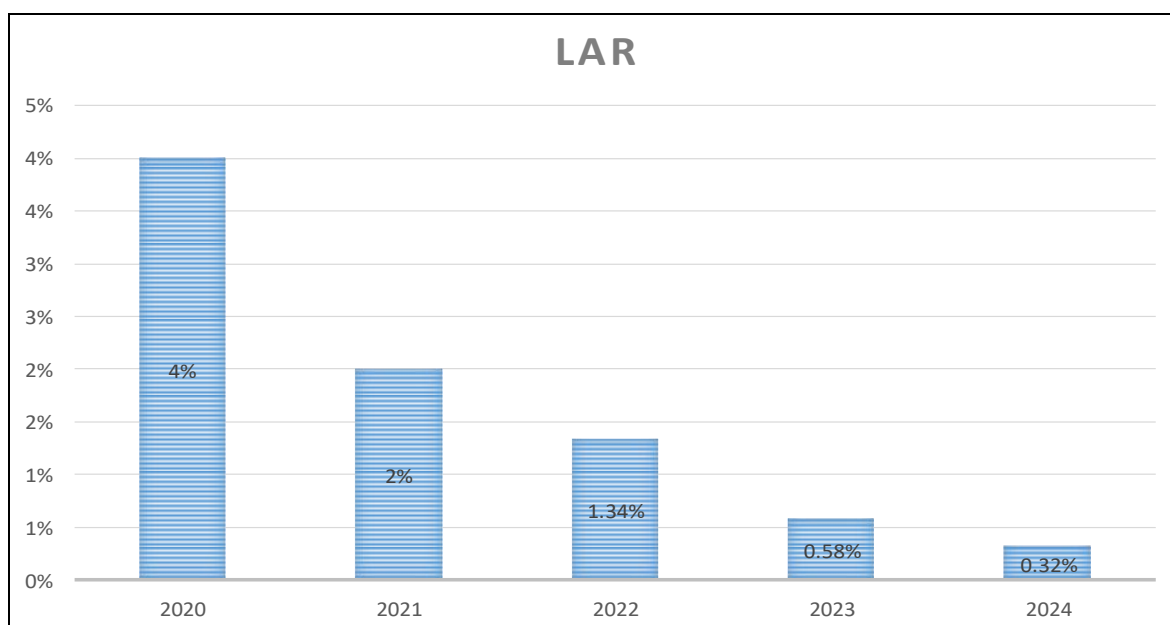
According to the graph upward trend, AIB has increased its cash reserve holdings substantially from 2020 to 2023, mostly prioritizing liquidity and safety during uncertain times and a volatile market. Despite, slight decline in 2024 it specifies a move towards a more balanced reserve composition, which might the chance for lending appeared, or maybe the bank’s strategy may changed towered lending income sources instead of Fee and Commissions income sources. As the AIB’s income statement for 2020 shows larger amount of net interest income instead of Fee and commission and the AIB’s income statement for 2024 shows revers results or amounts than to conclude it, the market does not have enough capacity to absorb the AIB’s stagnant funds through lending process, anyhow still AIB maintaining a relatively high level of CDR compared to 2020 and enough liquidity is available in AIB to cover the obligations, yet income via lending is decreasing constantly.

➤ *Loan to Asset Ratio (LAR)*

LAR metric measures the proportion of total assets that are used to fund loans, a higher LAR indicates that the bank is more reliant on lending and increases revenue through loans, but a lower LAR provides a conservative approach to risk management and a diversified asset portfolio. LAR explains that what is the approach of financial institutions regarding lending, risk, and growth. It provides insights into the banks’ operational philosophy and market position as well.

Table 6 Loan to Asset Ratio (LAR)

Years	2020	2021	2022	2023	2024
AIB LAR	4%	2%	1.34%	0.58%	0.32%



Graph 6 Loan to Asset Ratio (LAR)

• *Interpretation*

The Loan to Assets Ratio (LAR) for AIB demonstrates a significant decline over the period from 2020 to 2024. In 2020, the ratio was at its peak at 4.5%, indicating that a considerable proportion of the bank’s assets were financed through loans, reflecting a higher reliance on lending activities. However, this ratio decreased sharply in 2021 to 2%, suggesting a reduction in the proportion of assets funded by loans, possibly due to a strategic shift or better asset management. The downward trend continued in 2022, with the ratio dropping further to 1.34%, and then dramatically to 0.58% in 2023, indicating a significant decrease in the bank’s dependence on loans relative to its total assets. By 2024, the ratio stabilized at a very low level of 0.32%, which could imply that AIB has adopted more conservative lending practices or has significantly increased its assets through other funding sources, reducing its reliance on loans. Overall, the trend signifies a move towards more prudent asset management and a decreased emphasis on loan financing over these years.

C. *Solvency Ratios*

The Solvency ratios calculate proportions like how the bank meets its long-term debt obligations, known as the risk based capital ratios as well. Solvency ratios assess the bank’s financial stability and overall health, specifically its capacity to absorb losses, overcoming financial difficulties, and continue operation. In other words, Solvency measures the bank’s ability to meet its debt obligations, which involves periodic interest payment plus principal amount borrowed repayment. Since, insolvent institution is a failed bank than solvency is very crucial. Generally, the solvency is analysable by two methods, assessing the balance sheet data for creditors’ proportion capital, and the other is assessing the income statement data through profit to debt obligations.

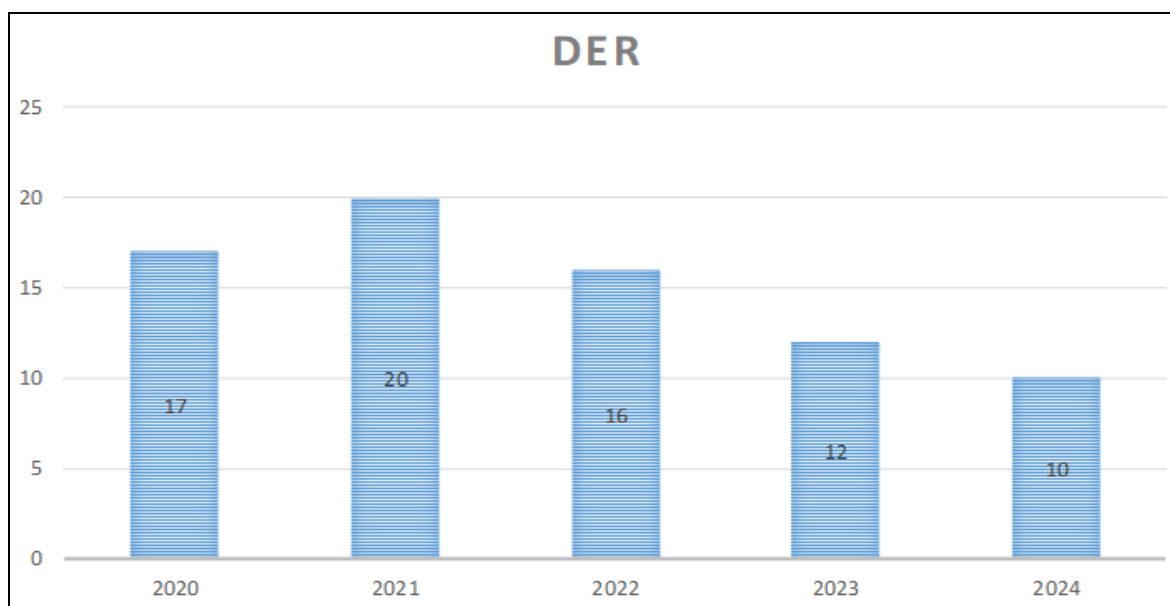
Solvency ratios, named leverage ratios as well; since, it helps to identify the bank’s going concern issues and its ability to pay the long-term bills. The Higher solvency ratios indicate the bank is financially weak and has more reliance on debt to fund its operation, instead lower solvency ratio reveals financial stability and fewer difficulties in satisfying the debt obligations.

➤ *Debt to Equity Ratio (DER)*

DER compares the total liabilities against total shareholders’ equity or evaluates the bank’s financial leverage. Higher DER shows greater financial risks, since it indicates that a larger portion of the bank’s financing is coming from debt. In other words, DER is the investment leverage to measure the amount of assets that are financed by owners’ investment by comparing total equity to total liabilities. To highlight further, DER indicates how much of the bank’s assets are owned by its shareholders as equity and how much the bank’s assets are owned by creditors. A higher DER shows more creditors financing, and a lower DER shows higher investors financing.

Table 7 Debt to Equity Ratio (DER)

Years	2020	2021	2022	2023	2024
AIB DER	17	20	16	12	10



Graph 7 Debt to Equity Ratio (DER)

• *Interpretation*

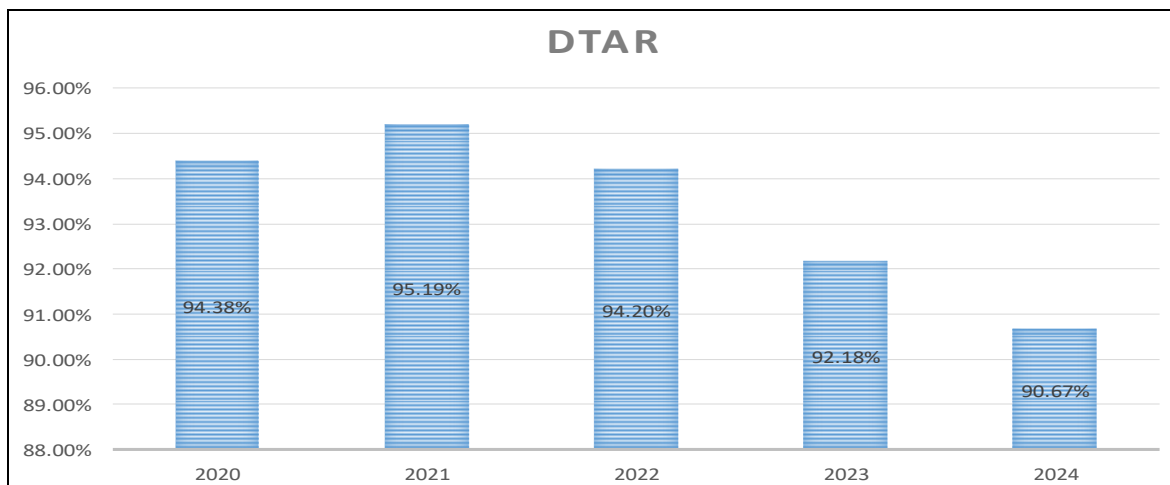
Over this period, AIB's DER shows a downward trend, indicating the bank is gradually reducing its reliance on debt financing relative to equity. Typically, a range of 10-15 DER is optimal for banks. In 2020, the proportion of DER for AIB is 1 to 17, which indicates 1 equity unit is against 17 units of liabilities. The peak in 2021 shows higher leverage as well. So the DER shows further leverage by debt in years 2020 and 2021, but in 2022 the subsequent decline reflects a move toward a more conservative capital structure; and DER is close to optimal range in 2022. However, the AIB has done well during 2023 and 2024, the DER entered the optimal scope, and reliance on debt financing decreased continually. As a summary, AIB's decreasing DER over these years reflects a positive shift toward a more solid and less risky financial position or lowering financial risk, and enhancing stability.

➤ *Debt to Total Assets Ratio (DTAR)*

The DTAR financial metric presents the proportion of assets that are financed by debt. Higher DTAR means that the bank is more reliant on debt to finance its assets. Conversely, a lower DTAR reveals less dependence on debt, potentially indicates better financial stability. If we elaborate on DTAR further, it indicates how many assets must be sold in order to pay all liabilities. Mainly, DTAR specifies the debt burden of the bank for investors and creditors to make investing and lending decisions according to it, so this ratio measures the financial leverage of a bank, and a high level of DTAR means a highly leveraged by debt financing and more risk for lenders and investors. Since the optimal range of DART for most of the firms or enterprises is 30 to 60%. Higher DTAR from this range alerts more risk, and lower from this range means a more conservative approach.

Table 8 Debt to Total Assets Ratio (DTAR)

Years	2020	2021	2022	2023	2024
AIB DTAR	94.38%	95.19%	94.20%	92.18%	90.67%



Graph 8 Debt to Total Assets Ratio (DTAR)

• *Interpretation*

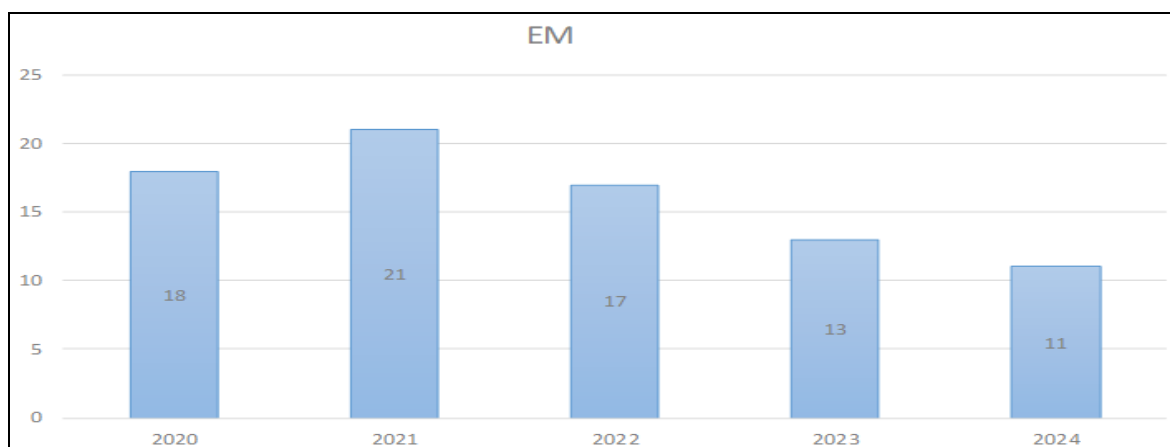
The graph depicting AIB's Debt to Total Assets Ratio (DTAR) from 2020 to 2024 reveals a general declining trend in leverage over this period, indicating a strategic move towards reducing reliance on debt financing. In 2020, the DTAR was approximately 94.38%, which increased slightly to about 95.19% in 2021, reflecting a peak in debt levels relative to total assets, possibly due to expansion or specific financial strategies during that period. However, from 2021 onwards, a consistent decrease is observed, with the ratio falling to around 94.20% in 2022, then further down to approximately 92.18% in 2023, and reaching roughly 90.67% in 2024. This downward trend suggests that AIB has been gradually deleveraging, potentially to Strengthen its financial stability, improve risk management, or comply with stricter regulatory capital requirements. The decreasing DTAR implies that AIB tries to make smaller the proportion of the bank's assets which financed through debt over time, which could lead to a more resilient financial position, albeit the graph shows clearly that AIB's DTAR is out of the optimal range of 30-60%, furthermore, the decreasing trend direction represents AIB is trying to fit in its DTAR in the optimal range constantly, but still not entered to that range. Anyhow, the data indicates a cautious approach by AIB to manage its leverage, favouring a more conservative capital structure in the recent years.

➤ *Equity Multiplier (EM)*

Equity multiplier is a leverage ratio that measures the portion of the bank's debt to equity. It is calculated by dividing the company's total assets by the total shareholder equity. The higher level of EM represents more assets financed by debt, to explain in other words, investors' shares covered a small portion of the assets compared to the creditors' portion. The Higher EM ratio indicates high leverage and more risk for investors and creditors. Actually, this means that investors owned fewer of the bank's assets than current creditors. The lower level of EM means the assets are financed mainly by equity. It shows a more conservative approach and favourable than a higher ratio for new investors and creditors. To specify further, the Equity Multiplier measures the risks of a bank's assets financed by debt instead of equity.

Table 9 Equity Multiplier (EM)

Years	2020	2021	2022	2023	2024
AIB EM	18	21	17	13	11



Graph 9 Equity Multiplier (EM)

• *Interpretation*

The AIB equity multiplier graph over the period from 2020 to 2024 reveals important insights into the company's financial leverage and capital structure dynamics. In 2020, the equity multiplier was relatively moderate, indicating a balanced mix of debt and equity financing. However, in 2021, the ratio peaked sharply at around 21, which signifies that the bank significantly increased its leverage during that year, meaning a substantial portion of its assets was financed through debt rather than equity. This could have been driven by strategic borrowing to fund expansion, liquidity needs, or to take advantage of favorable borrowing conditions during that period. Post-2021, the graph shows a consistent decline in the equity multiplier, dropping to approximately 11 by 2024. This downward trend suggests that AIB has been actively reducing its leverage, possibly by deleveraging, either by paying down debt, increasing equity through retained earnings or new equity issuance, or a combination of both. Such a decrease is generally viewed as a move towards a more conservative financial stance, reducing financial risk and improving financial stability, especially in uncertain economic environments. This shift could also be reflective of regulatory pressures, strategic risk management, or an effort to improve creditworthiness and investor confidence. Overall, the graph illustrates a strategic transition from high leverage to a more balanced or conservative capital structure over these years, with the company aiming to mitigate risk and strengthen its financial position in the long term.

*D. Efficiency Ratios*

Efficiency ratios focus on using expenses or resources efficiently to generate profitability. It is a key performance metric to assess the bank's profitability. As much as the lower the ratio, it will display more efficiency, but as much as the higher the ratio, indicates either increasing costs or decreasing revenues. In other words, efficiency ratios represent how good the bank utilizes its resources or assets to create products or services for sale and generate profit. Therefore, calling it assets management ratios as well.

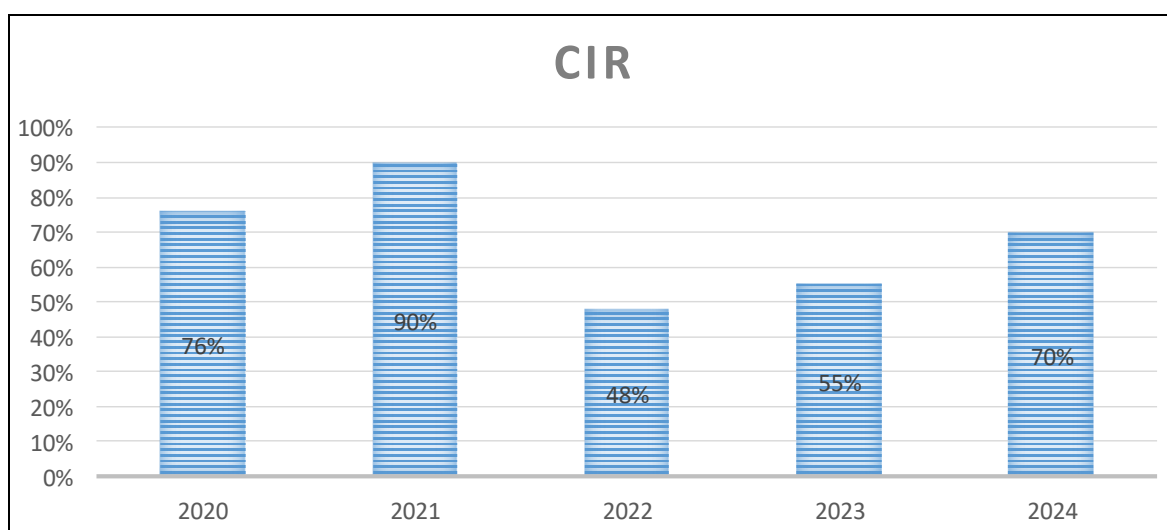
To elaborate further, Efficiency ratios for a banking institution measure how effectively the bank uses its assets and resources to generate income. Common efficiency ratios, like the cost-to-income ratio, compare operating expenses to revenue, indicating how well the bank manages its costs relative to its earnings. A lower efficiency ratio typically signifies better operational efficiency, meaning the bank is generating more profit with fewer expenses, which is important for overall profitability and competitiveness.

➤ *Cost to Income Ratio (CIR)*

It measures the proportion of operating expenses to operating income. So it is assessing operational efficiency. A lower CIR indicates better efficiency and profitability; it represents that the bank is effectively managing its costs in relation to its income. To explain further, CIR compares the operational expenses against the income, and it represents that as much as the cost is less than the income, then the performance is efficient, and the reverse result indicates no efficiency and no profitability. To explain in other words, CIR explains how many units of expenses have been utilized to generate how many units of income. If fewer units of expenses have generated many units of income, then the cost management is performed efficiently and effective profitability has occurred; otherwise, efficiency has been ignored.

Table 10 Cost to Income Ratio (CIR)

Years	2020	2021	2022	2023	2024
AIB CIR	76%	90%	48%	55%	70%



Graph 10 Cost to Income Ratio (CIR)

• *Interpretation*

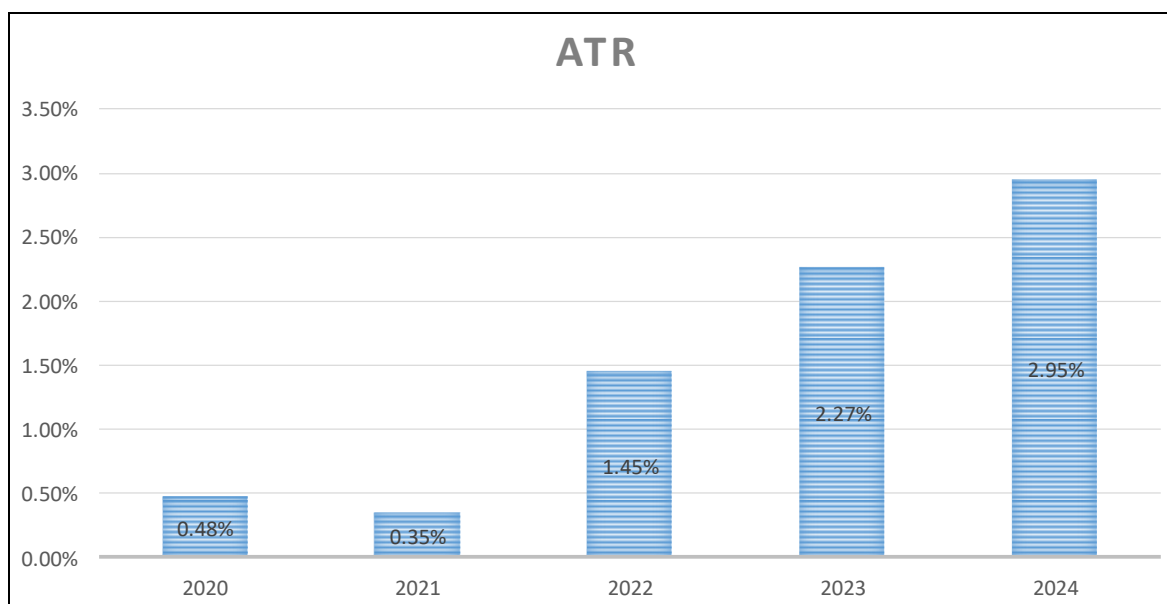
AIB’s CIR graph indicates a fluctuating trend over the specified years. Since the optimal range of CIR for a bank is between 50-60%, then AIB has experienced too much volatility during the period of 2020 to 2024. In 2020, the CIR reflected a relatively efficient cost structure relative to income. Although it is not inside the optimal scope. According to the AIB’s income statement in 2021, although cost-cutting happened compared to 2020 but the income reduced, so the CIR still shows too much inefficiency related to cost management and income improvement. In 2022 and 2023, the AIB CIR shows significant efficiency; conversely, in 2024 AIB CIR discloses relative inefficiency. Overall, the trend demonstrates considerable volatility, with a notable peak in 2021 followed by a recovery phase and a subsequent increase, implying that AIB Bank's operational efficiency has experienced periods of strain but also periods of effective cost control. Anyhow, the signs of stable efficiency still not yet appeared from the CIR graph.

➤ *Assets Turnover Ratio (ATR)*

The ATR measures how efficiently the bank uses its assets to generate revenue. A higher ATR indicates generating more revenue from its assets, which is considered a positive sign for efficiency and profitability, yet the lower ATR reflects the reverse result. ATR cooperates to evaluate the efficiency of management to generate revenue. An improvement in the asset turnover represents more efficiency in generating revenue from assets.

Table 11 Assets Turnover Ratio (ATR)

Years	2020	2021	2022	2023	2024
AIB ATR	0.48%	0.35%	1.45%	2.27%	2.95%



Graph 11 Assets Turnover Ratio (ATR)

• *Interpretation*

The AIB’s ATR trend demonstrates a consistent and strong upward direction from 2020 to 2024, implying that AIB is progressively becoming more efficient at generating income from its assets over these years. Since in the years 2020 and 2021 there was a worse political situation in Afghanistan, which caused economic uncertainty, therefore, AIB has experienced lower ATR and consequently lower efficiency, especially in 2021, when the ATR even represents a figure under the normal standard efficiency for AIB in utilizing Assets to generate revenue or ultimately profit. Yet, from 2022, AIB began to be more efficient in the use of assets, and ATR constantly improved during the years 2023 and 2024. As a result, this positive growth suggests improved operational effectiveness and potentially better profitability margins.

E. *Growth Potential Rate or Ratios*

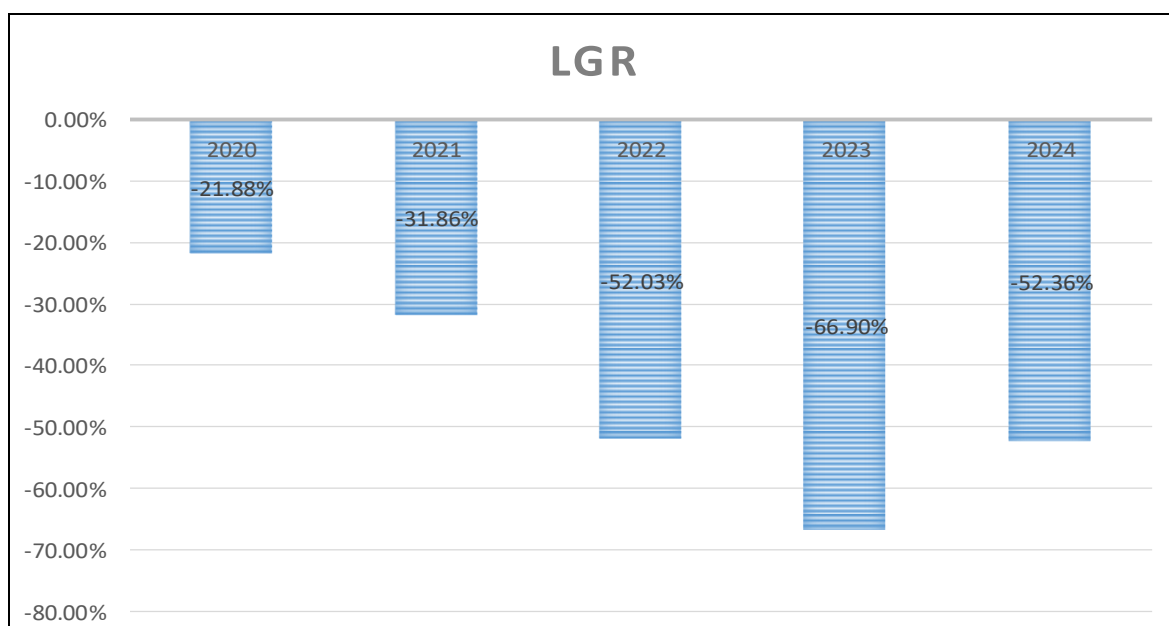
GPRs are financial metrics used to assess the capacity to generate future growth. These ratios help investors and management evaluate whether the bank has the potential to grow its assets, income, or market share over time or not. In other words, the Growth Potential Rate for a bank refers to the expected or projected rate at which a bank can increase its assets, revenues, profits, or market share over a specified period. It is a crucial metric used by investors, analysts, and management to assess the future expansion prospects of a banking institution. As a result, the Growth Potential Rate is a vital indicator of a bank's future expansion prospects, reflecting both internal capabilities and external market conditions. While it provides valuable insights, it should be interpreted alongside other financial measurements and qualitative factors for a comprehensive assessment of the bank’s future performance.

➤ *Loan Growth Rate*

The LGR measures the percentage change in the total amount of loans that has been issued by the bank over the given period. A higher LGR indicates a strong financial position and a competitive edge, which can enhance the bank’s creditworthiness and reputation. Since the main task and the main revenue inflow of a banking institution is lending, the LGR measures the growth rate of lending for a bank to determine whether profitability will increase or not. Therefore, LGR is crucial for investors to find out that the bank operation is going to expand or drop. The process to calculate the LGR looks easy, first need to deduct the start of year total loan amount from the end of year total loan amount, and then divide the result by the start of year total loan amount, and finally multiply by 100. To explain further, the loan growth rate for banking institutions refers to the percentage increase in the total amount of loans issued by a bank over a specific period, such as quarterly or annually. This metric is a key indicator of a bank’s lending activity and overall financial health, reflecting its ability to extend credit to consumers, businesses, and other entities. A healthy loan growth rate suggests that the bank is actively expanding its lending portfolio, which can lead to higher interest income and profitability. It also indicates confidence among borrowers and the bank’s willingness to take on more risk to support economic activity. However, excessively rapid loan growth might signal potential risks, such as overexposure to risky borrowers or bubbles in certain sectors, which could threaten the bank’s stability if not managed carefully. Conversely, a declining or stagnant loan growth rate may point to cautious lending policies, economic downturns, or reduced borrower demand. Factors influencing loan growth include prevailing interest rates, economic conditions, regulatory policies, and the bank’s strategic focus. Monitoring the loan growth rate helps stakeholders evaluate the bank’s expansion strategy, risk appetite, and overall contribution to economic development, making it a crucial metric for assessing performance and future prospects.

Table 12 Loan Growth Rate

Years	2020	2021	2022	2023	2024
AIB LGR	-21.88%	-31.86%	-52.03%	-66.90%	-52.36%



Graph 12 Loan Growth Rate

• *Interpretation*

The graph illustrates a progressively increasing negative LGR for AIB during the observed period. The downward trend emphasizes a persistent and considerable shrinkage of AIB’s loan assets, which could impact revenue streams, liquidity, and growth prospects, unless offset by other income sources or a recovery in lending activities. Overall, the Graph represents that the Lending operation in AIB is decreasing significantly. So, the economic uncertainties may have forced AIB to not rely more on lending revenue, because the loan growth may face further risk in a worse economic situation, on the other hand, might there is no adequate credit demand due to low economic growth, since the businesses predict the economic growth rate is declining, than it will be impossible for them to repay back their loans principle and its interest rate as well, therefore, they stop barrowing form AIB. Generally, AIB not only has an expansion strategy, but its contribution to economic development is decreased as well, exhibits that its long term peformance and future prospects not much more hopeful.

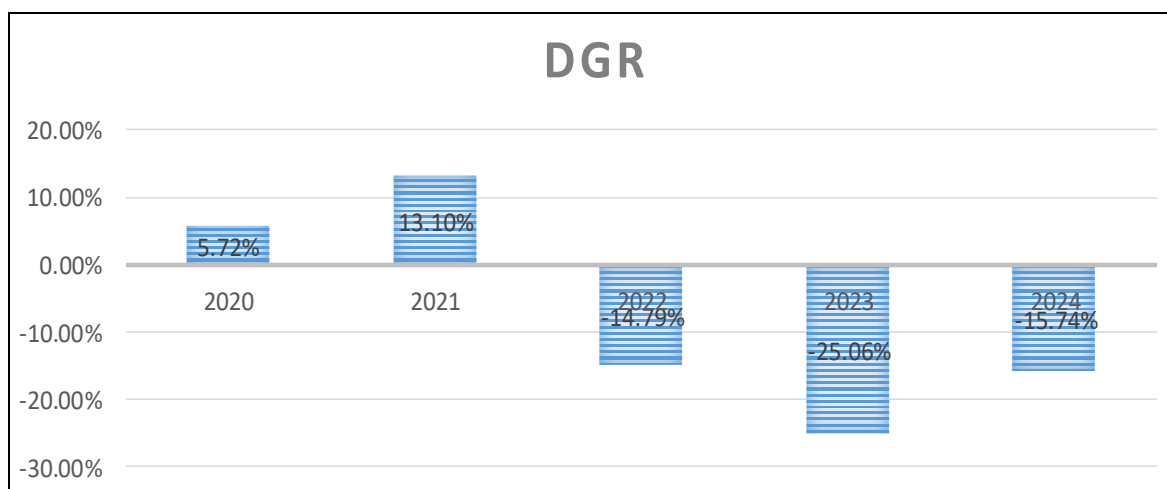
➤ *Deposit Growth Rate*

DGR refers to the confidence of customer on the bank for retain their deposit in the bank accounts. Higher DGR shows the deposit is growing and lower DGR point out negative result. The factors that attract customers to deposit or maintain their deposits in the bank are interest rate, bank strategies and market condition. The process to calculate the DGR is somehow easy, first must

deduct the start of year total deposit amount from the end of year total deposit amount and than divide the result to the start of year total deposit amount and finally multiply it to 100. To say differently, the deposit growth rate for banking institutions refers to the percentage increase in the total amount of deposits held by a bank over a specific period, typically measured annually or quarterly. This metric is a crucial indicator of a bank’s ability to attract and retain customer funds, reflecting its market competitiveness and customer confidence. A high deposit growth rate suggests that the bank is successfully expanding its customer base and increasing its financial resources, which can be used for lending and investment activities to generate revenue. Conversely, a low or negative deposit growth rate may indicate waning customer trust, increased competition, or economic challenges affecting depositors' willingness to keep funds in the bank. Factors influencing deposit growth include interest rates offered on deposits, economic stability, bank reputation, promotional strategies, and broader monetary policy conditions. Monitoring deposit growth rate helps bank management, investors, and regulators assess the bank’s financial health, liquidity position, and potential for future growth, making it a vital metric in banking performance analysis.

Table 13 Deposit Growth Rate

Years	2020	2021	2022	2023	2024
AIB DGR	5.72%	13.10%	-14.79%	-25.06%	-15.74%



Graph 13 Deposit Growth Rate

• Interpretation

The graph drawing downward volatile trend; although there is modest growth at the beginning of the period; but totally, shows declining trend over the whole period. In 2020 the DGR indicates a 5.72% growth than its previous year, and it improved in 2021 by 13.10%, yet from 2022 till 2024 AIB experienced negative deposit growth rate, this declining trend represents two specific reasons, first indicates lack of customers confidence that they may preferred to keep their cash at their home instead of their bank accounts due to political instability risk or future irregularity expectation, second the economic shrinkage or worse economic situation may have faced the customers to insolvency, than they may not have adequate cash to save them in their bank accounts. Anyhow, the trend path indicates a challenging period for deposit growth, highlights potential concerns over customer confidence or might the uncertain economic and political condition influenced the customers to keep their cash at home instead in their bank accounts. Although DGR shows some improvement in 2024 but still it represents negative figure and positive deposit growth looks far away.

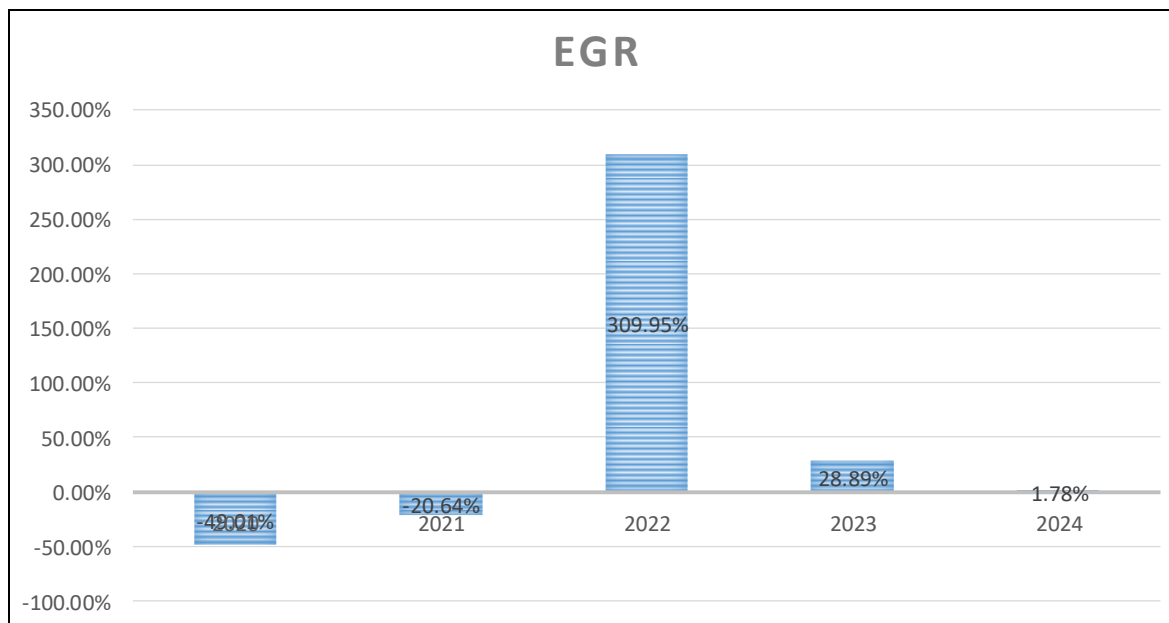
➤ Earnings Growth Rate

The Earnings Growth Rate for a bank refers to the percentage at which a bank's earnings are increasing or decreasing over time. This growth rate is important for stakeholders as it helps assess a bank's financial performance and growth potential. In other words, this tool of measurements represents how much the current year's earnings have grown than the previous years. If the EGR increases each year from its previous year, then the trend is improving upward; otherwise may experience a downward direction or fluctuation. To measure the EGR, one needs to perform some necessary calculations. At the beginning, deduct the start-of-year net income from the end-of-year net income and then divide the result by the start-of-year net income, and finally multiply it by 100. To elaborate further, the earnings growth rate for banking institutions refers to the percentage increase in a bank’s net income or profits over a specific period, such as annually or quarterly. This metric is a vital indicator of the bank’s financial performance and overall health, reflecting how effectively the institution is generating profit from its core operations, including interest income, fee income, and other revenue sources. A positive earnings growth rate signifies that the bank is improving its profitability, which can enhance shareholder value, support expansion efforts, and strengthen its financial stability. Conversely, a declining earnings growth rate may signal challenges such as rising expenses, increased loan losses, lower interest margins, or adverse economic conditions. Factors influencing earnings growth include interest rate environments, loan demand, asset quality, operational efficiency, regulatory changes, and strategic initiatives like cost-cutting or product diversification. Monitoring earnings growth

helps investors, regulators, and management assess the bank’s ability to sustain profitability over time, adapt to changing market conditions, and deliver value to stakeholders. Overall, consistent earnings growth is often viewed as a sign of a robust and well-managed banking institution.

Table 14 Earnings Growth Rate

Years	2020	2021	2022	2023	2024
AIB EGR	-49.01%	-20.64%	309.95%	28.89%	1.78%



Graph 14 Earnings Growth Rate

• *Interpretation*

Based on the graph trend and numeric details, AIB experienced a severe decline in earnings during 2020 and 2021. In 2020, the EGR exhibits -49.01% which shows a significant drop in earnings growth compared to the previous year. Despite some improvement occurring in 2021 rather than 2020, yet still the EGR is negative percentage and represents declining growth for earnings. The challenging economic conditions or AIB’s internal issues, as well as unstable political situation during 2020 and 2021, might have caused AIB to experience a severe decline in EGR. However, in 2022, the bank met an exceptional rebound with a very high growth rate, which continued into 2023, but at a much lower level compared to 2022, still a more sustainable level. Although the close-zero growth in 2024 suggests the bank’s earnings are stabilizing after a period of volatility, yet again it decreased constantly and may even experience negative growth in the next year, 2025. As a result, the volatile EGR trend represents AIB’s much more reliance on Fee and commission revenue from UN Offices and INGOs from year 2022 till 2024, the reason for the outstanding decline in EGR in 2024 is the decrease in international aid of UN Offices and as well the USA humanitarian aid stoppage. Hereby, it is recommended that AIB work further on lending strategies for revenue inflow and try to make a better domestic market share position for itself. Since the fluctuating trend for the period 2020-2024 may indicates increased loan losses, lower interest margins, or adverse economic conditions. On the other hand, the volatile and declining GER might occur as well by worse interest rate environments, decreased loan demand, drop of asset quality level, uncertain operational efficiency, severe regulatory changes.

## **CHAPTER FIVE REFLECTIONS & CONCLUSION**

Notable improvement in profitability demonstrated by AIB over the period 2020-2024. A consistent upward trend displayed via ROA, increased from 0.47% to 3.6%, indicating enhanced efficiency in utilizing assets to generate earnings. At the same time, AIB experienced a significant turnaround on ROE, rising from 8% and has stabilized at 34%, reflecting improved management effectiveness in converting shareholders' investment into profits. The PER indicated higher expenses relative to income at the initial stage, yet exhibited a substantial increase of 260% in 2024. This sharp rise presents a strategic shift toward cost management and profitability enhancement. Generally, the bank's profitability metrics unhide a positive trajectory, underpinning a strengthened financial foundation and promising future earning potential.

A conservative liquidity maintained by AIB for each year of 2020-2024. The liquidity financial metrics reflect a strategic focus on maintaining high liquidity buffers to safeguard against market uncertainty and ensure adequate cash reserves. Overall, AIB became more conservative, prioritizing financial stability and risk mitigation amid the volatile environment.

AIB has progressively moved toward a more stable and less leveraged financial structure. Ultimately, AIB's solvency status has improved, with decreasing financial risk and enhanced capacity to absorb losses, aligning with prudent risk management principles.

Fluctuated operational efficiency experienced by AIB during 2020-2024. Despite, the bank has become increasingly effective at generating revenue from its assets, as well as this improved efficiency still recommends that AIB must optimize its resource utilization and operational processes to well structure the future profitability and competitiveness.

The Loan and Deposit Growth Rate showed a significant decline. This alarming a substantial shrinkage in lending activities, and continues challenges in customer confidence for deposit retention due to economic instability and risk aversion. The earnings growth rate experienced a severe drop in 2020 and rebounded in 2022. So, the EGR trend reflects a recovery phase, yet LGR and DGR need strategic reforms to stimulate future expansion. As a result, AIB must implement new strategies to revive lending and attract deposits to foster sustainable income streams.

Base on the objectives of this study, AIB's financial performance is analysed successfully for the period 2020-2024, the evaluation revealed that AIB managements have done remarkable financial performance in achieving profitability, liquidity and solvency areas. Profitability trend got upward direction and income increased constantly from the beginning of the period 2020 till a peak level in 2024. As a result, sustainable or stable profit generating is happed for AIB and will continue for future years. Furthermore, AIB management maintained and improved an outstanding liquidity and solvency position, strongly able to meet all short, medium and long term obligations without any serious problem or insolvency. Generally, the Liquidity and solvency trend exhibit stable directions. Anyhow, AIB's efficiency ratios show volatile trend and it alarming that AIB must take further actions in regard to operation efficiency.

Regardless of the above important financial achievements by AIB, yet the growth potential rates unhide constant decreasing or declining trend directions for AIB which is a contradiction compared to the result of profitability, liquidity, solvency and efficiency ratios. Loan and Deposit growth rate shows more and more decline each year and earnings growth rate exhibited declining volatile trend direction. Since this contradiction comes from entire Afghanistan politic and economic instabilities or uncertainties situation, because AIB already have shown its prefect performance, based on its 2020-2024 performance, AIB has maintained its reputation and its market position as a leading financial institution in Afghanistan; moreover, still AIB cry up the bank of choice title in Afghanistan as well. Overall, the AIB's management financial performance for this period guarantees future financial outlook for short and medium term. Yet, for long term AIB must improve proper or suitable lending strategies with focusing mainly on interest income generation for profit growth and profit stability. On the other hand, AIB must initiate crucial strategies and enhanced customer services to attract customers' confidence and improve deposit growth as well. Consequently, if the loan and deposit growth rates improved, the earnings growth rate will enhance eventually.

As a summary, AIB determined exceptional financial performance during a volatile environment. The analysis of financial metrics indicated concrete stability, positive growth, and hopeful future prospects for AIB. Moreover, AIB has maintained its special reputation strongly. As well, AIB will not face any going concern for the short-term and medium-term periods. Yet, for long-term period, AIB must improve strategies and policies for stable and sustainable interest income streams through improvement of lending and attracting further deposit to decrease more reliance on Fee and Commission income streams.

## RECOMMENDATIONS

AIB has experienced considerable improvement in profitability and management proficiency over the entire period, and has strengthened its liquidity and solvency position with adopting more conservative approach in lending, cash reserve, and assets structure; however, cautious monitoring must be considered on operational efficiency.

Yet, the findings of this study represents sever fluctuation in earnings growth rate and constant downward trend or continues decline in loan and deposit growth rates. To say differently, the growth potential rate is against AIB's management significant performance in profitability, liquidity, solvency and somehow against operation efficiency as well. This conflict and contradiction mainly caused by political instability and economic uncertainties or economic shrinkage and will not face AIB to serious issues in short term and medium term of time, however if this trend continues for AIB's Growth Potential Rates for long term period, AIB may experience in some way crucial problems with lending, deposit and earnings. Since, AIB has strong dependency or reliance on Fee and Commission income currently, and these fee and commission revenue are mainly from UN Office Aids or INGOs Aids sources, if these Aids stopped by any reasons, AIB will experience sudden huge problem and even the Aids to Afghanistan continues through the mentioned organizations, but for long term the best suitable and sustainable source of profit is mainly interest income or lending revenue. Lending income not only stable and according to the mission statement of AIB, also it will strengthen domestic financial market than the strong domestic market will provide constant income for AIB.

As mentioned on the above paragraph the main functionality of a bank is accepting deposits and lending funds to achieve interest income; Hereby, the following strategic recommendations suggested to prosperous AIB's future growth and extension. So, it is crucial for AIB to work on optimizing lending strategies, attracting further deposit and mostly keep its reliance on loan interest income.

- The AIB profitability upward trend for 2020-2024 indicates that AIB has improved its profitability, yet it is recommended that more consideration is necessary to increase and Strengthen profitability further via cost management policies, reduce operating expenses, diversify income portfolio, and especially concentrate on interest income to implement its mission statement.
- AIB's liquidity ratios display adequate liquidity over the period of five years; therefore, it is recommended that AIB not only maintain this liquidity position, as well as must take care on the liquidity status continuously due to Afghanistan's unstable environment.
- AIB's solvency ratios for 2020-2024 reveal a strategic shift toward a more conservative and stable financial position. The bank is reducing its reliance on debt financing and lowering its financial leverage. Hereby, it is recommended that AIB continues to balance its leverage carefully, maintaining a prudent level of debt to optimize growth and profitability while avoiding excessive risk exposure by integrating risk management strategies that ensure long-term financial stability and resilience against economic uncertainties.
- The efficiency ratios present fluctuation and challenges in maintaining consistent cost management and operational efficiency; so it is recommended that AIB prioritizes stabilizing its operational cost to reduce volatility, through streamlining processes and controlling expenses, while continuing to focus on enhancing asset utilization. Sustained efforts to optimize both cost management and asset efficiency will be crucial for improving overall profitability and ensuring long-term operational stability.
- The loan and deposit growth rate indicates downward trends, which means lending and deposit growth declined constantly for the entire period, yet the earnings growth rate showed an upward trend that ensures AIB's profitability is improving and enhancing to become stable. However, it is questionable. How the earnings level increased; whereas, lending and deposit rates decreased, based on AIB's income statement significant part of earnings was collected via fees and commissions. Therefore, it is recommended that AIB must direct back on its mission statement by focusing on interest income and implement the catalyst role for Afghanistan economic development.

## IMPLEMENTATION PLAN

Based on the recommendations, AIB had indisposed performance in factors like lending and deposit attraction, yet AIB's other financial factors executed quite outstanding performance for the highlighted period of 2020-2024. So, AIB needs to increase Lending and deposit growth rates to maintain and improve a suitable and stable source of income for long term period. On the other hand, this will help AIB to decrease further reliance on other source of incomes like Fees and Commissions income. Hereby, it is suggested that AIB perform the following implementation plans to enhance its lending and deposit growth rates, ensuring future stability and profitability to improve earnings growth rate as well.

### ➤ Strategic Initiatives & Action Steps

Table 15 Strategic Initiatives & Action Steps

No	Initiative	Actions	Responsible Departments	Timeline	Resources Needed
1	a. Enhance Lending Portfolio	1- Develop targeted loan products for priority sectors (e.g., SMEs, agriculture, energy, construction, and mining). 2- Implement flexible credit policies aligned with economic conditions. 3- Strengthen risk assessment processes to support responsible lending.	Retail & Commercial Banking, & Risk Management	1-6 Months	Market research team, credit officers, risk analysts
2	b. Boost Deposit Mobilization	1- Launch targeted marketing campaigns promoting savings and fixed deposits. 2- Introduce attractive deposit schemes with competitive interest rates. 3- Expand mobile banking and digital banking reach for easier deposit access.	Marketing, Retail Banking, & Digital Banking Channels	1-4 Months	Marketing, budget, & digital platform enhancements
3	c. Improve Operational Efficiency	1- Streamline loan processing and approval workflows. 2- Automate routine tasks to reduce operational costs. 3- Regular staff training on efficient service delivery.	Operations, IT, HR	1-6 Months	IT infrastructure, training programs
4	d. Focus on Interest Income & Fee-based Revenue	1- Cross-sell lending products to existing deposit customers. 2- Innovate fee-based services aligned with customer needs. 3- Monitor and optimize interest margin strategies.	Sales, Product Development, & Finance	Ongoing	Product teams, & customer data analytics

### ➤ Monitoring & Evaluation

- Monthly Review Meetings: Follow up progress of KPIs, identify the stages, and adjust strategies.
- Quarterly Financial Analysis: Evaluate impacts on lending/deposit growth and profitability.
- Risk Management: Continuously assess risk exposure, ensuring balanced growth without compromising financial stability.
- Customer Feedback: Gather insights to refine product offerings and service quality.

### ➤ Risk & Mitigation Strategies

- Maintain prudent lending standards to prevent asset quality deterioration.
- Ensure deposit schemes are competitive yet sustainable.

- Balance growth initiatives with operational capacity to avoid service quality decline.
- Continuously monitor macroeconomic factors impacting Afghanistan's banking environment.

➤ *Expected Outcomes*

- Short-term: Increased loan and deposit volumes, stabilized operational costs.
- Medium-term: Improved interest income, diversified revenue streams.
- Long-term: Enhanced profitability, stronger market position, and resilience against economic volatility.

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**APPENDIXES**

- Appendix A: Grant Thornton, Financial Statements and Audit Report for the Year 2020, AIB
- Appendix B: Mazars, Financial Statements and Audit Report for the Year 2021, AIB
- Appendix C: Mazars, Financial Statements and Audit Report for the Year 2022, AIB
- Appendix D: Mazars, Financial Statements and Audit Report for the Year 2023, AIB
- Appendix E: Mazars, Financial Statements and Audit Report for the Year 2024, AIB
- Appendix F: Hussain Poiamanish, Financial Performance Analysis Ratios Calculation, 2025
- *AIB's Profitability Ratios Calculation:*

A- Return on Assets (ROA)						
	Ratio	2020	2021	2022	2023	2024
<b>ROA = Net Income/ Total Assets</b>	Net Income	310,129.00	246,103.00	1,008,905.00	1,300,387.00	1,349,102.00
	Total Asset	66,604,716.00	74,453,208.00	65,016,527.00	49,402,608.00	42,694,305.00
		33,302,358.00	37,226,604.00	32,508,263.50	24,701,304.00	21,347,152.50
		0.004656262	0.003305472	0.01551767	0.026322234	0.031599109
		0.465626188	0.330547208	1.551766984	2.632223384	3.159910906
	<b>ROA</b>	<b>0.47%</b>	<b>0.33%</b>	<b>1.55%</b>	<b>2.63%</b>	<b>3.16%</b>

B- Return on Equity (ROE)						
	Ratio	2020	2021	2022	2023	2024
<b>ROE = Net Income/ Average Shareholders' Equity</b>	Net Income	310,129.00	246,103.00	1,008,905.00	1,300,387.00	1,349,102.00
	AS Equity	3,741,695.00	3,578,536.00	3,771,302.00	3,864,102.00	3,984,117.00
		0.082884628	0.068771978	0.267521668	0.336530195	0.338620076
		8.288462849	6.877197826	26.75216676	33.65301951	33.86200757
		<b>ROE</b>	<b>8%</b>	<b>7%</b>	<b>27%</b>	<b>34%</b>

C- Profit Expense Ratio (PER)						
	Ratio	2020	2021	2022	2023	2024
<b>Profit Expense Ratio (PER)=Net Profit/ Operating Expenses</b>	Net Income	310,129.00	246,103.00	1,008,905.00	1,300,387.00	1,349,102.00
	NO Expenses	2,023,522.00	1,765,403.00	1,778,378.00	1,825,301.00	517,796.00
		0.153261986	0.139403298	0.567317522	0.712423321	2.605470108
		15.32619858	13.94032977	56.73175219	71.24233209	260.5470108
		<b>PER</b>	<b>15%</b>	<b>14%</b>	<b>57%</b>	<b>71%</b>

- *AIB's Liquidity Ratios Calculations:*

A- Loan to Deposit Ratio (LDR)						
Ratio	2020	2021	2022	2023	2024	
Total Loans	2,670,139.00	1,819,527.00	872,752.00	288,884.00	137,619.00	
Total Deposits	62,211,331.00	70,359,122.00	59,950,045.00	44,926,368.00	37,855,855.00	
<b>Loan to Deposit Ratio =Total Loans/Total Deposits</b>	0.042920461	0.02586057	0.014557987	0.006430166	0.003635343	
	4.29204609	2.586057001	1.45579874	0.643016591	0.363534254	
LDR	4%	3%	1%	0.60%	0.40%	

B- Cash Deposit Ratio (CDR)						
Ratio	2020	2021	2022	2023	2024	
Cash With DAB	12,508,824.00	22,457,198.00	36,754,123.00	27,209,283.00	19,467,147.00	
Cash with Banks	11,958,104.00	18,316,295.00	4,935,205.00	4,819,385.00	4,795,887.00	
Total Deposit	62,211,331.00	70,359,122.00	59,950,045.00	44,926,368.00	37,855,855.00	
<b>Cash Deposit Ratio (CDR)= Cash and Cash Equivalents/ Total Deposits</b>	24,466,928.00	40,773,493.00	41,689,328.00	32,028,668.00	24,263,034.00	
	39.32873257	57.95054265	69.54011127	71.29146963	64.09321359	
CDR	39%	57%	70%	71%	64%	

C-Loan to Asset Ratio (LAR)						
Ratio	2020	2021	2022	2023	2024	
Total Loans	2,670,139.00	1,819,527.00	872,752.00	288,884.00	137,619.00	
Total Assets	66,604,716.00	74,453,208.00	65,016,527.00	49,402,680.00	42,694,305.00	
<b>Loan to Asset Ratio (LAR)= Total Loans/ Total Assets</b>	4.008933842	2.443853057	1.342354076	0.584753702	0.322335731	
LAR	4%	2%	1.34%	0.58%	0.32%	

➤ AIB's Solvency Ratios Calculations:

A-Debt to Equity Ratio (DER)						
	Ratio	2020	2021	2022	2023	2024
T Liabilities		62,863,021.00	70,874,673.00	61,245,226.00	45,538,579.00	38,710,188.00
S Equity		3,741,695.00	3,578,536.00	3,771,302.00	3,864,102.00	3,984,117.00
		16.80068017	19.80549392	16.23980949	11.78503544	9.716127313
<b>Debt to Equity = Total Liabilities/ Shareholders' Equity</b>	<b>DER</b>	17	20	16	12	10

B- Debt to Total Assets Ratio (DTAR)						
	Ratio	2020	2021	2022	2023	2024
T Liabilities		62,863,021.00	70,874,673.00	61,245,226.00	45,538,579.00	38,710,188.00
T Assets		66,604,716.00	74,453,208.00	65,016,527.00	49,402,608.00	42,694,305.00
		94.38223714	95.1935785	94.19947331	92.17849187	90.66827063
<b>Debit To Total Assets=Total Liabilities/Total Assets</b>	<b>DTAR</b>	94.38	95.19	94.2	92.18	90.67

C- Equity Multiplier (EM)						
	Ratio	2020	2021	2022	2023	2024
T Assets		66,604,716.00	74,453,208.00	65,016,527.00	49,402,608.00	42,694,305.00
T Equity		3,741,695.00	3,578,536.00	3,771,302.00	3,864,102.00	3,984,117.00
		17.80068017	20.80549364	17.23980922	12.78501654	10.71612731
<b>Equity Multiplier (EM)= Total Assets/Total Shareholders' Equity</b>	<b>EM</b>	18	21	17	13	11

➤ AIB's Efficiency Ratios Calculations:

A- Cost to Income Ratio (CIR)						
Ratio	2020	2021	2022	2023	2024	
Operating Expenses	2,023,522.00	1,765,403.00	1,778,378.00	1,825,301.00	1,637,163.00	
Operating Income	2,653,082.00	1,959,540.00	3,702,919.00	3,308,799.00	2,346,762.00	
	76.27061659	90.09272584	48.02638135	55.1650614	69.76263464	
CIR	76%	90%	48%	55%	70%	

**Cost to Income Ratio (CIR)=Operating Expenses/ Operating Income**

B- Assets Turnover Ratio (ATR)						
Ratio	2020	2021	2022	2023	2024	
Net Revenue	310,129.00	246,103.00	1,008,905.00	1,300,387.00	1,359,102.00	
A Total Assets	65,168,609.00	70,528,962.00	69,734,868.00	57,209,604.00	46,048,493.00	
	0.475887095	0.348938922	1.446772653	2.273022201	2.951458151	
	0.48	0.35	1.45	2.27	2.95	
ATR	0.48%	0.35%	1.45%	2.27%	2.95%	

**Assets Turnover = Net Revenue/Average Total Assets**

➤ Growth Potential Ratios Calculations:

**A- Loan Growth Rate**

**Loan Growth Rate =  
Loans at End of Period-Loans at  
Start of Period  
/Loans at Start of Period  
×100%**

Ratio	2020	2021	2022	2023	2024
End Year Loan	2,670,139.00	1,819,527.00	872,752.00	288,884.00	137,619.00
Start Year Loan	3,417,810.00	2,670,139.00	1,819,527.00	872,752.00	288,884.00
	-747,671.00	-850,612.00	-946,775.00	-583,868.00	-151,265.00
	-21.87573329	-31.8564689	-52.03412755	-66.89964618	-52.36184766
	-21.88	-31.86	-52.03	-66.9	-52.36
<b>LGR</b>	<b>-21.88%</b>	<b>-31.86%</b>	<b>-52.03%</b>	<b>-66.90%</b>	<b>-52.36%</b>

**C- Deposit Growth Rate**

**Deposit Growth Rate =  
Deposits at End of Period-  
Deposits at Start of  
Period/Deposits at Start of  
Period×100%**

Ratio	2020	2021	2022	2023	2024
End Deposits	62,211,331.00	70,359,122.00	59,950,045.00	44,926,368.00	37,855,885.00
Start Deposits	58,843,106.00	62,211,331.00	70,359,122.00	59,950,045.00	44,926,368.00
	3,368,225.00	8,147,791.00	-10,409,077.00	-15,023,677.00	-7,070,483.00
	5.724077516	13.09695657	-14.79421105	-25.06032648	-15.7379359
	5.72	13.1	-14.79	-25.06	-15.74
<b>DGR</b>	<b>5.72%</b>	<b>13.10%</b>	<b>-14.79%</b>	<b>-25.06%</b>	<b>-15.74%</b>

**C- Earnings Growth Rate**

**Earnings Growth Rate =Net  
Income at End of Period-Net  
Income at Start of Period  
/ Net Income at Start of  
Period×100%**

Ratio	2020	2021	2022	2023	2024
End N income	310,129.00	246,103.00	1,008,905.00	1,300,387.00	1,323,597.00
Start N income	608,168.00	310,129.00	246,103.00	1,008,905.00	1,300,387.00
	-298,039.00	-64,026.00	762,802.00	291,482.00	23,210.00
	-49.00603123	-20.64495742	309.952337	28.8909263	1.784853278
	-49.01	-20.64	309.95	28.89	1.78
<b>EGR</b>	<b>-49.01%</b>	<b>-20.64%</b>	<b>309.95%</b>	<b>28.89%</b>	<b>1.78%</b>