



# LION INTERNATIONAL BANK S.C.

**ANNUAL**  
REPORT 2020/21



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# LION INTERNATIONAL BANK S.C.



- 1 **Gebrehiwot Ageba (PhD)**  
Chairperson
- 2 **Tsegay Tetemke**  
Vice Chairperson & Chairperson of Audit Subcommittee
- 3 **Alem Asfaw**  
Director and Member of Audit Subcommittee
- 4 **Wro. Meaza Alemayehu**  
Director and Member of Audit Subcommittee
- 5 **Fassil Tadese**  
Director and Chairperson of Human Affairs & Business Development Subcommittee
- 6 **Tadele Hagos (PhD)**  
Director & Member of Human Affairs & Business Development Subcommittee
- 7 **Yirga Tadese**  
Director and Member of Human Affairs & Business Development Subcommittee
- 8 **Haile Berhe**  
Director and Member of Human Affairs & Business Development Subcommittee
- 9 **Tsegabrhan Mekonen (PhD)**  
Director & Chairperson of Risk and Compliance Management Subcommittee
- 10 **Tewelde Asfaw**  
Director and Member of Risk & Compliance Management Subcommittee
- 11 **Guush Berhane (PhD)**  
Director and Member of Risk and Compliance Management Subcommittee

የስኬት ዓቅር!  
LIB KEY TO SUCCESS!

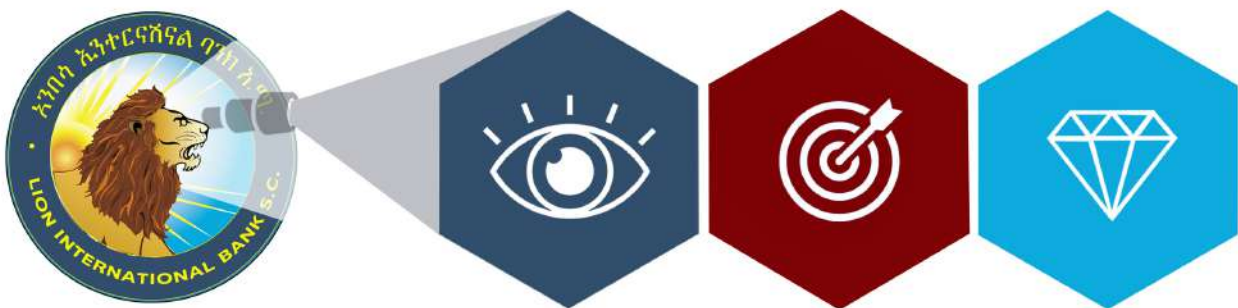
Senior Executive Management



- 1 Daniel Tekeste  
A . President
- 2 Gebru Meshesha  
VP - Resource Management
- 3 Tekie Mekuria  
VP - Corporate Banking
- 4 Aklilu Hayelom  
VP - Northern Regional Office
- 5 Abreham Tilahun  
AVP - Retail Banking
- 6 Hailay Haftu  
AVP - Business Strategy & Modernization

# Mission

In as much as we are committed for the shareholders' value, we care for the satisfaction of the public's, partners', and employees' needs through service excellence, innovation, passionately focused team, sustainable practice, and providing diversified banking services to our patrons global



# Vission

To be the leading Bank in Ethiopia by 2035

# Value

- Integrity
- Teamwork
- Diversity
- Social responsibility
- Innovation & learning organization
- Customer satisfaction
- Employee satisfaction

## MESSAGE FROM THE BOARD CHAIRPERSON



### Dear shareholders and colleagues,

It is apparent that the year 2021 was a tough year for the financial sector. The global and domestic social, economic and political factors manifested during the fiscal year have casted a shadow over the performance of the banking sector in the country in general and Lion International Bank in particular.

The prolonged COVID 19 pandemic coupled with the ongoing conflict in the northern part of Ethiopia, and the sustained rise in inflation have negatively impacted banks, especially on domestic deposit and FCY mobilization, loan disbursement and collection, as well as new branch opening and expanding accessibility, leading to underachievement in the overall performance of the bank.

The outbreak of conflict in the northern part of the country rendered almost all branches in the region remain dysfunctional. Besides, many branches have been looted and damaged, causing immense financial damage. Many of our borrowers also have their businesses affected, hence remain unable to repay, with

consequences on bad debts and losses. These, together, significantly impacted the performance of the Bank during the reporting period.

During the 1<sup>st</sup> Quarter of the Fiscal Year, as evidenced by the Performance Report for the Quarter, our bank was able to register strong performance in all parameters of its service engagements. This was, however, severely disrupted by the situation, not only hampering growth but also causing deterioration in performance.

Realizing the depth and severity of the challenges, the Board of Directors and the Senior Executive Management of the bank have been closely observing the situation and conducted frequent discussions and scenario analysis in order to devise short and long term strategies and interventions to resolve the challenges the bank has faced. To mention some, they have implemented Foreign Currency Mobilization Strategy, Short Term Intervention programs to enhance asset quality and ease of customers' burden among others. Moreover, various ad-hoc teams were formed exerting efforts to facilitate and regularly monitor proper implementation of the strategies. All the coordinated efforts and actions taken have contributed to halting the downward move in performance.

It will be a remiss not to mention here that the deliberate and baseless attempts of defamation by some individuals against the bank had casted a shadow over its reputation. However, LIB being a bank conducting its activities under the capable supervision of the National bank of Ethiopia, the Financial Intelligence Center and other pertinent authorities as well as board oversight, such attempts clash with the reality on the ground. The truth is that Lion International Bank, despite the situation, strictly observes the rules and regulations of the land and the NBE directives as well as its articles of association.

On this occasion, I would like to express my sincere appreciation to the National Bank of Ethiopia. In view of the challenges posed on our bank by factors beyond its control, the NBE's positive response to the solutions we proposed to deal with the challenges and minimize the negative consequences was crucial. My colleague board members and I, therefore, cordially extend our warm appreciation.

Regarding financial and non-financial performance of the bank for the fiscal year that ended June 30, 2021, despite the aforementioned challenges and hurdles, our bank has managed to register decent profit before tax of Birr 414.1million. Given the nature of the extraordinary challenging situations, this achievement could be considered fair and encouraging.

During the fiscal year, although resource mobilization had been difficult, through its functional branches, our bank was still able to reach total outstanding deposits of Birr 26 billion , which is just 0.5% percent lower than the previous year. Total assets of the Bank reached Birr 32.2 billion, showing a 13 percent increase over the preceding year. Besides, the capital and reserves of the Bank reached Birr 3.6 billion, 4.6 percent higher than last year. The paid up capital has also reached Birr 2.53 billion. A newly issued NBE Directive SBS/78/2021 instructs commercial banks to raise their minimum paid up capital to birr 5 billion over the 5 years period until June 30, 2026. Our bank and shareholders are thus expected to work on raising the paid up capital to reach the required amount within the given period.

Moreover, our bank has managed to disburse loans and advances of Birr 5.4 billion (an increase of 14.4 percent over the preceding year), raising the outstanding loan balance to Birr 21.8 billion. With the overall business slowdown that impacted the repayment capacity of borrowers, loan collection has been negatively affected. As a result, total non-performing loans to total loans (NPLs) ratio has grew much higher than the 5-percent threshold set by the National Bank of Ethiopia and the industry average; this triggers cautious attention of the Board and Management to regularize bad debts.

With respect to accessibility and expansion, LIB, to leverage its accessibility, has opened 13 new branches during the fiscal year, raising the total number of branches to 276. The bank is also providing multi channeled banking services through its digital banking and agent banking services throughout the country. The bank has recruited 354 new agents raising the total number to 3,247 allowing our customers to access banking services without having to go to branches. LIB has currently 253,227 mobile banking, 175,042 card banking, and 31,645

internet banking users, enabling the bank to enhance its market share in the industry.

### Esteemed Shareholders,

The board, during the fiscal year, has also laid down institutional bases which include empowerment and decentralization at various levels of Management designed to accelerate and simplify its decision making processes. Moreover, on the Board's advice, ad-hoc committees from the management have been established to revitalize business initiatives in the areas of customer satisfaction, expansion and diversification of customer base, and technology and human capital engagement. Accordingly, detailed action plans have also been approved and cascaded to the level of various organs at Head office and branches.

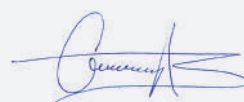
### Dear shareholders,

The Board of Directors of LIB acknowledges the unparalleled support it received from shareholders and customers. The Board also appreciates the efforts of Management and employees who exerted coordinated efforts to realize the bank's objectives. I would like to say thank you to you all.

The board along with the Management and the entire staff of the Bank will remain committed to curb the various challenges and ensure sustainable growth and competitiveness of the Bank. The future is bright and promising; standing united we will realize the vision of the bank – making LIB Leading Bank in Ethiopia.

Finally, let me seize this moment to convey my heartfelt appreciation to our esteemed customers for putting their confidence and trust on the bank. I would also like reiterate my sincere thanks and appreciation to the National Bank of Ethiopia, the Financial Intelligence Center and pertinent government organs who extended their relentless supervision, guidance and expertise support to our overall activities.

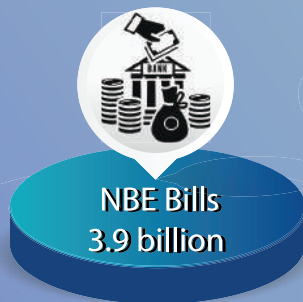
Thank you.



Gebrehiwot Ageba (PhD)  
Chairperson, Board of Directors - LIB



# PERFORMANCE HIGHLIGHTS



## DIRECTORS' REPORT

Fiscal Year 2020/21 FY

The year ended was not a normal year for LIB. The political instability specifically in the Tigray region has severely harmed the Bank's overall performance. Following the crisis, the Bank has implemented different short term interventions which could curve the unpleasant situation, but more extra efforts from internal and abundant supports from external organs are still demanded.

In line with this, the Board of Directors of Lion International Bank S.C hereby presents the annual performance report as well as audited financial statements of the Bank for the year ended 30<sup>th</sup> June 2021 to the 17<sup>th</sup> annual general assembly of its shareholders as follows:

### 1. OPERATIONAL PERFORMANCE HIGHLIGHTS

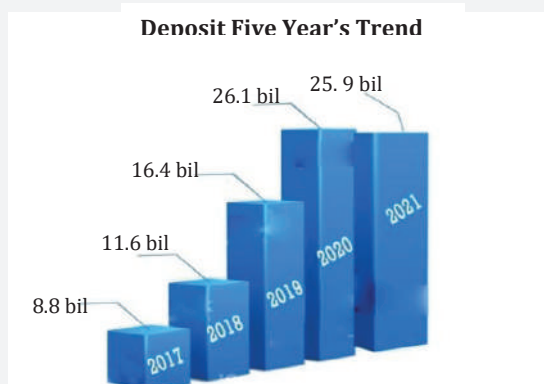
The Bank's performance of both financial and non-financial activities in the years before the 2020/21 FY was remarkable. For instance, on its deposit mobilization endeavor, the Bank's deposit averagely grew by 42 percent in the last five years before the concluded budget year, which was above the average growth of medium and small size banks. However, in 2020/21 FY, Bank's upward growth trajectory was slowed down mainly due to the instability occurred in the external environment. To reverse the impact, the Bank has established resource mobilization committee, which is actively engaged since the first day of the new budget year started. In addition, the Bank has identified major strategic issues which can address the gaps in the Bank and will be serving as inputs for the Bank's overall sustainable growth in the future.

#### 1.1. DEPOSITS

The total deposit of the Bank stood at Birr 25.9 billion at the end of the fiscal year; decreasing by Birr 139.7 million (0.5 percent) from the preceding year. The

decline was mainly due to the contraction in saving deposit by Birr 899.3 million (4 percent), demand deposit by Birr 824.8 million (28 percent). On the contrary,

fixed time deposit increased by Birr 1.6 billion (107 percent) and it had a positive contribution to the overall deposit performance and compensating the shortfall.



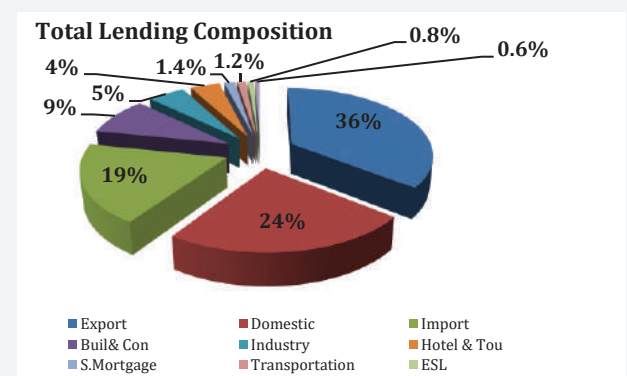
At the end of June 2021, out of the total deposits, 77 percent was saving deposit, while the remaining 12 percent and 11 percent were time and demand deposits, respectively. This indicates the reliance on sustainable source of deposit i.e, saving deposit.

On the other hand, the total deposit accounts of the Bank reached 1.4 million. It increased by 249,242 accounts or 21 percent compared to the last year same period. Similar to the deposit mix, 97 percent of the number of depositors were saving account holders, while the remaining accounts belong to demand and time depositors.

## 1.2. CREDIT MANAGEMENT

At the end of June 2021, the total outstanding loans and advances of the Bank reached Birr 22.9 billion, which exhibited an increase of Birr 3.4 billion or 17 percent against the preceding fiscal year's balance. The loan to deposit ratio reached 88 percent.

Out of the total outstanding loans and advances, Birr 8.3 billion (36 percent) went to export sector followed by domestic trade and services Birr 5.4 billion (24 percent), import Birr 4.3 billion (19 percent), building & construction Birr 2.0 billion (9 percent), and industry Birr 1.2 billion (5 percent). Hotel and tourism, transportation & communication, staff mortgage & emergency loans and agriculture constituted the remaining balances.



Similarly, with the aspiration to maintain a quality asset portfolio, LIB is exerting

maximum efforts to keep its non-performing loans (NPLs) in the acceptable range.

### **1.3. INTERNATIONAL BANKING**

During the 2020/21 FY, the Bank generated a total foreign exchange of USD 83.7 million. Like the previous years, the Bank generated its 49 percent from export; while the portion of foreign currency earnings from remittance, incoming transfer, and cash purchase accounted for 36 percent, 9 percent and 5 percent, respectively.

Chronic shortage of foreign currency in the country, the fast spread of Covid-19 pandemic and the surge in parallel market had drawback on the Banks overall foreign currency mobilization efforts.

Moreover, the Bank has established correspondent banking relationships with nine reputable foreign banks, and eleven money transfer agents: - Western Union, Money Gram, Dahabshiil, TransFast, Ria, XPRESS Money, World Remit, IFTIN EXPRESS, TransferTo (Tunes), Crown Agent and Post of Djibouti.

## **2. HIGHLIGHTS OF FINANCIAL PERFORMANCE**

### **2.1. REVENUE**

The total revenue generated by the Bank from various sources at the end of the fiscal year was Birr 4.2 billion, showing an increment of Birr 945.7 million or 29 percent comparing to last year same period.

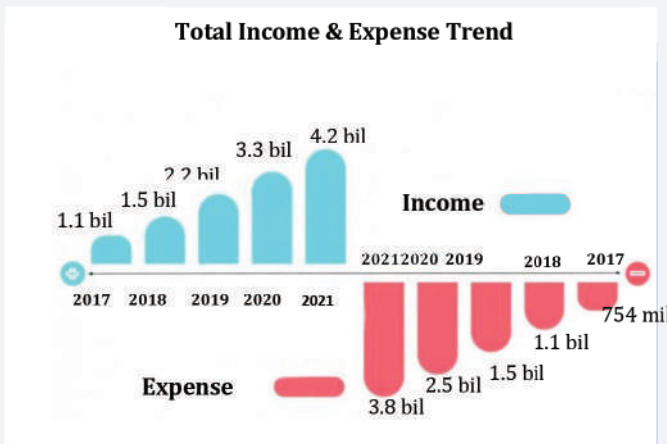
The mix of the total income indicates that Interest income from loans and advances has dominance by holding 87 percent share, whereas other and commission incomes accounted for 4 percent and 9 percent, respectively. Accordingly, the interest income to the non-interest income ratio was 91 to 9.

### **2.2. EXPENSE**

The total expense of the Bank has climbed to Birr 3.8 billion, exhibiting a 53 percent upsurge over the previous year's level of Birr 1.3 billion.

The growth recorded in total expense was a reflection of 81 percent, 56 percent and 12 percent growth recorded in general, interest and salary & benefits expenses

over the level of the preceding year, respectively. Concerning the composition of expenses, interest expense accounted for the lion's share of the total expense (41 percent) and followed by general expense (39 percent) and salary & benefits (20 percent).



## 2.3 PROFIT

Gross profit before tax amounted to Birr 414.1 million. The figure is declined compared to last year same period performance. Growth in profit has been sustained for the previous consecutive years before the just ended budget year. The gross profit before tax average growth for the last five years was 35%.

## 2.4. ASSETS

At the end of June 30, 2021, the total assets of the Bank stood at Birr 32.2 billion, exceeding the preceding year's

balance by Birr 421.6 million or 1.3 percent. The insignificant growth in assets was largely contributed by the increment in outstanding loans and advances coupled with a slight increase in long term investment in NBE Bills.

The largest proportion of total assets was held by loans and advances with a share of 68 percent, followed by NBE bills and Cash and Bank Balance with a share of 12.2 percent and 12.1 percent, respectively.

## 3. CAPITAL GROWTH

### 3.1. FINANCIAL CAPITAL

The Bank's total capital & reserve increased to Birr 3.6 billion from the previous year's status stood at Birr 3.5 billion. On the other hand, the paid-up capital increased to 2.5 billion, which revealed growth of Birr 337.6 million (16 percent) from the preceding year. With respect to the number of shareholders, it has reached 11,824 as of June 30, 2021.

### 3.2. HUMAN CAPITAL

In the previous years, the aggressive expansion of the Bank has created job opportunities for over thousands of citizens. Acquainting new and existing

staff as well as the management team with the required skills and competencies had been one of the priorities of the Bank, which underpinned the substantial investment made on human capital development.

LIB, highly believes that every employee is a vital factor for the smooth function in the bank bridging the gap between the customers and the organization. The Bank has a team of highly motivated, skilled, committed, loyal, and empathetic staff members, who strive to meet customer aspirations and organizational goals. A strategic approach towards effective development and management of human capital has paramount importance. In order to augment the workforce in tune with the Bank's sustained growth and expanding networks, major initiatives towards talent acquisition and retention have been continued in the FY 2020/21 also.

At the closing of the financial year, the staff strength of the Bank has reached 4,310. From the Bank's total number of employees, 66 percent (2,852) were permanent employees and the remaining 34 percent (1,458) were contract

employees. In light of the educational background of the employee, 91 percent of the permanent employees are 1<sup>st</sup>-degree holders and above. Besides, the numbers of employees with 2<sup>nd</sup> degree have increased from year on year that made the Bank a place of expertise and talented staff.

With the infusion of young personnel, the Bank was able to maintain an average workforce age of 31 years old. Also, the Bank's employee gender composition was 70 percent male and 30 percent female.

The Bank believes training of the staff is a core requirement for the sustainable development of the organization. As part of the ongoing development to empower and upgrade staff capacity, various technical and employee development trainings were organized and conducted by the Bank itself and in collaboration with other well known training institutions. In the just-concluded year, 32 different short term skill upgrading training were organized and provided for 1,425 permanent employees of the Bank.

The Bank has continued to work hard to build conducive working environment that encourages employees to do their best so as to keep our service excellence to our esteemed customers.

### 3.3. BRANCH EXPANSION

The Bank's physical foot print further expanded across the country with the opening of additional 13 branches during the reporting period. As a result, the branch network of the Bank has reached 276. With increased outreach, the Bank has come ever closer to the general public and its customers, which substantially supported resource mobilization.

Similarly, the Bank, through its physical outlets, shall carry on the culture of creating access and convenience to the public.

### 3.4. MULTI - CHANNEL BANKING

#### 3.4.1. Digital Banking

Digital technology is transforming the way a customer interacts with the Bank. In incoherence with the change in the industry and the country too, the Bank has also strengthened the digital banking space.

As part of the Bank's continued endeavor to leverage technology to deliver value to customers' evolving needs, concerted efforts had been made. Currently, the Bank's services continue to be delivered via a range of banking channels, all tailored to the demands and preferences of customers. Accordingly, based on their needs, our customers use either our physical outlets or other delivery channels such as card, online, and mobile, services. The following provides a snapshot of our activities in these multichannel delivery channels-;

**Card Banking:** - Continues to be a highly valued banking channel for many of our customers with a daily average cash transaction of Birr 2.5 million. The total yearly cash withdrawal through ATMs has reached Birr 930.7 million which is up by 43 percent from the previous year's status. Furthermore, the Bank's total number of card banking users reached more than 178 thousand. In addition, to accommodate the Bank's card banking customers the Bank has deployed 68 ATMs in different feasible areas. Currently, with the 'Anbesa Fetan Card" customers can withdraw money, check their balance, transfer fund from their

account to another within LIB, and other ethswich member's Bank ATMs 24/7 service.

The new development regarding the POS service is, the Bank joined POS service as an issuer i.e. since LIB doesn't deploy its own POS terminals it took the advantage of the card banking interoperability between all commercial banks in Ethiopia via Ethiopia service, which is delivered by ethswich S.C. This service allows all LIB's cardholders to purchase goods or services by the POS terminals of other banks that are deployed on different merchant sites.

**Mobile Banking:** - The Bank offers mobile banking services that allow users to access their bank account over their mobile phones. As of June 30, 2021, the number of mobile banking users reached 253 thousand. In addition to the mobile banking service, by registering at 8813, customers can access their account balance, min-statement report, and foreign exchange inquiry without any time and place limitation. The SMS alert also gives notification upon cash withdrawal or deposit, loan disbursement, clearing cheques, direct debit or credits, and loan due date.

**Internet Banking:** - As regards to internet banking service, at the close of the reporting period, the Bank's internet banking users reached 32 thousand.

### **3.4.2. Anbesa-Hellocash Agent Banking Service**

The past six years with Anbesa Hello Cash agent banking service has brought a new dynamism to the market since banking without physical presence and closing time, safety with no need to carry cash, and reliability equivalent to branches at an affordable price has become real for all. Since the commercial launch of the service, the Bank has expanded the package it offers for the customers. Other than the obvious and basic features of the service, such as deposit, withdrawal, money transfer, and mobile phone top-ups, the customers can also effect payment for their Ethiopian Airlines, and Selam Bus. In addition, by making an agreement with Harar city, customers in the city can pay their water bill through Anbesa hellocash. In all ranges of Anbesa-Hellocash operation during the 2020/21 Fiscal Year, over a Birr 1.5 billion of ETB values of transaction have been executed.



Compare to last year same period, it grew by 39 percent.

During the concluded fiscal year, the total number of agents reached 3,274 with over 585 thousand customers of the service. Both registered a growth of 14 percent and 36 percent from the previous year's performance, respectively.

### 3.4.3. Product Diversification

No one can stop customers' demand unless responding faster to their needs every time. LIB, in order to meet the ever-changing market demand and compete against the major competitors; launched new saving deposit products for the public. The saving deposit product named "Goal Oriented Saving Deposit". The product incorporates seven different products aimed to serve different target groups. Namely: Children's Saving Account (አሀዱ ቁጠባ ሂሳብ), Youth Saving Account (የታዳጊዎች ቁጠባ ሂሳብ), Women's Saving Account (ጀግኒት ቁጠባ ሂሳብ), Education Saving Account (አስኳላ ቁጠባ ሂሳብ), Entrepreneur Saving Account (የስራ መነሻ ቁጠባ ሂሳብ), Retirement Saving Account (እፎይታ ቁጠባ ሂሳብ), and Anbesa

Platinum Saving Account (አንበሳ ፕላቲኒየም ቁጠባ ሂሳብ). The Bank offers these products with a higher interest rate than the conventional one. As the result, the Bank has mobilized a total deposit of Birr 2.56 billion, above the last year performance by Birr 1.4 billion (117 percent).

Apart from the new deposit products, Diaspora Mortgage, and Vehicle loan products are also available in the Bank for the Diaspora community with 20/80 equity contribution and lower interest rate.

### 3.5. Organizational Developments

In the coming Fiscal year, the Bank will also gear up all its efforts towards the successful implementation of the new strategic and organizational transformational plan and looks for ways of repositioning itself with in the changing business environment. This new strategic plan is also expected to bring about a paradigm shift on the Bank's overall business system and operating model, which would enable it to achieve the desired goal of taking a leading

position in the industry, which in return will maximize shareholders' value.

Similarly, as part of the strategy, the Bank has offered special attention to customer satisfaction, customer base expansion and diversification and technology acquisition, retention and gap analysis in order to build the Bank's competitive advantage and excel its service excellence. To this end, it has finalized the initial stage of upgrading the core banking system and network and infrastructure system to the latest version during the reporting fiscal year, which will enable the Bank to deliver convenient and efficient services to its customers.

### **3.6. Corporate Social Responsibility**

LIB, acknowledges its social responsibility as a corporate citizen, and endeavors to discharge its responsibilities as manifested in numerous occasions. During the reporting period, the Bank donated to corporate social responsibility (CSR) Birr 21 million in support of dine for Ethiopian initiatives Birr 10 million, Birr 5 million for the Ethiopian National Defense Force, 5 Million for locust prevention and Birr 1 million for the

Addis Ababa mayor office to support the student feeding program.

### **3.7. Own Building**

As part of the Bank's development, the Bank has been expanding its tangible asset by purchasing and constructing its buildings. However, the move to complete the buildings under progress is challenged by the current situation in the North Region. Similarly, the semi-finished building purchased in Addis Ababa around the Bole Medhanialem area began functioning and rented the 1<sup>st</sup> to 4<sup>th</sup> floors for users and started generating income for the Bank. To finalize the overall construction and modification of the building in the new fiscal year, the necessary tasks are completed. In general, the Bank has owned five properties and two additional buildings which are under construction in Mekelle.

### **3.8. Risk and Compliance Management**

Prudent risk management has become an integral part of the Bank's day-to-day business. Periodic measurement of the Bank's risk exposure against key risk metrics had been conducted and alerts

were signaled for proactive intervention. The Bank endeavors to pursue its business prudently with unwavering commitment for compliance to applicable national and international rules and regulations.

In addition, with a view to ensuring a sustainable return to shareholders and having required in the interest of all stakeholders, LIB place high importance on corporate governance. The various sub-committees (Audit, Risk & Compliance, and Human affairs & Business Development) instituted by the Board of Directors attest to the commitment of the Bank to ensure good corporate governance.

Similarly, to effectively support the Bank's compliance and regulatory obligations, training on risk management, and Anti-money laundering combating the financing of terrorism and customer due diligence (AML/CFT/CDD) was given for 321 staff of the bank during the year concluded.

#### 4. Going Forward

As mentioned above, the concluded year was a challenging year for the Bank. The

year was put immense pressure on the Bank in all dimensions as it was full of ups and downs.

In the past years, LIB had been contributing its part for the macro-economic as well as sectoral development. So, it has been allocating its resources to sectors that are accorded high national priority, delivering banking services via a range of channels (branches and Digital) as well as offering tailored products and services based on customers' needs and preferences. Furthermore, the Bank has aggressively expanded its branch network and thus, envisages opening additional branches in more feasible areas during the FY 2021/22 to come closer to its customers. In order to cater to the leading edge products and services via card, mobile, Internet, and Agent Banking services; the Bank will also keep on making efforts to step up the banking service accessibility.

In addition, to enhance the Bank's sustainable growth and profitability, it will aggressively work on customer satisfaction, customer base expansion & diversification and technology acquisition, utilization and gap analysis.

Similarly, the Bank will invest more time and energy to strengthen the sustainable growth of resource mobilization and optimal allocation of the resources. To realize this, the Bank will work on various digital banking technology platforms and IT infrastructure developments in the course of implementing the new strategy emphasizing operational efficiency and digital capability. In this connection, branch expansion will go hand in hand with the digital presence to reach various segments of the population by enabling customers to receive a seamless experience across service points.

The Bank will also continue to focus on investing in human capital, providing an engaging work environment, and fostering leadership will continue in the upcoming strategic period. Similarly, the innovation of new products and services within the appropriate risk parameters will also get the Bank's higher concern.

Lastly, based on the foundation laid in the past years, the Board of Directors and the entire team will strive to achieve the Bank's strategic goals so as to deliver a greater return to the Bank's shareholders.

## 5. Vote of Thanks

In the end, LIB's Board of Directors and the Executive Management would like to seize this opportunity to express their gratitude to the highly-valued customers of the Bank, shareholders, employees, and the regulatory body for their unreserved assistance helping the Bank to survive in this hard time. This commitment would have not been possible without the support of our partners.

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Our Bank Present Diaspora Mortgage  
and vehicle loan for personal and business uses.  
Contribute less earn more money



**Lion International Bank S.C.**  
**For the year ended 30 June 2021**  
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## Lion International Bank S.C.

### Directors, professional advisers and registered office

### For the year ended 30 June 2021

#### License for the Banking Business

Banking Business Proclamation No. 84/1994

#### Directors (As of June 30, 2021)

Gebrihiwot Ageba Kebedew (Dr.)	Chairperson	(Appointed 20/03/2020)
Tsegay Tetemke Gebrezgi	Vice Chairperson	(Appointed 20/03/2020)
Alem Asfaw Eshet	Non-Executive Director	(Appointed 20/03/2020)
Fassil Tadesse Hailu	Non-Executive Director	(Appointed 20/03/2020)
Guush Berhane Tesfay (Dr.)	Non-Executive Director	(Appointed 20/03/2020)
Haile Berhe Kinfe	Non-Executive Director	(Appointed 20/03/2020)
Tadele Hagos Belay (Dr.)	Non-Executive Director	(Appointed 20/03/2020)
Tsegabrhan Mekonen Wubie (Dr.)	Non-Executive Director	(Appointed 20/03/2020)
Tewelde Asfaw Bekru	Non-Executive Director	(Appointed 20/03/2020)
Yirga Tadesse Matewos	Non-Executive Director	(Appointed 20/03/2020)
Meaza Alemayehu	Non-Executive Director	(Appointed 26/05/2021)

#### Executive Management (As of June 30, 2021)

Daniel Tekeste Kidane	A/President	(Appointed 01/07/2021)
Tekie Mekuria Dinku	VP - Corporate Banking	(Appointed 13/10/2018)
Gebru Meshesha Kahsay	VP - Resource Management	(Appointed 13/10/2018)
Aklilu Hayelom Godefay	VP - Northern Regional Office	(Appointed 24/06/2019)
Hailay Haftu Abreha	A/VP - Business Strategic Management & Modernization	(Appointed 22/07/2021)
Abraham Tilahun Abera	A/VP - Retail Banking	(Appointed 24/06/2019)
Tsebele Hadush G/Giorgis	Director - Credit Management Department	(Appointed 08/10/2014)
Eden Tilahun Woldemichael	Director - International Banking Department	(Appointed 03/06/2020)
Sheworkie Belete Woldeyes	Director - Internal Audit Department	(Appointed 01/07/2013)
Gezahegn Dejene Haile	Director - Finance Department	(Appointed 01/11/2018)
Hailay Haftu Abreha	Director - Strategy Management Department	(Appointed 01/11/2018)
Mulugeta Teklu Hagos	Director - Marketing Department	(Appointed 01/11/2018)
Daniel G/Egziabher Teferi	Director - Alternative Banking Channels Department	(Appointed 01/11/2018)
Solomon Tesfaye Hailemariam	Director - IT Infrastructure and Security Management Department	(Appointed 01/11/2018)
Feven Binyam Kelem	Director - Legal Services Department	(Appointed 01/06/2019)
Michael Gezae Abrha	Director - Human Capital Management Department	(Appointed 01/11/2018)
Wondwosen Gashaw Shiferaw	Director - Procurement and Facility Management Department	(Appointed 01/11/2018)
Hiruy Zemichael Bernabas	Director - Systems Development and Management Department	(Appointed 01/11/2018)
Eshetu Fanta Fango	Director - Engineering Services Department	(Appointed 01/11/2018)
Bethlehem Addis Admassie	Director - Risk and Compliance Management Department	(Appointed 01/06/2019)
Muez Kidane Haile	Director - Operations and Support Northern Regional Office	(Appointed 24/06/2019)

#### Independent Auditor

AMA-HAI Certified Accountants & Auditors  
 Meskel Flower Road, Aster Surafel Building 2<sup>nd</sup> Floor, Room No. 205  
 Tel- +251-11-6552471/251-11470 0388/96  
 Fax-251-11-470 0394, Po.Box-13735  
 Addis Ababa, Ethiopia

#### Corporate Office

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 Kebele-12, Sub city-Yeka, H.no. New  
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 Fax: (+251) 11 662 59 99  
 P.O.Box: 27026/1000  
 E-mail: info@anbesabank.com  
 Website:- www.anbesabank.com  
 Addis Ababa, Ethiopia





**Lion International Bank S.C.**  
**Principal Bankers**  
**For the year ended 30 June 2021**

National bank of Ethiopia  
 Sudan Avenue, Addis Ababa, Ethiopia  
 Tel:+251-11 551 7430  
 Fax:+251-11 551 4588  
 P.O.Box : 5550  
 E-Mail: nbe.edpc@ethionet.et  
 Website:-www.nbe.gov.et  
 Addis Ababa, Ethiopia

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 In front of Yordanos Hotel, Enat Building, Addis Ababa, Ethiopia  
 Tel:+251-11 515 8274  
 Fax:+251- 11 515 1338 / +251- 11 550 4948  
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 Website:www.enatbanksc.com  
 Addis Ababa, Ethiopia

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 Ras Mekonen Street, In front of Stadiim, Wegagen Tawor ,Addis Ababa, Ethiopia  
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 Fax:+251-11-552-35-20/21  
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 Addis Ababa, Ethiopia

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 Fax:+251-115 572 110  
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 Addis Ababa, Ethiopia

Cooperative Bank of Oromia S.C  
 Africa Avenue, Flamingo, Get House Building, Addis Ababa, Ethiopia  
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 E-Mail: Coopbank@ethionet.et  
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 Ras Abebe Damtew street, National Tower, Addis Ababa, Ethiopia  
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 P.O.Box:100743  
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 Addis Ababa, Ethiopia

Bank of China Limited  
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 Xicheng District, Beijing,  
 Beijing Province 100818  
 Tel: (86) 010-66596688  
 Fax: (86) 010-66016871  
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 E-mail: Citibank@shareholders-online.com  
 Website: www.boc.cn  
 Beijing, China



**Lion International Bank S.C.**  
**Principal Bankers**  
**For the year ended 30 June 2021**

---

Bank of Africa /Djibouti/  
10 place Lagarde - BP 88 - Djibouti  
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Fax : (253) 35 16 38  
E-mail: secretariat@boamerrouge.com  
Website: www.boamerrouge.com  
Djibouti, Djibouti

Bank of Africa /Djibouti/  
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Tel No. +0025321351514  
Email: infos-dj@eximbank.co.tz  
Web site: www.https://rsb17.rhosbh.com  
Rep De DJIBOUTI



## Lion International Bank S.C.

### Report of the Directors

### For the year ended 30 June 2021

The Board of Directors submit their report together with the financial statements for the year ended 30 June 2021, to the members of Lion International Bank S.C. ("Lion Bank or the Bank"). This report discloses the financial performance and state of affairs of the Bank.

#### Incorporation and address

Lion International Bank S.C was established in Ethiopia on 02 October 2006 and is registered as a public shareholding company in accordance with Licensing and Supervision of Banking Business Proclamation No. 84/1994 and the revised Commercial Code of Ethiopia 2021.

#### Principal activities

The Bank`s principal activity is commercial banking.

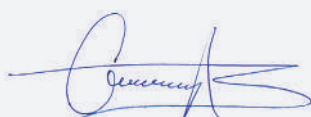
#### Results

The Bank's results for the year ended 30 June 2021 are set out on statement of profit or loss and other comprehensive income. The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	30 June 2021	30 June 2020
	Birr'000	Birr'000
Net operating income	1,620,764	1,873,694
Profit / (loss) before tax	414,081	780,639
Tax (charge) / credit	(79,541)	(137,529)
Profit / (loss) for the year	334,541	643,110
Other comprehensive profit / (loss) net of taxes	(254)	(11,514)
<b>Total comprehensive profit / (loss) for the year</b>	<b>334,287</b>	<b>631,596</b>

#### Directors

The directors who held office during the year and to the date of this report are set out on statement of director and Professional advisors section on this report.



**Gebrihiwot Ageba (Dr.)**  
**Chairperson, Board of Directors**  
**Addis Ababa, Ethiopia**  
**16 November 2021**



## **Lion International Bank S.C.**

### **Statement of Directors' Responsibilities**

### **For the year ended 30 June 2021**

The Commercial Code of Ethiopia, 2021 and the Banking Business Proclamation No. 592/2008 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the bank as at the financial year and of the operating results of the Bank for that year. The Directors are also required to ensure that the Bank keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The Bank's president is responsible for the preparation and fair presentation of these financial statements in conformity with IFRS standards adopted by the Government of Ethiopia and in the manner required by the Commercial Code of Ethiopia of 2021, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bank is required to keep such records as are necessary to:

- a) Exhibit clearly and correctly the state of its affairs;
- b) Explain its transactions and financial position; and
- c) Enable the National Bank to determine whether the Bank has complied with the provisions of the Banking Business Proclamation and regulations and directives issued for the implementation the aforementioned Proclamation.



The Bank's president accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, Banking Business Proclamation, Commercial code of 2021 and the relevant Directives issued by the National Bank of Ethiopia.

The President is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss.

The President further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the President to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.



Signed on behalf of the Directors by:

**Gebrihiwot Ageba (Dr.)**  
Chairperson, Board of Directors  
Addis Ababa, Ethiopia  
16 November 2021

**Daniel Tekeste (Ato)**  
A/President  
Addis Ababa, Ethiopia  
16 November 2021



## አማ - ኃይ የተመሰከረላቸው የሂሳብ አዋቂዎችና አዲተሮች Ama - Hai Chartered Certified Accountants & Auditors

### Partners

Amanuel Bahta, FCCA (U.K.)

Haileselassie G/kidan, FCCA (U.K)

### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LION INTERNATIONAL BANK S. C.

#### Opinion

We have audited the accompanying financial statements of Lion International Bank S. C. which comprise the Statement of Financial Position as of 30 June 2021 and the related Statement of Profit & Loss and Other comprehensive income, Statement of Change in equity and Statement of Cash Flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of Lion International Bank S. C. as of 30 June 2021 and of its financial performances and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibility for the audit of the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit or the financial statements of the current period. Those matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Responsibilities of Management and those charged with governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company, to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.





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Ama - Hai Chartered Certified Accountants & Auditors**

**Partners**

Amanuel Bahta, FCCA (U.K.)

Haileselassie G/kidan, FCCA (U.K)

**Auditors' Responsibility for the audit of financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

**Reporting on other legal requirements**

As required by the Commercial Code of Ethiopia, based on our audit we report as follows:

- i) Pursuant to Article 349 (1) of the Commercial Code of Ethiopia 2021 and based on our review of the board of directors' report, we have not noted any matter that we may wish to bring to your attention;
- ii) Pursuant to article 349 (2) of the Commercial Code of Ethiopia we recommend the financial statements for approval.

**Addis Ababa  
November 16,2021**

  
 **Ama – Hai  
Chartered Certified Accountants**





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**Lion International Bank S.C.**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2021**

	Notes	30 June 2021 Birr'000	30 June 2020 Birr'000
Interest income	5	3,683,621	2,676,643
Interest expense	6	(1,548,812)	(990,009)
<b>Net interest income</b>		<b>2,134,809</b>	<b>1,686,634</b>
Fee and commission income	7	160,435	197,634
Fee and commission expense	7	-	-
<b>Net fees and commission income</b>		<b>160,435</b>	<b>197,634</b>
Net foreign exchange income	8	(174,082)	5,760
Other operating income	9	189,347	230,306
<b>Total operating income</b>		<b>2,310,509</b>	<b>2,120,334</b>
Loan impairment charge	10	(623,010)	(246,034)
Impairment losses on other assets	11	(66,735)	(606)
<b>Net operating income</b>		<b>1,620,764</b>	<b>1,873,694</b>
Employee benefits	12	(752,904)	(670,653)
Amortization of intangible assets	19	(6,036)	(5,223)
Depreciation of property and equipment	20	(61,805)	(40,344)
Other operating expenses	13	(385,938)	(376,835)
<b>Profit before tax</b>		<b>414,081</b>	<b>780,639</b>
Income tax expense	14	(79,541)	(137,529)
<b>Profit after tax</b>		<b>334,541</b>	<b>643,110</b>
<b>Other comprehensive income (OCI) net on income tax</b>			
<i>Items that will not be subsequently reclassified into profit or loss:</i>			
Remeasurement gain/(loss) on retirement benefits obligations	23	(254)	(11,514)
Deferred tax (liability)/asset on	14		
		(254)	(11,514)
<b>Total comprehensive income for the period</b>		<b>334,287</b>	<b>631,596</b>

The accompanying notes are an integral part of these financial statements.

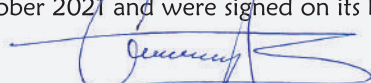


**Lion International Bank S.C.**  
**Statement of Financial Position**  
**As at 30 June 2021**

	Notes	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>ASSETS</b>			
Cash and balances with banks	15	3,899,028	6,893,204
Loans and advances	16	21,828,927	19,081,734
Investment securities:		-	
- Equity Investment	17	87,777	75,557
- National Bank of Ethiopia Bills	17	3,927,386	3,919,930
Other assets	18	759,637	483,715
Right Use of Asset (ROU)-Building and Land L	18	702,577	404,460
Property, plant and equipment	20	982,187	901,294
Intangible Assets	19	16,666	22,702
Deferred income tax	14	-	-
<b>Total assets</b>		<b>32,204,185</b>	<b>31,782,596</b>
<b>LIABILITIES</b>			
Deposits from customers	21	25,992,003	26,131,739
Current income tax	14	95,969	106,244
Other liabilities	22	1,947,888	1,834,847
Lease Liability-Premises/Building	22	456,867	153,261
Deferred income tax	14	4,624	21,191
Defined Benefit Obligation	23	67,208	54,279
<b>Total liabilities</b>		<b>28,564,561</b>	<b>28,301,561</b>
<b>EQUITY</b>			
Share capital	24	2,513,049	2,175,463
Share premium		45,036	42,255
Legal reserve	27	712,912	667,566
Special reserve	28	20,918	42,548
Retained earnings	26	128,727	440,750
Regulatory risk reserve	29	220,532	67,375
Other reserves	30	(1,551)	45,077
<b>Total equity</b>		<b>3,639,624</b>	<b>3,481,034</b>
<b>Total equity and liabilities</b>		<b>32,204,185</b>	<b>31,782,596</b>

The accompanying notes are an integral part of these financial statements.

The financial statements were approved and authorized for issue by the board of directors on 30 October 2021 and were signed on its behalf by:



**Gebrihiwot Ageba (Dr.)**  
 Chairperson, Board of Directors  
 Addis Ababa, Ethiopia  
 16 November 2021



**Daniel Tekeste (Ato)**  
 A/President  
 Addis Ababa, Ethiopia  
 16 November 2021

**Lion International Bank S.C.**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2021**

Notes	Share capital	Share premium	Legal reserve	Special reserve	Regulatory risk reserve	Other reserves	Retained earnings	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
<b>As at 1 July 2018</b>	1,184,180	6,050	372,029	15,181	21,846	(15,758)	225,346	1,808,873
Profit for the period							539,034	539,034
<i>Other comprehensive income:</i>								
Re-measurement gains on defined benefit plans (net of	14					(11,864)	-	(11,864)
Transfer to legal reserve	27		134,758				(134,758)	-
Transfer to special reserve				-			-	-
Transfer to regulatory risk	28				17,558		(17,558)	-
Transfer to other reserve	30					70,586	(70,586)	-
Declared dividend							(212,875)	(212,875)
Prior year adjustment				-			55,213	55,213
Contribution to subscribed	370,170	10,913						381,084
<b>Total Change in Equity for the period</b>	<b>370,170</b>	<b>10,913</b>	<b>134,758</b>	<b>-</b>	<b>17,558</b>	<b>58,722</b>	<b>158,469</b>	<b>750,591</b>
<b>As at 30 June 2019</b>	<b>1,554,350</b>	<b>16,963</b>	<b>506,788</b>	<b>15,181</b>	<b>39,404</b>	<b>42,964</b>	<b>383,813</b>	<b>2,559,463</b>
<b>As at 1 July 2019</b>	1,554,350	16,963	506,788	15,181	39,404	42,964	383,813	2,559,463
Profit for the period							643,110	643,110
<i>Other comprehensive income:</i>								
Re-measurement gains on defined benefit plans (net of	14					(11,514)	-	(11,514)
Transfer to legal reserve	27		160,777				(160,777)	-
Transfer to special reserve				27,367			(27,367)	-
Transfer to regulatory risk	28				27,972		(27,972)	-
Transfer to other reserve	30					13,627	(13,627)	-
Declared dividend							(356,450)	(356,450)
Prior year adjustment				-			20	20
Contribution to subscribed	621,112	25,292						646,404
<b>Total Change in Equity for the period</b>	<b>621,112</b>	<b>25,292</b>	<b>160,777</b>	<b>27,367</b>	<b>27,972</b>	<b>2,113</b>	<b>56,937</b>	<b>921,571</b>
<b>As at 30 June 2020</b>	<b>2,175,463</b>	<b>42,255</b>	<b>667,566</b>	<b>42,548</b>	<b>67,375</b>	<b>45,077</b>	<b>440,750</b>	<b>3,481,034</b>
<b>As at 1 July 2020</b>	2,175,463	42,255	667,566	42,548	67,375	45,077	440,750	3,481,034
Profit for the period							334,541	334,541
<i>Other comprehensive income:</i>								
Re-measurement gains on defined benefit plans (net of	14					(254)	-	(254)
Transfer to legal reserve	27		45,346				(45,346)	-
Transfer to special reserve				5,738			(5,738)	-
Transfer to regulatory risk	28				153,157		(153,157)	-
Transfer to other reserve	30					7,310	(7,310)	-
Declared dividend				(27,367)		(53,684)	(435,013)	(516,064)
Prior year adjustment				-			-	-
Contribution to subscribed	337,586	2,781						340,367
<b>Total Change in Equity for the period</b>	<b>337,586</b>	<b>2,781</b>	<b>45,346</b>	<b>(21,629)</b>	<b>153,157</b>	<b>(46,628)</b>	<b>(312,023)</b>	<b>158,589</b>
<b>As at 30 June 2021</b>	<b>2,513,050</b>	<b>45,036</b>	<b>712,912</b>	<b>20,918</b>	<b>220,532</b>	<b>(1,551)</b>	<b>128,726</b>	<b>3,639,624</b>

The accompanying notes form an integral part of these financial statements.



**Lion International Bank S.C.**  
**Statement of Cash Flows**  
**For the year ended 30 June 2021**

	Notes	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	31	(2,561,706)	3,603,602
Income tax and WHT paid		(106,384)	(161,264)
Defined benefit paid		(3,494)	(1,480)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(2,671,584)</b>	<b>3,440,857</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	19	-	(13,103)
Purchase of property, plant and equipment	20	(162,994)	(708,862)
Reclassification of stock to property, plant and equipment		21,005	(28,467)
Proceeds from Disposal property, plant and equipment		-	226
Purchases of investment securities		(4,910)	301,966
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(146,899)</b>	<b>(448,240)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		337,586	621,112
Share premium received		2,781	25,292
Dividends paid		(516,064)	(354,517)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(175,694)</b>	<b>291,888</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2,994,177)</b>	<b>3,284,505</b>
Cash and cash equivalents at the beginning of the year	15	6,893,204	3,608,699
Foreign exchange (losses)/ gains on cash and cash equivalents		-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>15</b>	<b>3,899,027</b>	<b>6,893,204</b>



The accompanying notes are an integral part of these financial statements.

የተክል ወሳይ የሚያስገኙ የሕንጻ ግብ  
ተኮር ልዩ የቁጠባ ሒሳቦችንን ይጠቀሙ!



# Lion International Bank S.C.

## Notes to the financial statements

### For the year ended 30 June 2021

#### 1 General information

Lion International Bank SC ("Lion Bank or the Bank") is a private commercial Bank domiciled in Ethiopia. The Bank was established on 2nd October 2006 in accordance with the provisions of the Commercial code of Ethiopia of 2021 and the Licensing and Supervision of Banking Business Proclamation No. 84/1994. The Bank registered office is at:

Yeka sub city, Kebele 12,  
House No. New,  
Lex Plaza Building  
Addis Ababa, Ethiopia

The Bank is principally engaged in the provision of diverse range of financial products and services to a wholesale, retail and SME clients base in Ethiopian Market.

#### 2 Summary of significant accounting

##### 2.1 Introduction to summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed elsewhere. These accounting policies have been consistently applied to all the periods unless otherwise stated.

The notes also highlight new standards and interpretations issued at the time of preparation of the financial statements and their potential impact on the bank.

##### 2.2 Basis of preparation

The financial statements for the period ended 30 June 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Additional information required by National regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statement for the period ended 30 June 2021 is the bank's fourth financial statement prepared in accordance with IFRS.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept, except for the following:

- Equity Investment – measured at fair value
- Assets held for sale – measured at fair value less cost of disposal, and
- Defined benefit pension plans – plan assets measured at fair value.

All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (Birr' 000).



## Lion International Bank S.C.

### Notes to the financial statements

### For the year ended 30 June 2021

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The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

#### 2.2.1 Going concern

The financial statements have been prepared on a going concern basis. The management have no doubt that the Bank would remain in existence the year ahead.

#### 2.2.2 Changes in accounting policies and disclosures

Except as noted below, the Bank has consistently applied the accounting policies as set out to all periods presented in these consolidated financial statements.

The Bank's has adopted the following amendments including any consequential amendments to other standards with initial date of application of January 1, 2020.

#### Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect.

Key changes include:

- Increasing the prominence of stewardship in the objective of financial reporting.
- Reinstating prudence as a component of neutrality.
- Defining a reporting entity, which may be a legal entity, or a portion of an entity.
- Revising the definitions of an asset and a liability.
- Removing the probability threshold for recognition and adding guidance on de-recognition.
- Adding guidance on different measurement basis, and
- Stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. The Bank is not impacted as it did not rely on the framework in determining the accounting policies for transactions.



## Lion International Bank S.C.

### Notes to the financial statements

### For the year ended 30 June 2021

#### Covid-19-related Rent concessions - Amendments to IFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

The Bank had no such Covid -19 related rent and land lease concessions as such there is no impact on the consolidated financial statements.

#### 2.3 Investment in associates

The Bank has no any investments in associate entities. So there is no recording for investments in associates.

#### 2.4 Foreign currency translation

##### a) Functional and Presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates ('the functional currency'). The functional currency and presentation currency of the Bank is the Ethiopian Birr (Birr).

##### b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the Bank's functional currency are recognized in profit or loss within other (loss)/income. Monetary items denominated in foreign currency are translated using the closing rate (mid rate: the average of buying and Selling rate) of as at the reporting date.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value, such as equities classified as available for sale, are included in other comprehensive income.



## Lion International Bank S.C.

### Notes to the financial statements

### For the year ended 30 June 2021

#### 2.5 Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Bank, earns income from interest on loans and advances and interest on returns investments in form of shares, deposit with other banks, purchase of NBE Bills. In addition, the bank earns fees and commission income and other income from Letter of Credits, Letter of guarantees, rental income and other operational activities.

##### 2.5.1 Interest and similar income and expense

For all financial instruments (except equity investment) and interest bearing financial assets measured at amortized cost interest income or expense is recorded using the Effective Interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the Effective Interest Rate (EIR), but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and Interest and similar expense for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

##### 2.5.2 Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income such as commission on letters of credit, on guarantee and on local transfers and transactions are recognized as the related services are performed.

When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fees and commission expenses relates mainly to transaction and service fees are expensed as the services are received.

##### 2.5.3 Foreign exchange revaluation gains or losses

These are gains and losses arising on settlement or translation of monetary assets and liabilities denominated in foreign currencies at the functional currency's spot rate of exchange at the reporting date. This amount is recognized in the Statement of Profit or Loss and Other Comprehensive Income and it is further broken down into realized and unrealized portion.

The monetary assets and liabilities include financial assets within the foreign currencies deposits received and held on behalf of third parties etc.



## Lion International Bank S.C.

### Notes to the financial statements

### For the year ended 30 June 2021

#### 2.6 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### 2.7 Net interest income

##### a) Effective interest rate and amortized cost

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

##### b) Amortized cost and gross carrying amount

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

##### c) Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

##### d. Presentation

Interest income and expense presented in the statement of profit or loss and OCI include:

- Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis;
- Interest on debt instruments measured at amortized cost calculated on an effective interest basis;

## Lion International Bank S.C.

### Notes to the financial statements

### For the year ended 30 June 2021

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

#### Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

#### 2.8 Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash via Bank guarantees and real estate. The fair value the collateral is generally assessed using cost approach, at a minimum, at inception and based on the Bank's reporting schedule.

To the extent possible, the Bank uses its own civil Engineers data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models.

##### 2.8.1 Collateral repossessed

Repossessed collateral represents financial and non-financial assets acquired by the Bank in settlement of overdue loans. The Bank's policy is to determine whether a repossessed asset should be sold otherwise it may be used for its internal operations if not sold. Assets that are determined better to be sold are immediately transferred to other assets categories at their valuation price, Engineering estimation using selling approach, at the repossession date in line with the Bank's policy. Assets determined to be used for internal operations are initially recognized at the lower of their repossessed value or the carrying value of the original secured asset and included in the relevant assets depending on the nature and the Bank's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

#### 2.9 Cash and cash equivalents

Cash and cash equivalents include bank balances and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

#### 2.10 Net Trading Income

Net trading income' comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences.



## Lion International Bank S.C.

### Notes to the financial statements

### For the year ended 30 June 2021

#### 2.11 Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Bank recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in income statement as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset class	Depreciation rate (% or years)
Buildings	2% (50 years)
Elevator	6.7% (15 years)
Motor vehicles	10% (10 years)
Computer and Related Items	14.3% (7 years)
Long-Lived Furniture & fittings	5% (20 years)
Medium-Lived Furniture & fittings	10% (10 years)
Long-Lived Equipment	5% (20 years)
Medium-Lived Equipment	10% (10 years)
Short-Lived Equipment	20% (5 years)

The Bank commences depreciation when the asset is available for use. Land is not depreciated.

Capital work-in-progress (both Property, Plant & Equipment and Intangibles) is not depreciated as these assets are not yet available for use. They are disclosed when reclassified during the year.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.



## Lion International Bank S.C.

### Notes to the financial statements

### For the year ended 30 June 2021

#### 2.12 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

#### 2.13 Impairment of non-financial assets

The Bank assesses, at each reporting date, whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Bank bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

## Lion International Bank S.C.

### Notes to the financial statements

### For the year ended 30 June 2021

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

#### 2.14 Other assets

Other assets are generally defined as claims held against other entities for the future receipt of money. The other assets in the Bank's financial statements include the following:

##### (a) Prepayment

Prepayments are payments made in advance for services to be enjoyed in future. The amount is initially capitalized in the reporting period in which the payment is made and subsequently amortized over the period in which the service is to be enjoyed.



##### (b) Other receivables

Other receivables are recognized upon the occurrence of event or transaction as they arise and cancelled when payment is received.

The Bank's other receivables are rent receivables and other receivables from debtors.

#### 2.15 Fair value measurement

The Bank measures financial instruments through fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are, summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Notes 3 and Note 4.16.3
- Quantitative disclosures of fair value measurement hierarchy Note 4.16.2
- Financial instruments (including those carried at amortized cost) Note 4.2

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset, or transfer the liability, takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.



The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

**Lion International Bank S.C.**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Bank's management determines the policies and procedures for both recurring fair value measurement.



**2.16 Employee benefits**

IAS 19 prescribes the accounting for all types of employee benefits except share-based payment, to which IFRS 2 applies. Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 requires an entity to recognize:

- A liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- An expense when the entity consumes the economic benefit arising from the service provided by an employee in exchange for employee benefits.

The Bank operates some post-employment schemes, including both defined benefit and defined contribution and post employment benefits.



**(a) Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Under IAS 19, when an employee has rendered service to an entity during a period, the entity recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense) and as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Though the Bank operates two defined pension plan, it is not in the scope of IAS 19 ;

- Pension scheme in line with the provisions of Ethiopian pension of private organization employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Bank respectively;
- Provident fund contribution, funding under this scheme is 8% and 12% by employees and the Bank respectively; based on the employees' salary. Employer's contributions to this scheme are charged to profit or loss in the period in which they relate.

## Lion International Bank S.C.

### Notes to the financial statements

### For the year ended 30 June 2021

#### (b) Defined benefit plan

A defined benefit plan is any post-employment benefit plan other than a defined contribution plan. Under IAS 19, an entity uses an actuarial technique (the projected unit credit method) to estimate the ultimate cost to the entity of the benefits that employees have earned in return for their service in the current and prior periods; discounts that benefit in order to determine the present value of the defined benefit obligation and the current service cost; deducts the fair value of any plan assets from the present value of the defined benefit obligation; determines the amount of the deficit or surplus; and determines the amount to be recognized in profit and loss and other comprehensive income in the current period.

The liability or asset recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognized in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past-service costs are recognized immediately in income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

#### (c) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment. An entity recognizes a liability and expense for termination benefits at the earlier of the following dates:

- When the entity can no longer withdraw the offer of those benefits; and
- When the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

It is recognized when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

The Bank has not yet had such scheme in relation to termination benefits due to resignation before normal retirement date, or whenever an employee accepts voluntary redundancy.

#### (d) Profit-sharing and bonus plans

The Banks recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Bank recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

## Lion International Bank S.C.

### Notes to the financial statements

### For the year ended 30 June 2021

#### 2.17 Provisions

Provisions are recognized when the bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as other operating expenses.

#### 2.18 Share capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

#### 2.19 Earnings per share (EPS)

The Bank presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of shares outstanding during the period.

#### 2.20 Income taxation

##### (a) Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### (b) Deferred tax

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.





## Lion International Bank S.C.

### Notes to the financial statements

### For the year ended 30 June 2021

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 3 Significant accounting judgments, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Bank's exposure to risks and uncertainties includes:

- Capital management Note 4.15
- Financial risk management and policies Note 4.1
- Sensitivity analyses disclosures Note 4.14

#### 3.1 Judgments

In the process of applying the Bank's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

##### Lease commitments

Leases, under which the Bank possess a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration is disclosed in the Bank's statement of financial position and recognized as a leased asset.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Bank assesses whether, throughout the period of use, it has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset, and
- (b) the right to direct the use of the identified asset.

The Bank has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The Bank recognizes expenses associated with these leases as an expense on straight line basis over the lease term.

The Bank presents right-of-use assets as a separate class under 'Other Asset'. The Bank presents lease liability in other liabilities in the statement of financial position.



## Lion International Bank S.C.

### Notes to the financial statements

### For the year ended 30 June 2021

#### 3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments. However, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

#### Fair value measurement of financial instruments

Fair value is measured based on observable transactions for the item in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market. The valuation is performed using an approach that is most appropriate in the circumstances, for which sufficient data is available, and which maximizes the use of observable inputs, and minimizes the use of unobservable inputs. A market approach, income approach or cost approach can be used. The bank uses market approach for companies which are under operation and cost approach for companies under formation in valuation of its Equity Investments.

#### Defined benefit plans

The cost of the defined benefit pension plan, long service awards, gratuity scheme and post-employment medical benefits and the present value of these defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### Depreciation and carrying value of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgment. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

#### Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Bank is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.



## Lion International Bank S.C.

### Notes to the financial statements

### For the year ended 30 June 2021

#### Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

#### Development cost

The Bank capitalizes development costs for a project in accordance with the accounting policy. Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. The development costs that were capitalized by the Bank relates to those arising from the development of computer software.



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**4 Financial Risk Review**

**4.1 Introduction**

Risk taking is an inherent element of banking business and profit is reward for successful risk taking. Linked to this, the Bank is endeavoring to in place robust risk management framework that are a believed to achieve optimization of risk-reward tradeoff. The most important risks that the Bank has identified in course of its operations includes credit risk, liquidity risk, market risk and operational risk.

**4.1.1 Risk management structure**

The Board Risk Committee, a subset of the Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. It also has the responsibility to monitor the overall risk process within the Bank.

The Management has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is also responsible for managing risk decisions and monitoring risk levels.

The Risk Management unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the Board Risk Management Committee to ensure that procedures are compliant with the overall framework. The Risk Management Unit is responsible for monitoring compliance with risk principles, policies and limits across the Bank. It carries out an assessment of risk periodically to monitor the Bank's independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This unit also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported, where necessary, to the Board Risk Committee for relevant actions to be taken in areas of weakness.

Bank Treasury is responsible for managing the Bank's financial assets, financial liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit Function discuss the results of all assessments with management, and reports its findings and recommendations to the Board Audit Committee.

**4.1.2 Risk measurement and reporting systems**

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected regions. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

**4.1.3 Risk mitigation**

Risk controls and mitigants, identified and approved by the Bank, are documented for existing and new processes and systems. The adequacy of these mitigants is tested on a periodic basis through administration of control self-assessment questionnaires, using an operational risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently audited as part of the review process.

**4.2 Financial instruments**

**Financial Asset:-** is any asset that is cash or an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity; Or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.

**Financial liability:-** is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or a contract that will or may be settled in the entity's own equity instruments.

**a) Recognition and initial measurement**

The Bank shall initially recognize loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) shall be recognized on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability shall be measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

**Lion International Bank S.C.**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**b) Classification and subsequent measurement**

**i) Financial assets**

On initial recognition, a financial asset shall be classified either as measured at either amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

The Bank measured a financial asset at amortized cost that meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

On initial recognition, an equity investments that is held for trading are classified at FVTPL. However, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI) if the bank acquire such kind of investment that demand this recognition. This election is made on an investment-by-investment basis.

All other financial assets that do not meet the classification criteria at amortized cost or FVOCI, above, shall be classified as measured at FVTPL.

**ii) Financial Liabilities**

The Bank classify its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL. A financial guarantee is an undertaking/commitment that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.

Financial guarantees issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of: the amount of the obligation under the guarantee, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

**c) Financial instruments by category**

Financial instruments are classified in the statement of financial position in accordance with their legal form and substance. The Bank's classification of its financial assets as per IFRS 9 is summarized below.

	Notes	FVTPL Birr'000	Amortized Cost Birr'000	Total Birr'000
<b>30 June 2021</b>				
Cash and balances with banks	15	-	3,899,028	3,899,028
Loans and advances	16	-	21,828,927	21,828,927
Investment securities:				-
- Equity Investment	17	87,777		87,777
- National Bank of Ethiopia Bills	17		3,927,386	3,927,386
Other assets	18		553,579	553,579
<b>Total financial assets</b>		<b>87,777</b>	<b>30,208,920</b>	<b>30,296,697</b>
<b>30 June 2020</b>				
Cash and balances with banks	15	-	6,893,204	6,893,204
Loans and advances	16	-	19,081,734	19,081,734
Investment securities:				-
- Equity Investment	17	75,557		75,557
- National Bank of Ethiopia Bills	17		3,919,930	3,919,930
Other assets	18		404,088	404,088
<b>Total financial assets</b>		<b>75,557</b>	<b>30,298,956</b>	<b>30,374,514</b>



## Lion International Bank S.C.

### Notes to the financial statements

### For the year ended 30 June 2021

#### 4.3 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and other financial assets.

Exposure to credit risk is managed through periodic analysis of the ability of borrowers and potential borrowers to determine their capacity to meet principal and interest thereon, and restructuring such limits as appropriate. Exposure to credit risk is also mitigated, in part, by obtaining collateral, commercial and personal guarantees.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to term of the financial instrument and economic sectors.

The National Bank of Ethiopia (NBE) Directive No SBB/53/2012 sets credit risk limit for a single borrower, one related party and all related parties to not exceed 25%, 15% and 35% of Bank's total capital amount as of the reporting quarterly period respectively.

##### 4.3.1 Management of credit risk

Credit management is conducted as per the risk management policy and guideline approved by the board of directors and the Risk Management Committees. Such policies are reviewed and modified periodically based on changes and expectations of the markets where the Bank operates, regulations, and other factors. Our credit exposure comprises wholesale and retail loans and receivables which are developed to reflect the needs of our customers. The Bank's policy is to lend principally on the basis of our customer's repayment capacity through quantitative and qualitative evaluation.

In the estimation of credit risk, the Bank estimate the following parameters:

##### (a) Probability of Default

The probability of default (PD) estimates the possibility of a loan facility moving from the performing status (stage 1) to the non-performing status (stage 3). For impairment purposes, the PD parameter is estimated using a transition matrix multiplication approach that estimates the movement of loan amounts from one bucket to the next between two subsequent time periods. The PDs will then be adjusted with forward looking information.

##### (b) Loss Given Default

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

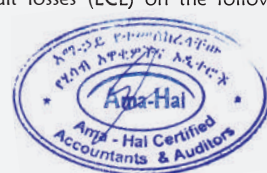
##### (c) Exposure at Default

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

##### 4.3.2 Impairment assessment

At each reporting date, the Bank shall assess whether there is objective evidence that financial assets (except equity investments), other than those carried at FVTPL, are impaired. The Bank recognize loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.



The Bank measure loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables shall always be measured at an amount equal to lifetime ECL.

12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1 financial instruments'.

Life-time ECL is the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

## Lion International Bank S.C.

### Notes to the financial statements

### For the year ended 30 June 2021

#### i) Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It shall be measured as follows:

- For financial assets that are not credit-impaired at the reporting date (stage 1 and 2): as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- for financial assets that are credit-impaired at the reporting date (stage 3): as the difference between the gross carrying amount and the present value of estimated future cash flows;
- For undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- For financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

#### ii) Restructured financial assets

Where the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then the Bank shall assess whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

#### iii) Credit-impaired financial assets

At each reporting date, the Bank assess whether financial assets carried at amortized cost, debt financial assets carried at FVTPL and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets').

A financial asset shall be considered 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition shall be considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more shall be considered credit-impaired even when the regulatory definition of default is different.

#### iv) Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL shall be presented in the statement of financial position as follows:

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- For loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

#### v) Write-off

Loans and debt securities shall be written off (either partially or in full) when there is no reasonable expectation of recovering the amount in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment shall be carried out at the individual asset level.

Recoveries of amounts previously written off shall be included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts.



**Lion International Bank S.C.**  
**Notes to the financial statements**  
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**vi) Non-integral financial guarantee contracts**

The Bank assess whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately.  
 Where the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset shall be treated as a transaction cost of acquiring it. The Bank consider the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.  
 Where the Bank determines that the guarantee is not an integral element of the debt instrument, then it shall recognize an asset representing any prepayment of guarantee premium and a right to compensation for credit losses.

**4.3.3 Derecognition**

Derecognition refers to the removal of an asset or liability (or a portion thereof) from an entity's balance sheet. Derecognition questions can arise with respect to all types of assets and liabilities.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI shall be recognized in profit or loss.

Equity investment securities designated as at FVTPL shall not be recognized in profit or loss on derecognition of such securities.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank shall be recognized as a separate asset or liability.

The Bank may derecognize a financial liability when its contractual obligations are discharged or cancelled, or expire.

**4.3.4 Modifications of financial assets and financial liabilities**

If the terms of a financial asset are modified, then the Bank shall evaluate whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset shall be deemed to have expired. In this case, the original financial asset shall be derecognized and a new financial asset shall be recognized at fair value plus any eligible transaction costs. And;

The Bank shall derecognize a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms shall be recognized at fair value.

**4.3.5 Offsetting**

Financial assets and financial liabilities shall be offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses shall be presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

**4.3.6 Designation at fair value through profit or loss**

At initial recognition, the Bank may designate certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise. And; The Bank shall designate certain financial liabilities as at FVTPL in either the liabilities are managed, evaluated and reported internally on a fair value basis; or the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**4.4 Amounts arising from ECL**

IFRS 9 establishes a new model for recognition and measurement of impairments in Financial Instrument that are measured at Amortized Cost or FVOCI—the so-called “expected credit losses” model. This is the only impairment model that applies in IFRS 9 because all other assets are classified and measured at FVPL or, FVOCI with no recycling to profit and loss.

Expected credit losses are calculated by: (a) identifying scenarios in which a loan or receivable defaults; (b) estimating the cash shortfall that would be incurred in each scenario if a default were to happen; (c) multiplying that loss by the probability of the default happening; and (d) summing the results of all such possible default events. Because every Financial asset has at least some probability of defaulting in the future, every financial asset has an expected credit loss associated with it—from the moment of its origination or acquisition.





## Lion International Bank S.C.

### Notes to the financial statements

### For the year ended 30 June 2021

#### Inputs, assumptions and techniques used for estimating impairment

##### i) Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date;
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).
- The Bank uses three criteria for determining whether there has been a significant increase in credit risk:
  - Quantitative test based on movement in PD;
  - Qualitative indicators; and
  - A backstop of 30 days past due.

##### ii) Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3. Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

##### (a) Term loan exposures

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance
- Data from credit reference agencies, press articles, changes in external credit ratings
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities
- Internally collected data on customer behavior – e.g. utilization of credit facilities

##### (b) Overdraft exposures

- Payment record – this includes overdue status as well as a range of variables about payment ratios
- Utilization of the granted limit
- Requests for and granting of forbearance
- Existing and forecast changes in business, financial and economic conditions

##### iii) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. The Bank employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

##### iv) Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.



## Lion International Bank S.C.

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### For the year ended 30 June 2021

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognizing lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due;
- The average time between the identification of a significant increase in credit risk and default appears reasonable;
- Exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

#### v) Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank.
- Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.
- Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

#### vi) Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

For each segment, the Bank formulates three economic scenarios: a base case, which is the median scenario, and two less likely scenarios, one upside and one downside. For each sector, the base case is aligned with the macroeconomic model's information value output, a measure of the predictive power of the model, as well as base macroeconomic projections for identified macroeconomic variables for each sector. The upside and downside scenarios are based on a combination of a percentage error factor of each sector model as well as simulated optimistic and pessimistic macroeconomic projections based on a measure of historical macroeconomic volatilities.

In line with the expected, as well as experienced, Expected Credit Loss forward-looking volatility arising from the economic impact of the Covid 19 global crisis, the Bank has conducted, and overlaid, additional scenario analysis on the macroeconomic overlay model. This includes application of higher probability weights on the downside scenario, lower probability weights on the upside scenario, as well as stress tests on macroeconomic projections. The Bank continues to monitor the economic impact of Covid 19 on its credit risk profile as well as forward-looking Expected Credit Loss estimates and shall update the same on its IFRS 9 forward-looking estimates as and when significant changes in the overall macroeconomic environment are experienced.

External information considered includes economic data and forecasts published by Business Monitor International, an external and independent macroeconomic data body. This is in addition to industry-level, semi-annual NPI trends across statistically comparable sectors.



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Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Bank's senior management.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk for each of the Bank's economic sectors is summarized below:

Cluster Sector	Macroeconomic factors				
Agriculture, and Staff loans	INFLATION: Consumer price index, 2010 = 100, ave	EXCHANGE RATE: ETB/USD, ave	GDP EXPENDITURE: Exports of goods and services, USD	DEBT: Government domestic debt, ETBbn	STRATIFICATION: Household Spending,
Domestic Trade & Services and Transport & Communication	GDP( GDP per capita, USD)	GDP EXPENDITURE: Imports of goods	INFLATION: Consumer price index, 2010 = 100,	EXCHANGE RATE: ETB/USD, ave	FISCAL: Total revenue, USDbn
Building & Construction, Manufacturing & Production and Hotel & Tourism	GDP EXPENDITURE( Exports of goods and services)USD	FISCAL: Current expenditure, USDbn	DEBT: Government domestic debt, ETBbn	-	-
Export and Import	GDP EXPENDITURE (Exports of goods and	GDP EXPENDITURE: Imports of goods and services,	EXCHANGE RATE: Real effective exchange rate, index	GDP EXPENDITURE: Private final consumption,	DEBT: Total government debt, USDbn

The economic scenarios used as at 30 June 2021 included the following key indicators for Ethiopia for the years 2021 to 2023

Macro-economic factor	Years		
	2021	2022	2023
INFLATION: Consumer price index, 2010 = 100	470.4	517.4	569.2
GDP: GDP per capita, USD	889	1004	1134
GDP EXPENDITURE: Exports of goods and services, USD per capita	72.1	80.3	89.5
GDP EXPENDITURE: Exports of goods and services, ETBbn	291.7	342.9	403.2
EXCHANGE RATE: ETB/USD	34.31	35.34	36.4
GDP EXPENDITURE: Imports of goods and services, USDbn	31.4	35.9	41.1
FISCAL: Current expenditure, USDbn	9.6	10.9	12.4
GDP EXPENDITURE: Imports of goods and services, ETBbn	1077.9	1270.6	1497.7
INFLATION: Consumer price index, 2010 = 100	470.4	517.4	569.2
DEBT: Government domestic debt, ETBbn	872.3	1003.1	1143.6
EXCHANGE RATE: Real effective exchange rate, index	124.12	122.16	120.62
GDP EXPENDITURE: Private final consumption, USDbn	81.9	95	110.2
STRATIFICATION: Household Spending, ETBbn	2503.8	2991.5	3574.2
FISCAL: Total revenue, USDbn	10.3	11.6	13
DEBT: Total government debt, USDbn	67.1	77	87

Predicted relationships between the key indicators and default rates on various portfolios of financial assets have been developed based on analyzing semi – annual historical data over the past 5 years.



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**vii) Modified financial assets**

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of: its remaining lifetime PD at the reporting date based on the modified terms; with the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

**viii) Key Inputs for Measurement of ECL**

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for overdrafts that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.



## Lion International Bank S.C.

### Notes to the financial statements

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Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- Instrument type;
- Credit risk grading;
- Collateral type;
- LTV ratio for retail mortgages;
- Date of initial recognition;
- Remaining term to maturity;
- Industry; and
- Geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

#### 4.5 Credit related commitments risks

The Bank holds collateral against loans and receivables to customers in the form of bank guarantees and property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

#### 4.6 Maximum exposure to credit risk before collateral held or credit enhancements

##### (a) Types of credit exposure

The Bank's maximum exposure to credit risk at 30 June 2021 and 30 June 2020 respectively, is represented by the net carrying amounts in the statement of financial position.

	30 June 2021 Birr'000	30 June 2020 Birr'000
Cash and balances with banks	3,344,173	4,699,430
Loans and advances	21,828,927	19,081,734
Investment securities:		
- Equity Investment	-	-
- National Bank of Ethiopia Bills	3,927,386	3,919,930
Other assets	553,579	404,088
	<b>29,654,065</b>	<b>28,105,182</b>
<b>Credit risk exposures relating to off balance sheets are as follows:</b>		
Loan commitments (Approved but not drawn) as per NBE Guideline	423,215	702,220
Guarantees issued	1,724,302	2,904,919
Letter of credit and other credit related obligations	790,622	1,511,249
	2,938,139	5,118,387
<b>Total maximum exposure</b>	<b>32,592,204</b>	<b>33,223,570</b>

##### (b) Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained by the Bank during the year by taking possession of collaterals held as security against loans and advances at the year end are shown below.

	30 June 2021 Birr'000	30 June 2020 Birr'000
Properties	33,154	19,329
	<b>33,154</b>	<b>19,329</b>



## Lion International Bank S.C.

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The Bank's policy is to pursue realization of the collateral in a timely manner. The Bank does not generally use the non-cash collateral for its own operations.

#### (c) Loans and Advances at amortized cost

(i) Gross loans and receivables to customers per sector is analyzed as follows:

	30 June 2021	30 June 2020
	Birr'000	Birr'000
Transportation and communication	272,276	281,341
Export loans	8,268,772	7,547,526
Import loans	4,287,199	3,563,339
Manufacturing and production	1,218,920	966,137
Building and construction	2,016,651	1,811,465
Domestic trade	5,438,175	4,262,749
Staff emergency and mortgage loans	373,144	398,423
Agricultural loans	139,787	60,181
Hotel and Tourism	913,075	666,732
	<b>22,927,999</b>	<b>19,557,893</b>

(ii) Gross loans and receivables to customers per National Bank of Ethiopia's impairment guidelines is analyzed as follows:

	30 June 2021	30 June 2020
	Birr'000	Birr'000
Pass	16,909,716	17,697,021
Special mention	2,336,310	959,907
Substandard	1,410,447	406,954
Doubtful	1,751,449	206,732
Loss	520,076	287,278
	<b>22,927,999</b>	<b>19,557,893</b>

The above table represents a worse case scenario of credit risk exposure of the Bank as at the reporting dates without taking account of any collateral held or other credit enhancements attached. The exposures are based on net carrying amounts as reported in the statement of financial position.

Management is confident in its ability to continue to control and effectively manage the credit risk exposure in the Bank's loan and advances portfolio.

#### 4.7 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost, FVTPL debt investments . Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

The impairment model follows a three stage approach based on changes in expected credit losses of a financial instrument that determine; the recognition of impairment, and there recognition of interest revenue. The loss allowance for loans and advances to customers also includes the loss allowances for loan commitments and financial guarantee contracts.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is disclosed as follows



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**Three stage Approach**

**Stage 1**

12 month expected credit losses (gross interest)

- Applicable when no significant increase in credit risk
- Entities continue to recognize 12 months expected losses that are updated at each reporting date
- Presentation of interest on a gross basis

**Stage 2**

Life time expected credit losses (gross interest)

- Applicable in case of significant increase in credit risk
- Recognition of life time expected losses
- Presentation of interest on a gross basis

**Stage 3**

Life time expected credit losses (net interest)

- Applicable in case of credit impairment
- Recognition of life time expected losses
- Presentation of interest on a gross basis

	30 June 2021			
	Stage 1 Birr'000	Stage 2 Birr'000	Stage 3 Birr'000	Total Birr'000
<b>Loans and advances to customers at amortized cost</b>				
Stage 1 – Pass	16,909,716	-	-	16,909,716
Stage 2 – Special mention	-	2,336,310	-	2,336,310
Stage 3 - Non performing	-	-	3,681,972	3,681,972
Total gross exposure	16,909,716	2,336,310	3,681,972	22,927,999
Loss allowance	(234,289)	(89,718)	(775,065)	(1,099,072)
Net carrying amount	16,675,427	2,246,593	2,906,906	21,828,927

	30 June 2020			
	Stage 1 Birr'000	Stage 2 Birr'000	Stage 3 Birr'000	Total Birr'000
<b>Loans and advances to customers at amortized cost</b>				
Stage 1 – Pass	17,697,021	-	-	17,697,021
Stage 2 – Special mention	-	959,907	-	959,907
Stage 3 - Non performing	-	-	900,964	900,964
Total gross exposure	17,697,021	959,907	900,964	19,557,893
Loss allowance	(167,379)	(36,106)	(272,674)	(476,159)
Net carrying amount	17,529,642	923,800	628,290	19,081,734

Other financial assets (debt instruments)	SICR	30 June 2021		
		Gross exposure (Birr'000)	Loss allowance (Birr'000)	Net carrying amount (Birr'000)
Cash and balances with banks	12 Month ECL	1,629,463	(81)	1,629,382
National Bank of Ethiopia bills	12 Month ECL	3,927,794	(196)	3,927,598
Other receivables and financial assets	Lifetime ECL	25,268	(807)	24,461
		5,582,526	(1,085)	5,581,441



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Other financial assets (debt instruments)	SICR	Gross exposure (Birr'000)	Loss allowance (Birr'000)	30 June 2020
				Net carrying amount (Birr'000)
Cash and balances with banks	12 Month ECL	2,855,835	(143)	2,855,692
National Bank of Ethiopia bills	12 Month ECL	3,920,126	(196)	3,919,930
Other receivables and financial assets	Lifetime ECL	16,207	(613)	15,594
		6,792,169	(951)	6,791,217

#### 4.8 Statement of Prudential adjustments

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the National Bank of Ethiopia (NBE) Directives. This is at variance with the Expected Credit Losses model required by IFRS 9. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.

The proclamation 'Financial Reporting Proclamation No.847/2014 stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted.

However, Banks would be required to comply with the following:

(a) Provisions for loans recognized in the income statement should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under the NBE Directives and the expected impact/changes in other reserves should be treated as follows:

- Prudential provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve (retained earnings) account to a "regulatory risk reserve".
- Prudential provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account

(b) The non-distributable reserve should be classified under Tier 1 as part of the core capital.

During the period ended 30 June 2021, the Bank transferred an amount of Birr 153.16 million and 27.97 million during the period ended June 30, 2020 to the regulatory risk reserve. This amount represents the difference between the provisions for credit and other known losses as determined under the NBE Directives, and the impairment reserve as determined in line with IFRS 9 as at year end and the amount of suspended interest income (net of tax) transferred from memo accounts to balance sheet accounts.

In line with the same directive of the NBE, the Bank compared the provision based on the Directive with impairment under IFRS for comparative periods and transfers were made as the impairment balance under IFRS was higher for the years in the regulatory risk reserve account.

	30 June 2021 Birr'000	30 June 2020 Birr'000
Total impairment based on IFRS	1,099,072	476,159
Total impairment based on NBE Directives	851,203	454,379
Interest in suspense booked	315,046	96,251
<b>Regulatory risk reserve</b>	<b>220,532</b>	<b>67,375</b>





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**4.9 Credit concentrations**

The Bank monitors concentrations of credit risk by economic sector. An analysis of concentrations of credit risk at 30 June 2021 and 30 June 2020. The Bank concentrates all its financial assets in Ethiopia.

<b>30 June 2021</b>	<b>Domestic and Trade Services Birr'000</b>	<b>Import and Export Birr'000</b>	<b>Building and construction Birr'000</b>	<b>Others Birr'000</b>
Cash and balances with banks	-	-	-	3,344,173
Loans and receivables	5,438,175	12,555,971	2,016,651	2,917,202
Investment securities:				
- Equity Instrument	-	-	-	-
- NBE Bill	-	-	-	3,927,386
Other assets	-	-	-	553,579
Loan commitments (Approved but not drawn) as per NBE Guideline	-	-	-	423,215
	<b>5,438,175</b>	<b>12,555,971</b>	<b>2,016,651</b>	<b>11,165,555</b>

<b>30 June 2020</b>	<b>Domestic and Trade Services Birr'000</b>	<b>Import and Export Birr'000</b>	<b>Building and construction Birr'000</b>	<b>Others Birr'000</b>
Cash and balances with banks	-	-	-	4,699,430
Loans and receivables	4,262,749	11,110,865	1,811,465	2,372,814
Investment securities:				
- Equity Instrument	-	-	-	-
- NBE Bill	-	-	-	3,919,930
Other assets	-	-	-	404,088
Loan commitments (Approved but not drawn) as per NBE Guideline	-	-	-	702,220
	<b>4,262,749</b>	<b>11,110,865</b>	<b>1,811,465</b>	<b>12,098,482</b>





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**4.10 Nature of security in respect of loans and Advances**

	Secured against				
	Building Birr'000	Machinery Birr'000	Vehicle Birr'000	Merchandise Stock Birr'000	Others Birr'000
<b>30 June 2021</b>					
Agriculture	104,980	8,608	471	-	25,728
Building and Construction	628,034	60,290	297,155	49	1,031,123
Domestic Trade Service	4,991,136	574	46,498	57,183	342,785
Emergency Staff Loan	-	-	-	-	146,448
Export	1,215,050	-	111,178	15,192	6,927,353
Hotel and Tourism	879,205	-	4,629	-	29,241
Import	2,287,980	-	36,693	618,516	1,344,011
Manufacturing and Production	780,270	-	14,353	31,829	392,467
Staff Mortgage Loan	201,142	-	16,303	-	9,252
Transport and Communication	28,317	2,377	136,948	-	104,635
	<b>11,116,111</b>	<b>71,849</b>	<b>664,228</b>	<b>722,769</b>	<b>10,353,042</b>

	Secured against				
	Building Birr'000	Machinery Birr'000	Vehicle Birr'000	Stock Birr'000	Others Birr'000
<b>30 June 2020</b>					
Agriculture	39,140	5,157	595	-	15,288
Building and Construction	706,886	93,379	337,645	-	673,554
Domestic Trade Service	4,006,020	611	24,848	9,864	221,407
Emergency Staff Loan	-	-	-	-	108,057
Export	1,150,307	662	87,689	9,719	6,299,148
Hotel and Tourism	654,690	-	3,847	-	8,195
Import	2,044,025	491	22,335	479,661	1,016,827
Manufacturing and Production	538,152	720	34,430	3,016	389,818
Staff Mortgage Loan	267,157	-	23,208	-	-
Transport and Communication	34,074	5,090	129,646	-	112,530
	<b>9,440,453</b>	<b>106,110</b>	<b>664,243</b>	<b>502,260</b>	<b>8,844,826</b>

**4.11 Collateral held and their financial effect**

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. Staff loans are secured to the extent of the employee's continued employment in the Bank.

The Bank may take collateral in the form of a first charge over property, liens and guarantees. The Bank does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to the Bank's focus on creditworthiness, the Bank aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers.

For impaired loans, the Bank obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement.

The fair value of the collaterals are based on the last revaluations carried out by the Bank's engineers. The valuation technique adopted for properties is in line with the Bank's valuation manual and the revalued amount is similar to fair values of properties with similar size and location.

The fair value of collaterals other than properties such as share certificates, cash, Government security etc. as disclosed at the carrying amount as management is of the opinion that the cost of the process of establishing the fair value of the collateral exceeds benefits accruable from the exercise.

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#### Write-off policy

The Bank writes off Loans and Advance balance, and any related allowances for impairment losses, when Bank determines that the Loans and advances or security is uncollectible and after approval is obtained. This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans and advances, write-off decisions generally are based on a product-specific past due status. There was no significant amount wrote off during the year.

#### 4.12 Commitments and guarantees

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. The table below shows the Bank's maximum credit risk exposure for commitments and guarantees.

	30 June 2021	30 June
	Birr'000	Birr'000
Loan commitments (Approved but not drawn) as per NBE Guideline	423,215	702,220
Guarantees issued	1,724,302	2,904,919
Letter of credit and other credit related obligations	790,622	1,511,249
<b>Total maximum exposure</b>	<b>2,938,139</b>	<b>5,118,387</b>

#### 4.13 Liquidity risk

Liquidity risk is the risk that the Bank cannot meet its maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank on acceptable terms.

The main objective of the Bank's liquidity risk framework is to maintain sufficient liquidity in order to ensure that it meets our maturing obligations.

##### 4.13.1 Management of liquidity risk

Cash flow forecasting is performed by the Bank concerned department and the concerned department monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs.

The Bank has incurred indebtedness in the form of borrowings. The Bank evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Bank devises strategies to manage its liquidity risk.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Bank's reputation.

##### 4.13.2 Maturity analysis of financial liabilities

The table below analyses the Bank's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in future.

30 June 2021	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Over 1 year
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Deposits from customers	1,588,147	3,176,295	7,125,834	10,505,994	3,735,470
Other liabilities	1,572,947	759,459	14,280	21,265	10,805
Borrowing	17,192	8,301	156	232	118
<b>Total financial liabilities</b>	<b>3,178,287</b>	<b>3,944,054</b>	<b>7,140,270</b>	<b>10,527,491</b>	<b>3,746,394</b>



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30 June 2020	0 - 30 days Birr'000	31 - 90 days Birr'000	91 - 180 days Birr'000	181 - 365 days Birr'000	Over 1 year Birr'000
Deposits from customers	15,193,162	-	549,009	917,360	9,472,209
Other liabilities	1,142,400	797,061	9,860	19,468	1,183
Borrowing	10,516	7,337	91	179	11
<b>Total financial liabilities</b>	<b>16,346,078</b>	<b>804,398</b>	<b>558,960</b>	<b>937,007</b>	<b>9,473,403</b>

#### 4.14 Market risk

Market risk is defined as the risk of loss risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk factors such as interest rates, foreign exchange rates, equity prices, credit spreads and their volatilities. Market risk can arise in conjunction with trading and non-trading activities of a financial institutions.

The Bank does not ordinarily engage in trading activities as there are no active markets in Ethiopia yet.

##### 4.14.1 Management of market risk

The main objective of Market Risk Management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

##### 4.14.2 The Variables of Market Risk

Market risk is monitored by the risk management department on regularly, to identify any adverse movement in the underlying variables.

###### (i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Borrowings obtained at variable rates give rise to interest rate risk.

The Bank's exposure to the risk of changes in market interest rates relates primarily to the Bank's obligations and financial assets with floating interest rates. The Bank is also exposed on fixed rate financial assets and financial liabilities. The Bank's investment portfolio is comprised of treasury bills, Ethiopian government bonds and cash deposits.

The table below sets out information on the exposures to fixed and variable interest instruments.

30 June 2021	Interest bearing Birr'000	Non-interest bearing Birr'000	Total Birr'000
<b>Assets</b>			
Cash and balances with banks	1,629,382	2,269,646	3,899,028
Loans and Advances	21,828,927	-	21,828,927
Investment securities- NBE Bills (Debt Instrument)	3,927,386	-	3,927,386
Investment securities- (Equity Instrument)	-	87,777	87,777
<b>Total</b>	<b>27,385,695</b>	<b>2,357,423</b>	<b>29,743,118</b>
<b>Liabilities</b>			
Deposits from customers	23,093,175	2,898,828	25,992,003
Debt securities issued	-	-	-
Borrowings	26,000	-	26,000
Other liabilities	-	2,378,755	2,378,755
<b>Total</b>	<b>23,119,175</b>	<b>5,277,583</b>	<b>28,396,758</b>
<b>Gap between Interest sensitive Asset and Liabilities</b>	<b>4,266,520</b>		



30 June 2020	Interest bearing Birr'000	Non-interest bearing Birr'000	Total Birr'000
<b>Assets</b>			
Cash and balances with banks	2,855,692	4,037,512	6,893,204
Loans and Advances	19,081,734	-	19,081,734
Investment securities- NBE Bills (Debt Instrument)	3,919,930	-	3,919,930
Investment securities- (Equity Instrument)	-	75,557	75,557
<b>Total</b>	<b>25,857,356</b>	<b>4,113,069</b>	<b>29,970,426</b>
<b>Liabilities</b>			
Deposits from customers	22,408,059	3,723,680	26,131,739
Debt securities issued	-	-	-
Borrowings	17,833	-	17,833
Other liabilities	-	1,970,275	1,970,275
<b>Total</b>	<b>22,425,892</b>	<b>5,693,955</b>	<b>28,119,847</b>
<b>Gap between Interest sensitive Asset and Liabilities</b>	<b>3,431,464</b>		



## Lion International Bank S.C.

### Notes to the financial statements

### For the year ended 30 June 2021

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rate non-trading financial assets and financial liabilities held at 30 June 2021 and 30 June 2020. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

#### ii) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The Bank is exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr. The Bank's foreign currency bank accounts act as a natural hedge for these transactions. Management has set up a policy to manage the Bank's foreign exchange risk against its functional currency.

The net total foreign currency denominated assets and liabilities exposed to risk as at year end 30 June 2021 is Birr (12.48) million and 30 June 2020 is Birr(169.04)million.

The table below( for 'Sensitivity analysis for foreign exchange risk') summarizes the impact of increases/decreases of 10% on equity and profit or loss arising from the Bank's foreign denominated borrowings and cash and bank balances.

	30 June 2021 Birr'000	2020 Birr'000
Cash and bank balances	7,995	499,295
Customers' Deposits	(17,456)	(475,220)
Other Liabilities	(3,021)	(193,117)
	<b>(12,482)</b>	<b>(169,043)</b>

#### Sensitivity analysis for foreign exchange risk

The sensitivity analysis for currency rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date.

The sensitivity of the Bank's earnings to fluctuations in exchange rates is reflected by varying the exchange rates at 10% as shown below:

	30 June 2021 Birr'000	2020 Birr'000
Impact on profit or loss		
10% change in exchange rates	(1,248)	(16,904)

	Increase (decrease) in basis points Birr'000	Sensitivity of profit or loss Birr'000	Sensitivity of equity Birr'000
<b>30 June 2021</b>			
USD	10%	(12,823)	(12,823)
Euro	10%	232	232
GBP	10%	109	109
		<b>(12,482)</b>	<b>(12,482)</b>
<b>30 June 2020</b>			
USD	10%	(20,730)	(20,730)
Euro	10%	3,335	3,335
GBP	10%	491	491
		<b>(16,904)</b>	<b>(16,904)</b>



**Lion International Bank S.C.**  
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#### 4.15 Capital management

The Bank's objectives when managing capital are to comply with the capital requirements set by the National Bank of Ethiopia, safeguard its ability to continue as a going concern, and to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

##### 4.15.1 Capital adequacy ratio (CAR)

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. It is important to measure the amount of Bank's capital in relation to its risk weighted credit exposures.

The Bank's capital is divided into two tiers or it consists of two grouping of capital elements which are called Tiers 1 capital (core/primary capital) and Tiers 2 capital (supplementary capital). The former group consists of ordinary paid-in capital, Legal reserves and share premium. while the second, consists of undisclosed reserves, asset revaluation reserves, general provisions, hybrid capital instruments and subordinated term debt.

The bank measures its capital adequacy ratio (CAR), as the ratio requirements set by the National Bank of Ethiopia, for the primary capital/core capital in terms of risk weighted asset.

	Code	30 June 2021 Birr'000	2020 Birr'000
<b>Total Capital (A1+A2)</b>	<b>A</b>	<b>3,291,915</b>	<b>2,927,832</b>
<b>Primary Capital (sum A11 to A14)</b>	<b>A1</b>	<b>3,291,915</b>	<b>2,927,832</b>
Paid-up capital	A11	2,513,049	2,175,463
Share Premium	A12	45,036	42,255
General reserves	A13	20,918	42,548
Legal reserves	A14	712,912	667,566
Supplementary capital (specify)	A2		
<b>Risk-weighted assets (RWA) (B1 to B2)</b>	<b>B</b>	<b>25,868,469</b>	<b>23,570,749</b>
On balance sheet (9)	B1	24,652,297	21,477,767
Off balance sheet (16)	B2	1,216,172	2,092,982
Ratios (%)	C		
<b>Primary capital to RWA (A1/B)</b>	<b>C1</b>	<b>12.73%</b>	<b>12.42%</b>
<b>Total capital to RWA (A/B)</b>	<b>C2</b>	<b>12.73%</b>	<b>12.42%</b>

##### 4.15.2 Risk weighted assets (RWA)

###### a) Balance Sheet

Assets	Weighted Assets	
	30 June 2021 Birr'000	2020 Birr'000
Claims on Domestic & foreign		
Less than 1 year maturity	391,186	653,487
Loans & advances (net)-Residential mortgage loans	113,348	145,183
Others	21,602,231	18,791,368
Investments	87,777	75,557
Fixed assets (net)	982,187	901,294
Accounts receivable	553,579	404,088
Supplies stock account	29,613	16,991
Others	892,376	489,798
<b>Total RWBSA*</b>	<b>24,652,297</b>	<b>21,477,767</b>

RWBSA = Risk Weighted Balance Sheet Assets



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## b) Off Balance Sheet

Off-Balance Sheet Assets (OBSA)	Credit Equivalent	
	30 June 2021 Birr'000	2020 Birr'000
Undrawn Loan commitments	211,607	351,110
Guarantees issued	862,151	1,452,459
Commercial letter of credit	142,413	289,413
<b>Total Risk weighted Off - BSA</b>	<b>1,216,172</b>	<b>2,092,982</b>

## 4.16 Lease

Information about leases for which the Bank is a lessee is presented below.

	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>i) Right Use of Asset (ROU)-Premises/Building and Land Use Right</b>		
<b>Cost</b>		
Right Use of Asset (ROU)-Premises/Building	794,850	493,534
Right Use of Asset (ROA)-Land	3,382	-
<b>Amortization Expense on ROU and Land Use Right</b>		
Amortization Expense for the year	(95,655)	(89,074)
<b>Net Book Value - ROU + Land Use Right</b>	<b>702,577</b>	<b>404,460</b>
<b>ii) Lease Liability-Premises/Building and Land Use Right</b>		
Lease Liability-Premises/Building + Land and Finance Charge	153,261	140,457
Charge for the year	303,606	12,804
<b>Total Lease Liability-Premises/Building and Land Use Right</b>	<b>456,867</b>	<b>153,261</b>

The Bank has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## 4.17 Fair value of financial assets and liabilities

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.





## Lion International Bank S.C.

### Notes to the financial statements

### For the year ended 30 June 2021

#### 4.17.1 Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data.

In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

#### 4.17.2 Financial instruments not measured at fair value - Fair value hierarchy

The following table summarizes the carrying amounts of financial assets and liabilities at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

As it vivid on the above disclosure point 4.7, regards to our financial instrument category, the Bank's financial assets are classified into amortized cost and FVTPL and the financial liabilities are classified into other liabilities at amortized cost. Thus, the Bank has no financial asset measured at fair value through other comprehensive income. As a result, except equity investment permanently having similar face value (at initial and subsequent measurement) the bank valuation technique is significant unobservable inputs – Level 3.

	amount Birr'000	Level 1 Birr'000	Level 2 Birr'000	Level 3 Birr'000	Total Birr'000
<b>30 June 2021</b>					
<b>Financial assets</b>					
Cash and balances with banks	3,899,028	3,899,028	-	-	3,899,028
Loans and Advances	21,828,927	-	-	21,828,927	21,828,927
Investment securities	4,015,163	87,777	-	3,927,386	4,015,163
<b>Total</b>	<b>29,743,118</b>	<b>3,986,805</b>	<b>-</b>	<b>25,756,313</b>	<b>29,743,118</b>
<b>Financial liabilities</b>					
Deposits from customers	25,992,003	25,992,003	-	-	25,992,003
Debt securities issued	-	-	-	-	-
Borrowings	26,000	-	-	26,000	26,000
Other liabilities	2,328,741	-	-	2,328,741	2,328,741
<b>Total</b>	<b>28,346,744</b>	<b>25,992,003</b>	<b>-</b>	<b>2,354,741</b>	<b>28,346,744</b>
	<b>Carrying Birr'000</b>	<b>Level 1 Birr'000</b>	<b>Level 2 Birr'000</b>	<b>Level 3 Birr'000</b>	<b>Total Birr'000</b>
<b>30 June 2020</b>					
<b>Financial assets</b>					
Cash and balances with banks	6,893,204	6,893,204	-	-	6,893,204
Loans and Advances	19,081,734	-	-	19,081,734	19,081,734
Investment securities	3,995,488	75,557	-	3,919,930	3,995,488
<b>Total</b>	<b>29,970,426</b>	<b>6,968,762</b>	<b>-</b>	<b>23,001,664</b>	<b>29,970,426</b>
<b>Financial liabilities</b>					
Deposits from customers	26,131,739	26,131,739	-	-	26,131,739
Debt securities issued	-	-	-	-	-
Borrowings	17,833	-	-	17,833	17,833
Other liabilities	1,854,799	-	-	1,854,799	1,854,799
<b>Total</b>	<b>28,004,371</b>	<b>26,131,739</b>	<b>-</b>	<b>1,872,632</b>	<b>28,004,371</b>

**Lion International Bank S.C.**  
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**4.17.3 Fair value methods and assumptions**

**Loans and advances to customers**

Loans and advances to customers are carried at amortized cost net of provision for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

**4.17.4 Valuation technique using significant unobservable inputs – Level 3**

The Bank has no financial asset measured at fair value on subsequent recognition except for Equity Investment financial asset.

**4.17.5 Transfers between the fair value hierarchy categories**

During the reporting period covered by these annual financial statements, there were no movements between levels as a result of significant inputs to the fair valuation process becoming observable or unobservable.

**4.18 Offsetting financial assets and financial liabilities**

There are no offsetting arrangements. Financial assets and liabilities are settled and disclosed on a gross basis.



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	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>5 Interest income</b>		
Interest on Loans & Advances	3,233,564	2,261,629
Interest on deposits held with local and foreign banks	297,798	252,307
Interest on treasury and NBE bills	149,983	160,948
Interest-on Local Investment	2,276	1,759
	3,683,621	2,676,643

Included within various line items under interest income for the year ended 30 June 2021: Birr 263,999,972 is a total of Birr and 30 June 2020: Birr 43,784,415 relating to impaired financial assets.

	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>6 Interest expense</b>		
- Saving deposits	1,278,595	826,668
- NBE borrowings	39,154	2,043
- Other Bank borrowings	63	797
- Fixed deposits	231,000	160,501
- Demand deposits	-	-
	1,548,812	990,009

**7 Net fees and commission income**

**Fee and commission income**

	30 June 2021 Birr'000	30 June 2020 Birr'000
Commission on Letter Of Credit	55,325	76,498
Commission on Letter Of guarantee	103,893	116,836
Commission on Local transfers and other transactions	1,217	4,300
	160,435	197,634

**Fee and commission expense**

-  
-

**Net fees and commission income**

160,435      197,634



**Lion International Bank S.C.**  
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**8 Net foreign exchange income**

Gain on foreign exchange	183,872	166,992
Loss on foreign exchange	(357,954)	(161,232)
	-	-
Net foreign exchange income	(174,082)	5,760

**30 June 2021**    **30 June 2020**  
**Birr'000**        **Birr'000**

**9 Other operating Income**

Telephone, telegraph and postage charges	152	-
Service charge on foreign and local transactions	137,809	165,129
Gain on Disposal of Property, plant and Equipment	-	20
Other income	51,386	65,157
	189,347	230,306

**30 June 2021**    **30 June 2020**  
**Birr'000**        **Birr'000**

**10 Loan Impairment charge**

Loans and Advances - charge for the year (note 16a)	622,913	245,958
Loans and Advances - reversal of provision (note 16a)	-	-
Loans and Advances -Direct Writeoff	97	76
	623,010	246,034

**30 June 2021**    **30 June 2020**  
**Birr'000**        **Birr'000**

**11 Impairment losses on other assets**

Other assets - charge for the year (note 18)	66,735	606
Other assets - reversal of impairment losses (note 18)	-	-
	66,735	606

**30 June 2021**    **30 June 2020**  
**Birr'000**        **Birr'000**

**12 Employee benefits**

Salaries and wages	542,337	434,064
Staff bonus	-	61,423
Staff allowances	100,957	107,277
Provident fund and pension contribution	64,849	51,804
Accrued leave pay	-1,737	14,323
Amortisation of prepaid staff benefit	12,897	1,360
Employee defined benefit (Income) expense	16,169	(20,448)
Other staff expenses	17,432	20,850

**752,904**        **670,653**



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	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>13 Other operating expenses</b>		
General and administrative expenses	147,408	155,459
Advertisement and Publicity	24,927	33,667
Insurance Expenses	7,419	6,324
Stationery & Printings	13,608	16,620
Transportation of Currencies	9,812	11,542
Wages Expense	85,342	88,599
Office Rent	12,697	5,180
Communication expenses	21,152	19,987
Repairs and maintenance	10,409	9,392
Maintenance, consultancy and support fees	27,771	13,440
Service charge	4,685	3,997
Directors' fees	2,867	2,907
Issuer fees on ATM	2,807	1,468
Administration of acquired property	3	9
Office supplies	2,055	3,431
Subscription and membership fees	243	433
Fuel and lubricants	953	1,348
Audit fees	816	868
Premium fee on Investment	-	616
Other expenses	10,964	1,547
	<b>385,938</b>	<b>376,835</b>
	<b>30 June 2021 Birr'000</b>	<b>30 June 2020 Birr'000</b>
<b>13a) General and administrative expenses</b>		
Entertainment Expenses	1,282	1,854
Donation and Contribution(provision)	21,000	31,474
Penalty	1,744	166
Amortization Expese on ROU	-	-
Finance Charge (Lease Liability)	16,657	12,804
Other General and administrative expenses	-	109,161
	<b>40,683</b>	<b>155,459</b>
	<b>30 June 2021 Birr'000</b>	<b>30 June 2020 Birr'000</b>
<b>14 Current income and deferred tax</b>		
<b>14a Income tax expense</b>		
Current income tax expense	96,109	106,409
Prior year (over)/ under provision		
Deferred income tax/(credit) to profit or loss	(16,568)	31,120
Total charge to profit or loss	<b>79,541</b>	<b>137,529</b>
Tax (credit) on other comprehensive income	-	-
Total tax in statement of comprehensive income	<b>79,541</b>	<b>137,529</b>



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**14b Reconciliation between tax expense and the product of the accounting profit multiplied by the applicable tax rate**

The tax on the Bank's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	30 June 2021 Birr'000	30 June 2020 Birr'000
(b) Current tax		
IFRS Accounting profit	414,081.89	780,639
<b>Add : Disallowed expenses</b>		
Entertainment	1,282.21	1,854
Donation	-	-
Penalty	1,744.23	166
Provision for loans and advances as per IFRS	623,009.68	246,034
Depreciation for accounting purpose	61,804.62	40,344
Amortization for accounting purpose	6,036.21	5,223
Impairment losses on other assets	66,735.21	606
Provision for legal cases	-	2,451
Amortization Expense/Finance Charges on Leased Asset/Liability	119,828.13	107,058
Tax Expense	9,555.66	-
Severance pay	12,675.00	-
	<u>902,671</u>	<u>403,736</u>
<b>Less :</b>		
Depreciation for tax purpose	93,151.11	52,026
Provision for loans and advances for tax NBE 80%	317,459.27	216,294
Amortization of deferred charge as per tax law	6,200.93	6,738
Written back of doubtful debts other than loans and Advance	-	-
Written off of doubtful debts other than loans and advance	-	-
Gain on disposal of Property, plant & equipment	-	20
Dividend income taxed at source	2,276.10	1,759
Interest income taxed at source-NBE Bills	149,983.23	160,948
Interest income taxed at source-deposits	297,698.24	251,827
Provision for legal cases	554.08	-
Office Rent Expense	117,407.85	104,512
Accrued Leave	4,349.34	-
Severance pay	-	21,928
Unrealized Gain(Loss) on Equity Investment	7,310.30	13,627
	<u>996,390</u>	<u>829,679</u>
<b>Taxable profit</b>	<u>320,362</u>	<u>354,697</u>
<b>Current tax at 30%</b>	<u>96,109</u>	<u>106,409</u>
C) The movement of Profit tax Payable		
Balance brought forward	106,244	161,099
Add : Provision for the year	96,109	106,409
Less: Direct settlement	106,244	161,099
Withholding tax paid	140	165
	<u>95,969</u>	<u>106,244</u>
Tax Provision as Per IFRS	96,109	106,409
Tax provision as per GAAP		
Additional Current Tax Expense to be (claimed)/settled	(140)	(165)
<b>Tax Payable for 2020/21</b>	<u>95,969</u>	<u>106,244</u>



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<b>14c Current income tax liability</b>	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>Birr'000</b>	<b>Birr'000</b>
Current income tax payable	96,109	106,409
	<u>96,109</u>	<u>106,409</u>
Balance at the beginning of the year	106,409	161,231
Income tax expense	96,109	106,409
Prior year (over)/ under provision	-	-
Payment during the year	<u>(106,409)</u>	<u>(161,231)</u>
Balance at the end of the year	<u>96,109</u>	<u>106,409</u>

**14d Deferred income tax**

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>Birr'000</b>	<b>Birr'000</b>
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	-	-
To be recovered within 12 months	<u>(4,624)</u>	<u>(21,191)</u>
	<u>(4,624)</u>	<u>(21,191)</u>

Deferred income tax assets and liabilities, deferred income tax charge/(credit) in profit or loss ("P/L), in equity and other comprehensive income are attributable to the following items:

<b>Deferred income tax assets/(liabilities):</b>	<b>As at 1 July 2020</b>	<b>Credit/ (charge) to</b>	<b>Credit/ (charge) to equity</b>	<b>30 June 2021</b>
	<b>Birr'000</b>	<b>Birr'000</b>	<b>Birr'000</b>	<b>Birr'000</b>
Property, Plant and Equipment (Including intangibles)	(37,475)	12,689		(24,786)
Post employment benefit obligation	16,284	3,879		20,162
<b>Total deferred tax assets/(liabilities)</b>	<u>(21,191)</u>	<u>16,568</u>	<u>-</u>	<u>(4,624)</u>

<b>Deferred income tax assets/(liabilities):</b>	<b>As at 1 July 2019</b>	<b>Credit/ (charge) to</b>	<b>Credit/ (charge) to equity</b>	<b>30 June 2020</b>
	<b>Birr'000</b>	<b>Birr'000</b>	<b>Birr'000</b>	<b>Birr'000</b>
Property, Plant and Equipment (Including intangibles)	(9,479)	(27,996)		(37,475)
Post employment benefit obligation	19,408	(3,124)		16,284
<b>Total deferred tax assets/(liabilities)</b>	<u>9,929</u>	<u>(31,120)</u>	<u>-</u>	<u>(21,191)</u>



**Lion International Bank S.C.**  
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	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>15 Cash and balances with banks</b>		
Cash in hand	554,936	2,193,917
Deposits with local banks	1,629,463	2,855,835
Deposits with foreign banks	326,550	411,745
Balance held with National Bank of Ethiopia	93,330	130,020
Reserve with National Bank of Ethiopia	1,294,830	1,301,830
<b>Gross amount</b>	<b>3,899,109</b>	<b>6,893,347</b>
Less: Impairment allowance to Deposit with local banks		
Beginning Provision	(143)	(63)
Charge for the year	61	(80)
Impairment allowance	(81)	(143)
<b>Net Amount</b>	<b>3,899,028</b>	<b>6,893,204</b>
 <i>Maturity analysis</i>		
	<b>30 June 2021 Birr'000</b>	<b>30 June 2020 Birr'000</b>
Current	2,604,279	5,591,517
Non-Current	1,294,830	1,301,830
	<b>3,899,109</b>	<b>6,893,347</b>

The reserve with National Bank of Ethiopia represents regulatory cash ratio requirements based on customer deposits with the Bank. As at 30 June 2021, the cash ratio requirement was 5 % . The funds are not available for the day to day operations of the Bank and are non interest bearing.

Amounts included in cash and cash equivalents are current. Reserves with National Bank of Ethiopia are non - current. Cash and balances with National Bank of Ethiopia are classified as 'Amortized cost'.





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**For the year ended 30 June 2021**

	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>16 Loans and advances</b>		
<b>Analysis by sector</b>		
Transportation and communication	272,276	281,341
Export loans	8,268,772	7,547,526
Import loans	4,287,199	3,563,339
Manufacturing and production	1,218,920	966,137
Building and construction	2,016,651	1,811,465
Domestic trade	5,438,175	4,262,749
Staff emergency and mortgage loans	373,144	398,423
Agricultural loans	139,787	60,181
Hotel and Tourism	913,075	666,732
<b>Gross loans and advances to customers</b>	<b>22,927,999</b>	<b>19,557,893</b>
Less: Impairment allowance (note 15a)		
- Allowance for Impairment	(1,099,072)	(476,159)
<b>Net loans and advances to customers</b>	<b>21,828,927</b>	<b>19,081,734</b>
<b>Analysis by maturity</b>		
	30 June 2021 Birr'000	30 June 2020 Birr'000
Loans and advances due:		
Not later than 1 year	2,597,870	1,995,621
Later than 1 year but not later than 5 years	17,267,607	15,161,671
Later than 5 years	3,062,522	2,400,600
Gross loans and advances to customers	22,927,999	19,557,893
Less: Provision for doubtful debts	(1,099,072)	(476,159)
Net loans and advances to customers	21,828,927	19,081,734



**Lion International Bank S.C.**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**16a Impairment allowance on loans and Advances**

A reconciliation of the allowance for impairment losses for loans and receivables by class, is as follows:

	As at 30 June 2020 Birr'000	Charge for the year Birr'000	As at 30 June 2021 Birr'000
Allowance for Impairment	476,159	622,913	1,099,072
	476,159	622,913	1,099,072
	As at 30 June 2019 Birr'000	Charge for the year Birr'000	As at 30 June 2020 Birr'000
Allowance for Impairment	230,201	245,958	476,159
	230,201	245,958	476,159

**17 Investment Securities**

**Investment Securities at FVTPL**

	30 June 2021 Birr'000	30 June 2020 Birr'000
EthSwitch S.C.	39,687	26,802
Lion Insurance Co. S.C.	13,031	9,864
SWIFT	89	238
Goda Bottle and Glass S.C.	21,504	18,870
Diramba Trade and Industry S.C.	6,156	6,156
<b>Gross amount</b>	<b>80,467</b>	<b>61,930</b>

**Add (Less):** Investment Security (Equity)- Fair Value -  
 IFRS 9 adjustment as at 01 July 2018 -  
 Charge for the year 7,310

**Total Investment Security (Equity)- Fair Value**  
**Net amount** -

-	-
-	-
7,310	13,627
7,310	13,627
<b>87,777</b>	<b>75,557</b>

**Investment Securities at Cost**

Name of investees	Principal activity	Shares	30 June 2021 Birr'000
EthSwitch S.C.	Money transfer	13	12,502
Lion Insurance Co. S.C.	Insurance	390	9,746
SWIFT	Money transfer	1	30
Goda Bottle and Glass S.C.	Manufacturing	430	21,504
Diramba Trade and Industry S.C.	Manufacturing	6	6,156
			<b>49,938</b>



**Lion International Bank S.C.**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**NBE Bills at Amortized Cost**

	30 June 2021	30 June 2020
	Birr'000	Birr'000
National Bank of Ethiopia bills (Net)	3,927,386	3,919,930
	<u>3,927,386</u>	<u>3,919,930</u>
<b>Movement</b>		
At start of year	3,920,126	4,230,006
Additions	-	804,036
Maturities	-	(1,193,433)
Increase in accrued interest at end of year	7,668	79,517
	<u>3,927,794</u>	<u>3,920,126</u>
<b>Gross amount</b>		
Less: Impairment allowance to NBE Bills		
Beginning Provision	(196)	(212)
Charge for the year	(212)	15
Total Impairment allowance	(408)	(196)
<b>At end of year</b>	<u>3,927,386</u>	<u>3,919,930</u>
<b>Maturity profile</b>		
Bills maturing within 91 days from the date of acquisition		-
Bills maturing after 91 days after the date of acquisition	3,927,386	3,919,930
Total	<u>3,927,386</u>	<u>3,919,930</u>

This represents the cost of bills acquired from the National Bank of Ethiopia in accordance with directives on the establishment and operation of National Bank of Ethiopia Bills market No. MFA / NBE BILLS/002/2011.

The maturity period of the bills is 5 years.



**Lion International Bank S.C.**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>18 Other assets</b>		
<b>Financial assets</b>		
Sundry receivables	667,964	451,889
	667,964	451,889
Less: Impairment allowance for other assets	(114,385)	(47,801)
	553,579	404,088
<b>Non-financial assets</b>		
Prepaid staff benefit	99,740	11,613
Prepayments	43,551	31,694
Right Use of Asset (ROU)-Premises/Building	699,265	404,460
Right Use of Asset (ROA)-Land	3,312	-
Stock of supplies	29,613	16,991
Acquired property	33,154	19,329
	908,635	484,087
Net amount	1,462,214	888,175
	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>18a) Right Use of Asset-Premises/Building</b>		
Right Use of Asset (ROU)-Premises/Building	794,850	493,534
Right Use of Asset (ROA)-Land	3,382	-
Amortization Expense on ROU and ROL	(95,655)	(89,074)
Net Right Use of Asset (ROU)-Premises/Building and Land	702,577	404,460
<b>Maturity analysis</b>	30 June 2021 Birr'000	30 June 2020 Birr'000
Current	436,760	378,765
Non-Current	1,025,454	509,411
	1,462,214	888,175
<b>Impairment allowance on other assets</b>		
A reconciliation of the allowance for impairment losses for other assets is as follows:		
	30 June 2021 Birr'000	30 June 2020 Birr'000
<b>Balance at the beginning of the year</b>	47,803	47,261
Addition for the year	66,498	4,269
Charge for the year	85	(3,727)
Written off during the period	-	-
(Reversal)/charge for the year (note 10)	-	-
<b>Balance at the end of the year</b>	114,385	47,803



**Lion International Bank S.C.**  
**For the year ended 30 June 2021**  
**Notes to the financial statements**

19 Intangible Assets	Software Birr'000		Work in progress Birr'000		Total Birr'000
<b>Cost:</b>					
As at 1 July 2019	36,872	-	578		37,449
Acquisitions	12,750		353		13,103
<b>As at 30 June 2020</b>	<b>49,622</b>		<b>931</b>		<b>50,552</b>
<b>Accumulated amortisation and impairment losses:</b>					
As at 1 July 2020	49,622	-	931		50,552
Acquisitions	-		-		-
De-recognition	(11,624)		-		(11,624)
<b>As at 30 June 2021</b>	<b>37,998</b>		<b>931</b>		<b>38,928</b>
<b>Accumulated amortisation and impairment losses:</b>					
As at 1 July 2019	22,628		-	-	22,628
Amortisation for the year	5,223		-		5,223
Impairment losses	-		-		-
<b>As at 30 June 2020</b>	<b>27,850</b>		-		<b>27,850</b>
As at 1 July 2020	27,850		-	-	27,850
Amortisation for the year	6,036		-		6,036
Impairment losses	-		-		-
De-recognition	(11,624)		-		(11,624)
<b>As at 30 June 2021</b>	<b>22,263</b>		-		<b>22,263</b>
<b>Net book value</b>					
As at 30 June 2020	21,771	-	931	-	22,702
As at 30 June 2021	15,735	-	931	-	16,666



**Lion International Bank S.C.**  
**For the year ended 30 June 2021**  
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	Motor vehicles Birr'000	Furniture and fittings Birr'000	Office & other equipment Birr'000	IT equipment Birr'000	Building & premises Birr'000	Construction in progress Birr'000	Total Birr'000
<b>20 Property, plant and equipment</b>							
<b>Cost:</b>							
<b>As at 1 July 2019</b>	61,016	78,197	73,521	87,835	12,873	834	314,274
Additions	53,371	22,657	10,883	32,518	588,824	610	708,862
Disposals	-	(81)	(145)	-	-	-	(226)
Reclassification	-	(528)	23,485	5,510	-	-	28,467
<b>As at 30 June 2020</b>	<b>114,386</b>	<b>100,246</b>	<b>107,743</b>	<b>125,862</b>	<b>601,697</b>	<b>1,443</b>	<b>1,051,377</b>
<b>As at 1 July 2020</b>	114,386	100,246	107,743	125,862	601,697	1,443	1,051,377
Additions	50,449	13,064	30,370	21,307	-	47,805	162,994
Disposals	-	-	-	-	-	-	-
Reclassification	-	2,621	(22,786)	(132)	-	-	(20,297)
<b>As at 30 June 2021</b>	<b>164,835</b>	<b>115,931</b>	<b>115,327</b>	<b>147,037</b>	<b>601,697</b>	<b>49,248</b>	<b>1,194,075</b>
<b>Accumulated depreciation</b>							
<b>As at 1 July 2019</b>	22,096	23,020	27,059	36,803	883	-	109,861
Charge for the year	7,595	8,437	8,294	12,776	3,242	-	40,344
A/D Adjustment (Stock I	-	(3)	(29)	(42)	-	-	(74)
Disposals	-	(26)	(21)	-	-	-	(47)
Reclassification	-	(27)	27	-	-	-	-
<b>As at 30 June 2020</b>	<b>29,691</b>	<b>31,401</b>	<b>35,330</b>	<b>49,537</b>	<b>4,125</b>	<b>-</b>	<b>150,084</b>
<b>As at 1 July 2020</b>	29,691	31,401	35,330	49,537	4,125	-	150,084
Charge for the year	11,959	10,208	10,902	16,455	11,571	-	61,096
A/D Adjustment (Stock I	-	198	37	473	-	-	708
Disposals	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
<b>As at 30 June 2021</b>	<b>41,650</b>	<b>41,808</b>	<b>46,270</b>	<b>66,465</b>	<b>15,695</b>	<b>-</b>	<b>211,889</b>
<b>Net book value</b>							
As at 30 June 2020	84,696	68,845	72,413	76,325	597,572	1,443	901,294
As at 30 June 2021	123,185	74,123	69,057	80,572	586,002	49,248	982,187



**Lion International Bank S.C.**  
**For the year ended 30 June 2021**  
**Notes to the financial statements**

	30 June 2021	30 June 2020
	Birr'000	Birr'000
<b>21 Customer deposits</b>		
Foreign currency deposits	177,385	246,403
Demand deposits	2,721,443	3,477,277
Saving deposits	20,027,093	20,926,352
Time deposits	3,066,082	1,481,707
<b>Total deposits from customers</b>	<b>25,992,003</b>	<b>26,131,739</b>

Customer deposits are financial instruments classified as liabilities at amortised cost. Included in time deposits are deposits which are at fixed interest rates whereas all other deposits are at variable rates.

	30 June 2021	30 June 2020
	Birr'000	Birr'000
<b>22 Other liabilities</b>		
<b>Financial liabilities</b>		
Cash payment orders	96,819	181,986
Margin held on letters of credit	689,981	689,900
Blocked accounts	186,068	520,322
Leave accrual	35,649	39,999
Local transfers payable	137	1,702
Exchange commission	7,913	29,093
Share premium - NBE	-	-
Miscellaneous payables	4,343	5,393
Retention payable	-	-
Retention on foreign currency	71,329	71,898
Accruals	37,149	105,623
Dividend payable	113,730	40,521
Provident and pension fund	4,348	2,502
Other payables	554,142	4,598
Lease Liability-Premises/Building	456,867	153,261
Foreign transactions payable	65,083	4,819
Temporary customer accounts	5,183	3,182
Local Borrowings NBE	26,000	10,000
Local Borrowings Other banks	-	7,833
	<b>2,354,741</b>	<b>1,872,632</b>
<b>Non-financial liabilities</b>		
Advances on import bills	-	33,125
Taxes and stamp duty charges	19,153	13,896
Unearned Income-LG Commission	-	36,103
Unearned Income-LC Opening S/Charges	26,678	27,614
Provision for legal cases	4,183	4,737
<b>Total</b>	<b>50,014</b>	<b>115,475</b>
<b>Total</b>	<b>2,404,755</b>	<b>1,988,108</b>



**Lion International Bank S.C.**  
**For the year ended 30 June 2021**  
**Notes to the financial statements**

**Maturity analysis**

	30 June 2021	30 June 2020
	Birr'000	Birr'000
Current	2,393,833	1,986,912
Non-Current	10,923	1,194
	<u>2,404,755</u>	<u>1,988,108</u>

**23 Retirement benefit obligations****Defined benefits liabilities:**

Defined Benefit Liability/(Asset)

**Liability in the statement of financial position**

30 June 2021	30 June 2020
Birr'000	Birr'000

67,208	54,279
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<u>67,208</u>	<u>54,279</u>
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**Income statement charge included in personnel expenses:**

Employee defined benefit (Income) expense

**Total defined benefit expenses**

16,169	(20,448)
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<u>16,169</u>	<u>(20,448)</u>
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**Remeasurements for:**

– Severance and retirement benefit gratuity benefits

(254)	(11,514)
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<u>(254)</u>	<u>(11,514)</u>
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The income statement charge included within personnel expenses includes current service cost, interest cost, past service costs on the defined benefit schemes.

**Maturity analysis**

	30 June 2021	30 June 2020
	Birr'000	Birr'000
Current	2,557	3,133
Non-Current	64,651	51,146
	<u>67,208</u>	<u>54,279</u>

**Severance and retirement benefit gratuity benefits**

The Bank operates an unfunded severance pay plan for its employees who have served the Bank for 5 years and above and are below the retirement age. The final pay-out is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as 1 month salary for the first year in employment plus 1/3 of monthly salary for each subsequent in employment to a maximum of 12 months final monthly salary.

The Bank also pays employees who retire with 15 years or more of service a reward gratitude of three (3) month's salary calculate on the basis of the last salary of the employee.



**Lion International Bank S.C.**  
**For the year ended 30 June 2021**  
**Notes to the financial statements**

The key financial assumptions are the discount rate and the rate of salary increases. The provision for gratuity was based on an independent actuarial valuation performed by QED Actuaries & Consultants (Pty) Ltd using the projected unit credit method.

The Bank does not maintain any assets for the schemes but ensures that it has sufficient funds for the obligations as they crystallise.

Below are the details of movements and amounts recognised in the financial statements:

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>Birr'000</b>	<b>Birr'000</b>
<b>a) Liability recognised in the financial position</b>	67,208	54,279
<b>b) Amount recognised in the profit or loss</b>		
Current service cost	7,260	8,829
Interest cost	8,909	9,098
Past Service cost	-	(38,375)
	16,169	(20,448)
<b>c) Amount recognised in other comprehensive income:</b>		
Remeasurement (gains)/losses arising from changes in demographic assumptions	-	(5,709)
Remeasurement (gains)/losses arising from changes in the economic assumptions	2,324	13,440
Remeasurement (gains)/losses arising from changes in experience	(2,578)	(19,245)
	(254)	(11,514)

The movement in the defined benefit obligation over the years is as follows:

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>Birr'000</b>	<b>Birr'000</b>
At the beginning of the year	54,279	64,693
Current service cost	7,260	8,829
Interest cost	8,909	9,098
Past Service cost	-	(38,375)
Remeasurement (gains)/	254	11,514
Benefits paid	(3,494)	(1,480)
At the end of the year	67,208	54,279

The significant actuarial assumptions were as follows:

**Lion International Bank S.C.**  
**For the year ended 30 June 2021**  
**Notes to the financial statements**

**i) Financial Assumption Long term Average**

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>Birr'000</b>	<b>Birr'000</b>
Discount Rate (p.a)	15.30%	14.90%
Long term salary increases	12.00%	12.00%

**Discount rate**

IAS19 requires that the discount rate be set based on the yields of appropriate term high quality corporate bonds. If no deep market in such bonds is available, accounting standards require that the yield on government bonds of appropriate term be applied in the setting of this assumption.

In Ethiopia, there is neither a deep market in corporate nor government bonds. Furthermore, the market for treasury bills in Ethiopia is inefficient and does not appear to be market-determined. IAS19 does not provide guidance for setting the discount rate in a country with limited government bonds or instruments.

The EBA has therefore advised on the use a discount rate of 14.90%, as at 30 June 2020 and 15.30% as at 30 June 2021.

**Long term salary increases**

Future salary increases are usually linked with a long-term future inflation assumption, plus a margin in respect of merit or promotional increases. Long term salary increases of 2% higher than the assumed long-term inflation rate on average, has been applied.

Inflation in Ethiopia has been volatile over 5 years leading up to the valuation dates, ranging from 7% to 23% per annum. Past inflation is not necessarily a good indicator of long-term future inflation. It is considered current actual year-on-year headline inflation, limited to the National Bank of Ethiopia's long-term maximum target of 10%.

**ii) Mortality in Service**

In determining an appropriate mortality table to use for the valuations, we have considered the mortality rates published in the Demographic and Health Survey ("DHS") 2016 report compiled by the CSA. The DHS report provides male and female mortality rates for 5 year age bands from age 15 to age 49.

Age	Mortality rate	
	Male	Female
20	0.00306	0.00306
25	0.00303	0.00303
30	0.00355	0.00355
35	0.00405	0.00405
40	0.00515	0.00515
45	0.0045	0.0045
50	0.00628	0.00628
55	0.00979	0.00979
60	0.01536	0.01536



## Lion International Bank S.C.

### For the year ended 30 June 2021

### Notes to the financial statements

#### iii) Withdrawal from Service

The resignation rates are summarised in the table below (the rates are applicable up to and including the stated ages, with the last rate continuing until retirement.):

Age	Resignation rates per	Resignation rates per(2020)
	(2021) annum	annum
20	13.50%	13.50%
25	6.10%	6.10%
30	5.80%	5.80%
35	5.00%	5.00%
40	2.80%	2.80%
45	2.60%	2.60%
50	4.30%	4.30%

The sensitivity of the main results to changes in the assumed salary escalation rates and the discount rate have been calculated based on the duration of the liabilities. The changes in the 30 June 2021. Defined Benefit Obligation and the Current Service Cost are reflected below:

	Change in assumptio	Impact on defined benefit 30 June 2021	
		Impact of an increase Birr'000	Impact of a decrease Birr'000
Discount rate	1%	67,208	67,208

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The following payments are expected contributions to be made in for the next five (5) years out of the defined benefit plan obligation as of 30 June 2021:

	30 June 2021 Birr'000
Within the next 12 months (next annual reporting period)	(5,428)
Year ending 30 June 2023	(6,671)
Year ending 30 June 2024	(8,248)
Year ending 30 June 2025	(10,457)
Year ending 30 June 2026	(12,494)
	<u>(43,298)</u>

## Lion International Bank S.C.

### For the year ended 30 June 2021

### Notes to the financial statements

#### Risk exposure

Through its post-employment benefit schemes, the Bank is exposed to a number of risks. The most significant of which are detailed below:

##### (i) Liquidity risk

The defined liabilities are unfunded and as a result, there is a risk of the Bank not having the required cash flow to fund future defined benefit obligations as they fall due.

##### (ii) Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

##### (iii) Inflation risk

This is the risk that of an unexpected significant rise/fall in longterm inflation rate. A rise in inflation rate would lead to an increase in the defined benefit obligation.

#### 24 Ordinary share capital

##### Authorised:

3 Billion Ordinary shares of 25 Birr each



30 June 2021	30 June 2020
Birr'000	Birr'000

2,513,049	2,175,463
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##### Issued and fully paid:

100,521,954 Ordinary shares of 25 Birr each (as of 30 June 2021)

<b>2,513,049</b>	<b>2,175,463</b>
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#### 25 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit after taxation by the weighted average number of ordinary shares in issue during the year.

Profit attributable to shareholders



30 June 2021	30 June 2020
Birr'000	Birr'000

334,541	643,110
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Rollover IFRS adjustment from Regulatory risk reserve

-	-
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Profit attributable to shareholders (after IFRS)

334,541	643,110
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Weighted average number of ordinary shares issued as at 30 June 30,2021 and 30 June 2020

93,277	76,454
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Basic & diluted earnings per share (Birr)

<b>3.59</b>	<b>8.41</b>
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The calculation of basic and diluted earnings per share is based on continuing operations attributable to the ordinary equity holders of the Bank. There were no discontinued operations during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date, hence the basic and diluted loss per share have the same value.

**Lion International Bank S.C.**  
**For the year ended 30 June 2021**  
**Notes to the financial statements**

	30 June 2021	30 June 2020
	Birr'000	Birr'000
<b>26 Retained earnings</b>		
At the beginning of the year	440,750	383,813
Declared dividend	(435,013)	(356,450)
Prior year adjustment	-	20
Profit/ (Loss) for the year	334,541	643,110
Transfer to legal reserve	(45,346)	(160,777)
Transfer to special reserve	(5,738)	(27,367)
Transfer to Other Reserve	(7,310)	(13,627)
Transfer to Regulatory Risk Reserve	(153,157)	(27,972)
At the end of the year	<b>128,727</b>	<b>440,750</b>

	30 June 2021	30 June 2020
	Birr'000	Birr'000
<b>27 Legal reserve</b>		
At the beginning of the year	667,566	506,788
Transfer from profit or loss	45,346	160,777
At the end of the year	<b>712,912</b>	<b>667,566</b>

The NBE Directive No. SBB/4/95 requires the Bank to transfer annually 25% of its annual net profit to its legal reserve account until such account equals its capital. When the legal reserve account equals the capital of the Bank, the amount to be transferred to the legal reserve account will be 10% (ten percent) of the annual net profit.

	30 June 2021	30 June 2020
	Birr'000	Birr'000
<b>28 Special reserve</b>		
At the beginning of the year	42,548	15,181
Transfer (from) / to retained earnings	5,738	27,367
Prior year adjustment	-	-
Transfer to declared dividend	(27,367)	-
At the end of the year	<b>20,918</b>	<b>42,548</b>

	30 June 2021	30 June 2020
	Birr'000	Birr'000
<b>29 Regulatory risk reserve</b>		
At the beginning of the year	67,375	39,404
Transfer (from) / to retained earnings	153,157	27,972
At the end of the year	<b>220,532</b>	<b>67,375</b>

**Lion International Bank S.C.**  
**For the year ended 30 June 2021**  
**Notes to the financial statements**

The Regulatory risk reserve is a non-distributable reserves required by the regulations of the National Bank of Ethiopia(NBE) to be kept for impairment losses on loans and receivables in excess of IFRS charge as derived using the Expected Credit Loss model.

Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is higher than the loan loss impairment determined using the Expected Credit Loss under IFRS, the difference is transferred to regulatory risk reserve and it is non-distributable to the owners of the Bank.

Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is less than the loan loss impairment determined using the Expected Credit Loss under IFRS, the difference is transferred from regulatory risk reserve to the retained earning to the extent of the non-distributable reserve previously recognised.

	30 June 2021	30 June 2020
	Birr'000	Birr'000
<b>30 Other reserves</b>		
At the beginning of the year	45,077	42,964
Remeasurement gain/(loss) on retirement benefits obligations	(254)	(11,514)
Transfer to declared dividend	(53,684)	
Other Reserve- unapportioned Earnings	7,310	13,627
At the end of the year	<b>(1,551)</b>	<b>45,077</b>

The Other reserve comprises both distributable and non-distributable reserves. The distributable portion is subjected to future dividend apportionment based on general assembly decisions. Therefore on the previous annual assembly, 53.684 million from the reserve amount was declared to dividend. Defined benefit obligations reserve represents the remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions. They are recognized in the period in which they occur, directly in other comprehensive income.

	Notes	30 June 2021	30 June 2020
		Birr'000	Birr'000
<b>31 Notes to the statement of cashflows</b>			
<b>a) Cash used in operations</b>			
Reconciliation of profit before income tax to cash from operations			
Profit before tax		414,081	780,639
<b>Adjustments for non-cash items:</b>			
Depreciation of property and equipment	20	61,096	40,270
Amortisation of intangible assets	19	6,036	5,223
Loan impairment Charge	16	622,913	245,958
Impairment loss on other assets	18	66,582	542
Impairment on NBE Bills	18	212	(15)
Accrued Interest on NBE Bill	17	(7,668)	
Gain on Disposal of Property and Equipment	9	-	(47)
Current Service Cost on Defined Benefit Obligation	23	16,169	(20,448)
Fair value adjustment on Investment Security (Equity)	13	(7,310)	(13,627)
Prior year adjustment		-	20

**Lion International Bank S.C.**  
**For the year ended 30 June 2021**  
**Notes to the financial statements**

**Changes in operating assets and liabilities:**

-Decrease/ (Increase) in loans and advance	16	(3,370,106)	(7,705,316)
-Decrease/ (Increase) in other assets	18	(342,506)	163,224
-Decrease/ (Increase) in Right use of asset (	18a	(298,117)	(404,460)
-Increase/ (Decrease) in customer's deposit	19	(139,736)	9,735,073
-Increase/ (Decrease) in other liabilities	22	416,647	776,567
		<b>(2,561,706)</b>	<b>3,603,602</b>

**b) Cash and balances with banks**

	Notes	30 June 2021 Birr'000	30 June 2020 Birr'000
Cash in hand	14	554,936	2,193,917
Cash and balances with National Bank of Ethiopia		93,330	130,020
Deposits with local banks		1,629,463	2,855,835
Deposits with foreign banks		326,550	411,745
Reserve with National Bank of Ethiopia		1,294,830	1,301,830
Less: Impairment allowance to Deposit with local banks		(81)	(143)
		<b>3,899,028</b>	<b>6,893,204</b>



**Lion International Bank S.C.**  
**For the year ended 30 June 2021**  
**Notes to the financial statements**

### 32 Related party transactions

IAS 24 is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

A related party is a person or an entity that is related to the reporting entity:

- A person or a close member of that person's family is related to a reporting entity if that person has control, joint control, or significant influence over the entity or is a member of its key management personnel.
- An entity is related to a reporting entity if, among other circumstances, it is a parent, subsidiary, fellow subsidiary, associate, or joint venture of the reporting entity, or it is controlled, jointly controlled, or significantly influenced or managed by a person who is a related party.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. If an entity has had related party transactions during the periods covered by the financial statements, IAS 24 requires it to disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements.

IAS 24 requires an entity to disclose key management personnel compensation in total and by category as defined in the Standard.

A number of transactions were entered into with related parties in the normal course of business. These are disclosed below:

#### 32a Transactions with related parties

Transaction with related borrower

##### Transaction with Insurance Company

- Payment for staff insurance
- Payment for Money, Motor, Fire & Lightening and Fidelity Insurances

	30 June 2021 Birr'000	30 June 2020 Birr'000
Transaction with related borrower	-	-
Transaction with Insurance Company		
- Payment for staff insurance	3,088	2,287
- Payment for Money, Motor, Fire & Lightening and Fidelity Insurances	7,419	6,324
	<b>10,507</b>	<b>8,611</b>

#### 32b Key management compensation

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Bank. The compensation paid or payable to key management for is shown. There were no sales or purchase of goods and services between the Bank and key management personnel as at 30 June 2021.

Board of directors remuneration

Salaries and other short-term employee benefits

Post-employment benefits

Termination benefits

##### Loans and Advances

Loan to senior management

	30 June 2021 Birr'000	30 June 2020 Birr'000
Board of directors remuneration	2,867	2,907
Salaries and other short-term employee benefits	28,818	18,943
Post-employment benefits	-	-
Termination benefits	-	-
	<b>31,685</b>	<b>21,850</b>
Loans and Advances		
Loan to senior management	24,111	23,407
	<b>55,796</b>	<b>45,257</b>



## Lion International Bank S.C.

### For the year ended 30 June 2021

### Notes to the financial statements

Compensation of the Bank's key management personnel includes salaries, non-cash benefits and contributions to the post-employment defined benefits plans.

### 33 Directors and employees

The average number of personnel's (including Executive Management) of the Bank during the year was as follows:

	30 June 2021 Number	30 June 2020 Number
Professionals and High Level Supervisors	2,245	2,066
Semi-professional, Administrative and Clerical	498	636
Technician and Skilled	2	5
Manual and Custodian	107	113
	<b>2,852</b>	<b>2,820</b>



### 34 Contingent liabilities

IAS 37 defines and specifies the accounting for and disclosure of provisions, contingent liabilities, and contingent assets. A provision is a liability of uncertain timing or amount. The liability may be a legal obligation or a constructive obligation. A contingent liability is not recognized in the statement of financial position. However, unless the possibility of an outflow of economic resources is remote, a contingent liability is disclosed in the notes.

#### a) Claims and litigation

Per the clause set in the International Accounting Standards (IAS 37) there is no probable legal cases under going that materialize in near future and result in financial loss against the Bank.

#### b) Guarantees and Letters of Credit

The Bank conducts business involving guarantees and letter of credit. These instruments are given as a security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

The table below summarizes the fair value amount of contingent liabilities for the account of customers:

	30 June 2021 Birr'000	30 June 2020 Birr'000
Loans and Advances approved but not drawn (as per NBE Guideline)	423,215	702,220
Guarantees Issued	1,724,302	2,904,919
Letters of credit	712,067	1,447,063
CAD-Export sight	78,555	64,186
	<b>2,938,139</b>	<b>5,118,387</b>



### 35 Commitments

The Bank has no commitments, provided for in these financial statements, as of 30 June 2021 and 30 June 2020 for purchase of various capital items.

### 36 Events after reporting period

There were no significant events after the reporting date that could affect the reported amount of assets and liabilities as of the reporting date.

**Lion International Bank S.C.**  
**For the year ended 30 June 2021**  
**Notes to the financial statements**

**37 Amendment to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors)**

IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) have Both been amended by the International accounting standard board (IASB), on October 2018. The amendments are effective for annual reporting periods beginning on or after 1 January 2020, although earlier application was permitted. The purpose for the amendment is to expand on the definition of materiality and bring more clarity to its characteristics.

The revised definition of “Material” is quoted below:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendment emphasises five ways material information can be obscured:

- If the language regarding a material item, transaction or other event is vague or unclear.
- If information regarding a material item, transaction or other event is scattered in different places in the financial statements.
- If dissimilar items, transactions or other events are inappropriately aggregated.
- If similar items, transactions or other events are inappropriately disaggregated.
- If material information is hidden by immaterial information to the extent that it becomes unclear what information is material

The amendment expands the definition to include:

**Obscuring**

Obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1.

**Could reasonably be expected to influence**

The existing definition referred to ‘could influence’ which the IASB felt might be understood as requiring too much information as almost anything ‘could’ influence the decisions of some users even if the possibility is remote.

**Primary users**

The existing definition referred only to ‘users’ which again the IASB feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose. The Bank has incorporated this definition and guides in preparation of its financial statements.



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የገቢያዎን ስጦታ ለመግዛት

100 Birr	የገቢያዎን ስጦታ
50 Birr	የገቢያዎን ስጦታ
25 Birr	የገቢያዎን ስጦታ
10 Birr	የገቢያዎን ስጦታ
5 Birr	የገቢያዎን ስጦታ

የግብይት ክፍያ ለመፈጸም



የላይን ማህተም ክፍያ ለመፈጸም



የላይን ማህተም ክፍያ ለመፈጸም



የባህን ስጦታ ለመፈጸም



THE NEW SPIRIT OF AFRICA

Ethiopian  
የኢትዮጵያ



የአውሮፕላን ስጦታ ለመፈጸም



**ስንጠላ ሲገተይኛኛኛ ሰንክ ሲ.ማ  
የካርታ ስጦታ ስጦታ ስጦታ**  
**ስ.ሐ.ሐ. 30 ሰኔ 2021 በተጠናቀቀው ወቅት ዓመት**

መግቢያ	የተከፈለ ካርታ ብድር ብድር	ተጨማሪ የሰነድ ስጦታ ብድር	ህጋዊ መጠቀሚያ ብድር	ዕድ መጠቀሚያ ብድር	ስተቀመጠ ሰነድ የተያዘ መጠቀሚያ ብድር	ሴሎን መጠቀሚያ ብድር	የተጠቀሙ ትርፍ ብድር	ጠቅላላ ድምር ብድር
<b>ስ.ሐ.ሐ. 30 ሰኔ 2019 ዓዕ</b>	1,554,350	16,963	506,788	15,181	39,404	42,964	383,813	2,559,463
የዓመት የተጠቀሱ ትርፍ	-	-	-	-	-	-	643,110	643,110
ከሥራተኞች የረጅም ጊዜ ጥቅማጥቅም ደግሞ ሰነድ ስጦታ ገቢ(ጠጠጢ)	-	-	-	-	-	(11,514)	-	(11,514)
ጠዳ ስጋዊ መጠቀሚያ የዋሬ	-	-	160,777	-	-	-	(160,777)	-
ጠዳ ዕድ መጠቀሚያ የዋሬ	-	-	-	27,367	-	-	(27,367)	-
ጠዳ ስተቀመጠ ሰነድ የተያዘ መጠቀሚያ የዋሬ	-	-	-	-	27,972	-	(27,972)	-
ጠዳ ሴሎን መጠቀሚያ የዋሬ	-	-	-	-	-	13,627	(13,627)	-
ስተርፍ ክፍፍል የተጠሰኘ	-	-	-	-	-	-	(356,450)	(356,450)
የዓመቱ ማስተካከያ	-	-	-	-	-	-	20	20
የካርታ ስክሊሎ ስጦታ	621,112	25,292	-	-	-	-	-	646,404
<b>ስ.ሐ.ሐ. 30 ሰኔ 2020 ዓዕ</b>	<b>2,175,463</b>	<b>42,255</b>	<b>667,566</b>	<b>42,548</b>	<b>67,375</b>	<b>45,077</b>	<b>440,750</b>	<b>3,481,034</b>
የዓመት የተጠቀሱ ትርፍ	-	-	-	-	-	-	334,541	334,541
ከሥራተኞች የረጅም ጊዜ ጥቅማጥቅም ደግሞ ሰነድ ስጦታ	-	-	-	-	-	(254)	-	(254)
ጠዳ ስጋዊ መጠቀሚያ የዋሬ	-	-	45,346	-	-	-	(45,346)	-
ጠዳ ዕድ መጠቀሚያ የዋሬ	-	-	-	5,738	-	-	(5,738)	-
ጠዳ ስተቀመጠ ሰነድ የተያዘ መጠቀሚያ የዋሬ	-	-	-	-	153,157	-	(153,157)	-
ጠዳ ሴሎን መጠቀሚያ የዋሬ	-	-	-	-	-	7,310	(7,310)	-
ስተርፍ ክፍፍል የተጠሰኘ	-	-	-	(27,367)	-	(53,684)	(435,013)	(516,064)
የዓመቱ ማስተካከያ	-	-	-	-	-	-	-	-
የካርታ ስክሊሎ ስጦታ	337,586	2,781	-	-	-	-	-	340,367
<b>ስ.ሐ.ሐ. 30 ሰኔ 2021 ዓዕ</b>	<b>2,513,050</b>	<b>45,036</b>	<b>712,913</b>	<b>20,919</b>	<b>220,531</b>	<b>(1,551)</b>	<b>128,727</b>	<b>3,639,624</b>



**ጠቅላላ ዕድ ፤ ካፒታል መጠባበቅ ሕብቶች**

30	3,639,624	32,204,185
29	(1,551)	
26	220,532	
28	128,727	
27	20,918	
24	712,912	
	45,036	
	2,513,049	
	2,175,463	
	667,566	
	42,548	
	440,750	
	67,375	
	45,077	
	3,481,034	31,782,596

**ጠቅላላ ካፒታል መጠባበቅ ሕብቶች**



የተከፈለ ካፒታል  
ተጨማሪ የክትትል ስራዎች  
ሕገዊ መጠባበቅ  
በዩኒቨርሲቲ ተርፎ  
የተቀጣጠሉ ሌሎች የተያዘ መጠባበቅ  
ሌሎች መጠባበቅዎች

**ካፒታል መጠባበቅ ሕብቶች**

23	67,208	28,564,561
14	4,624	
22	456,867	
22	1,947,888	
14	95,969	
21	25,992,003	
	26,131,739	
	106,244	
	1,834,847	
	153,261	
	21,191	
	54,279	
	28,301,561	28,301,561

**ጠቅላላ ዕድ**

የገንዘብ ስራዎች ተቀማጭ ገንዘብ  
የዓመቱ የተርፎ ገቢና ተክፋይ  
ሌሎች ተክፋይ ዕድዎች  
የሌሎች ተክፋይ ዕድ  
ወደፊት የሚከፈል የገቢ ዕድ  
የተገኘ ገቢ ሠራተኞች ጥቅማጥቅም ዕድ

**ዕድ**

14	-	32,204,185
19	16,666	
20	982,187	
18	702,577	
18	759,637	
17	3,927,386	
17	87,777	
16	21,828,927	
15	3,899,028	
	6,893,204	
	19,081,734	
	75,557	
	3,919,930	
	483,715	
	404,460	
	901,294	
	22,702	
	-	31,782,596

**ጠቅላላ ሃብት**



በጎደና በባንክ የሚገኝ ሞሪ ገንዘብ  
ለገንዘብ ስራዎች የተሰጡ ዳይሬክቶች/የተጠሪ/  
ኪንታል ስራዎች  
- የክትትል ስራዎች ስራ ላይ  
- የጠቅላይ ግንኙ ስራ  
ሌሎች ሃብቶች  
ሃብትን የመጠቀም መብት  
ቅጣት ገቢ/የተጠሪ/  
ገቢ ስራዎች ስራዎች ገቢ/የተጠሪ/  
ወደፊት የሚከፈል የገቢ ተክፋይ

**ዕድ**

30 ነህ 2020	ብር'000	30 ነህ 2021	ብር'000
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ክ.ኤ.ኤ. 30 ነህ 2021

የጠቅላላ ዕድ መጠን  
የጠቅላላ ካፒታል መጠን











# የገንዘብ ትምህርት



















ኢ.ኤ.ኤ. ባንክ  
የገቢ ሪፖርት

የገቢ ሪፖርት ለጥቅምት 30 ቀን 2021

# ገቢ ሪፖርት

የገቢ ሪፖርት ለጥቅምት 30 ቀን 2021



፡፡ህዳር ለገቢ ገንዘብ ለማግኘት ለሌሎች ለማግኘት  
የሚገቡ ለሌሎች ለማግኘት ለሌሎች ለማግኘት  
ሆኖ ለሌሎች ለማግኘት ለሌሎች ለማግኘት

፤ ለሌሎች ለማግኘት ለሌሎች ለማግኘት  
፤ ለሌሎች ለማግኘት ለሌሎች ለማግኘት



ጅገ/ፀገጅሂ  
ቀንገገ ገብገገ

ገንጠላ ገንብገገ ገንብገገ ገንብገገ

