

LION INTERNATIONAL BANK S.C.

**2015/16
ANNUAL REPORT**



KEY TO SUCCESS

LION
Card

Enjoy hassle-free banking and access your
account anytime, anywhere.

24-hour, fast access to your account





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Board of Directors



Standing at the Back (from Left to Right)

H/Kirose Gesesse (Ambassador); Ato H/Selassie Yehedego; Ato Beyene Belay; Wro. Tigist Girmay; Ato Rezene Hailu; Ato Fessehatsion Arefaine;

Sitting at the Front (from Left to Right)

Ato Berhanu Kebede; Ato Wassihun Gebru; V/Chairperson; Tassew W/Hanna (Professor),Chairperson; Berhanu G/Medhin(PhD).

The Management Team



Standing at the Back(from Left to Right);

[Ato Wondwosen Gashaw](#), Manager-Property & General Service; [Ato Daniel Tekeste](#), Director-International Banking; [Wro. Andinet Haregewoine](#), Manager-Legal Service; [Ato Aklilu Hayelom](#) - Director Domestic Banking Service ; [Ato Sileshi Tigabu](#) , Director -Finance; [Ato Solomon Tesfaye](#), A/Director-Information Technology Services;

Sitting at the front (from Left to Right);

[Wro. Bethem Addis](#), A/Director -Risk & compliance Management; [Ato Eshetu Fanta](#), Manager -Engineering; [Ato Daniel G/Egziabher](#), Director-Business Development & Corporate Planning; [Ato Tekie Mekuria](#), VP- Operations; [Ato Getachew Solomon](#), President; [Ato Gebru Meshesha](#), VP- Corporate Service; [Ato Michael Gezae](#), Manager-Human Resources; [Ato Shiworkie Belete](#), Director - Internal Audit; [Wro. Tsebele Hadush](#), Director- Credit.

MESSAGE FROM THE CHAIRPERSON



Dear Shareholders,

At a time when global and domestic macroeconomic conditions continue to challenge financial institutions, Lion International Bank has achieved strong results in financial and non-financial performances so as to satisfy the demands of our customers, shareholders, and employees we serve. This solid performance and the stability of our earnings continue witnessing that LIB is dependable bank to work with.

Our recently implemented five years' strategic plan continues to advance and has resulted in sustained growth and cheering improvement in each of the key performance indicators. Behind our success is a great team of Board of Directors, Management and Employees. The team is guided by shared values, focused on teamwork and long-term relationships with customers to enable them become financially better off.

During the fiscal year 2015/16, the Board of Directors has taken several actions to further

strengthen the team, provide development opportunities, and ensure competitiveness of LIB. Among which, equipping the Bank with capable human resources, raise the paid-up capital, and increase branches to expand the bank's network; including strengthening senior executive management's freedom of decision making, implementing basic upgrading of the Core Banking Solutions with the state-of-art technology are some of the most considerable ones.

As a result of which, the just ended fiscal year witnessed our sustained growth ensuring a profit of Birr 349.67 million before tax and legal reserves, which exceeded the preceding year's performance by 26.88% and achieved 101% of the target set for the just ended fiscal year. This means the bank has achieved Birr 11.97 earnings per share, a 3.7% return on assets, and a 34.8% return on equity.

We concluded the fiscal year 2015/16 with total assets of Birr 8.1 billion, and total outstanding loans and advances of Birr 4.3 billion. Moreover, total capital and reserve reached Birr 1.07 billion and total paid up capital Birr 642.5 million. This outstanding performance, achieved during the fiscal year has allowed the Board and the Management to restore shareholders' confidence, customers' trust; and the positive image and goodwill of the Bank. We believe, our solid foundation continues and provides a unique platform for growth.

The fiscal year 2016/17 will be an exciting year for Lion International Bank. We are finalizing the Information Technology Services Upgrading Projects that comprised of Card Banking Services, Management Information Systems (MIS), and the Core Banking Solutions projects that enable the

Bank provide full-fledged card payments via automated teller machine (ATM) and point of sale (POS) terminals. LIB is also providing a Mobile and Agent Banking Service as new product to our customers that enables it provide “anywhere banking service” in a wide range of accessibility.

It is worth mentioning that expansion of accessibility and services continues as priority of the Board. During the fiscal year, on top of the ATM and the widespread Mobile & Agent Banking outlets, our bank has opened 31 branches in various regional states that uplifted the total number of our branches to 120. The board has put a strategic direction to expand accessibility by opening 25 branches every year; now we have achieved above our targets. This implies the strategy is working, and it is my pleasure to say that we are advancing intact with our strategic plan.

LIB’s long-term success is built on a firm foundation of excellence in corporate governance, including a well-developed culture of prudent risk management, accountability and integrity. Besides, our management team has a sound strategy for growth and ever-improving customers’ satisfaction and experience. The strategy is working and we are growing stronger and better as a bank. As a Board of

Directors, we are united with the bank's senior management team and employees at all levels behind this strategy. The prevailing steady leadership is a competitive advantage for LIB.

On this occasion, I would like to take the opportunity to extend my sincere gratitude to our customers, the executive management and employees of Lion International Bank. The board acknowledges that the Bank’s survival relies on you. Our utmost efforts are to improve service excellence and maximize our customers’ satisfaction and remain competitive in the market.

I assure you that we will persist in working on the introduction of new and improved products and services to attain maximum customers’ satisfaction and the inspirational renewed vision of LIB - ‘To Be The Leading Bank In Ethiopia By 2035’.

Thank you,



Tassew Woldehanna (Professor)
Chairperson, Board of Directors - LIB

Growth at a Glance



DIRECTORS' REPORT

The Board of Directors is delighted to present the overview of the Bank's ninth year operational performance (for the fiscal year ended on June 30, 2016) for its shareholders, associates, and patrons on the Twelfth Annual General Assembly. The summarized annual report includes the progressive process noted in key banking operations, financial and non-financial aspects. This year, the Bank has once again registered an outstanding growth in every front amid the multifaceted challenges.

BREATHING CAPITAL MANAGEMENT

Our people are our invaluable assets and the biggest drivers of the bank's sustained commendable performance. The bank has a team of committed, self-motivated and empathic workforce, who strive to exceed customers' expectations.

Upon the thriving expedition made during the year, the size of the permanent staff raised from 1,060 to 1,284, which is a 21 percent increment. The share of the permanent staff size is 53 percent of the total workforce; while employees sourced from external agencies make up 47 percent of the total. Since the experience in the past years proved it to be efficient, the bank has continued to fill support jobs from external sources, mainly Selam Security P.L.C. and Commercial Nominees, which has created opportunity for a total of 1,117 people.

The combination of young and experienced personnel brought the average age of Team Lion to 31 years that matches the changing demography of the country. Lion, as an equal opportunity employer, has also been taking deliberate steps to bring gender parity at different

capacities, without compromising the quality, in order to gain the most out of the diversity that comes along.

To continue the drive exhibited in each process, sustainably embed the values of the bank, and bring the team to the expected level, Lion has continued to invest in development interventions. This year's 56 short-term training programs focused on topics ranging from critical business aspects to compliance issues to leadership matters involved 1,663 employees. The bank has also conducted workshops, awareness creation and induction sessions. As part of the intervention program, the assistance for formal education continued to be granted.

Further, underpinning its commitment to ensure the welfare of its team, the bank has provided a chance for new staff to be included in the owners circle for the third time; and let the rest to increase their respective share on the stock they already own.

The aggregate of these strategic moves turned Lion into a great place to work. Deloitte, a multinational professional services based in New York City, conducted a survey in the bank along

with other international and national institutions; and the result confirmed that the bank is a “Gold Achiever” in creating such fulfilling environment for its employees.

REACHING OUT PARTNERS

Lion endeavors in serving its clients that got acquainted over the years with due diligence, excellence, loyalty, and options. This is the culture that tunes the overall rhythm of reaching out communities, it has yet reached.

Accordingly, the bank has been serving and will continue to do so for its potential customers via physical presence and alternative channels that would no longer compel people to attend in branches to deal with their business.

BRANCH EXPANSION

With distinguished service, tailored to support the needs and wants of individuals, families, small businesses, and medium and big investments, Lion has opened 31 new branches across the country, raising the total number to 120. The Bank has increased its presence in Addis Ababa, Northern Region, Oromia, Amhara, SNNPR and Afar; and opened its first branch in Benishangul-Gumuz Region.

Lion, through its physical outlets, shall carry on the culture of creating access and convenience to the public. Thus, several new branches located in the city and outlying sites have become operational in the new fiscal year so far, such as:

Abala, Adiha, Adishu, Bizet, Dera, Kombolcha, Fasti, Korem, Maytsebri and Bole Medhanialelem.

In addition, at least 20 branches shall also commence operation before the end of this new fiscal year; and some of them are Hawassa (2nd branch), Kotebe, Wolo Sefer, Megenagna (2nd branch), Addis Alem, Mojo and Diche-otto.

MOBILE & AGENT BANKING

A year has passed since the commercial launch of HelloCash mobile & agent banking service; and the outcome of the past year has proved that it is indeed the new level of banking in the domestic market.

The service gave customers accessibility without physical presence and closing time, safety with no need to carry cash, and reliability equivalent to branches at an affordable price.

In the concluded fiscal year, the total number of agents counted more than 1,200 with over 35,000 customers of the service. Together they have made Birr 36 million worth transaction during the year.

With Lion’s HelloCash service, customers have access to more than the obvious deposit, withdrawal and money transfer packages. They can pay bills, top-up their or others’ mobile phones and pay for Selam Bus ticket for the journey they plan to take anytime, anywhere.

BANKING TRANSACTION NOTIFICATION SYSTEM

Patrons are connected to their account information in real-time. The SMS alert gives notification upon cash withdrawal or deposit, loan disbursement, clearing cheques, direct debits or credits, loan due date and remittance.

A customer is already signed up for the service with its existing account or will instantly be part of the service as soon as he/she opens account in the nearest LIB branch. By dialing 8813, a customer can also have access to account balance, min-statement and foreign exchange enquiry.

With this clients have one more choice to manage their accounts and investments without being physically present in the nearest branches.

CARD BANKING

The wait is over; Lion's Card banking service has been functional. The bank deployed ATMs in various locations of Addis Ababa; and is on the way to do the same in outlying sites.

Now, with Lion Card customers can withdraw money, check their balance and transfer fund from one account to another via Lion and other ETHSwitch members banks ATMs 24/7 service.

e-banking

Lion is diligently working to exceed the expectation of customers by deploying technology based delivery channels.

e-banking project would be the third major contemporary and alternative delivery channel that the bank avails to the market. To give our patrons as much option as possible, we shall launch full-fledged internet and mobile banking before the end of the new fiscal year.

FINANCIAL PERFORMANCE

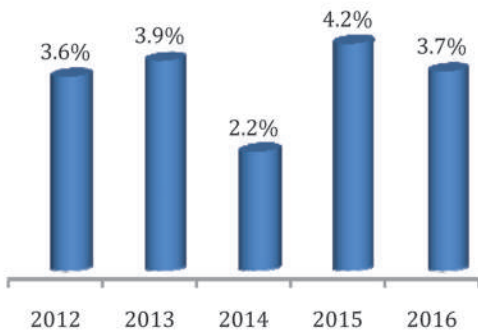
Sustainable growth best expresses the performance of Lion International bank. The bank has kept going forward with commendable financial achievements. On its 8th straight year in the course of profitability, the bank yielded the highest ever profit underpinned by holistic efficiency, sound financial caliber and endeavor for long-term growth.

As the year came to an end, the bank's profit before tax has reached Birr 350 million, registered a 27 percent increment from the previous year pre-tax profit of Birr 276 million.

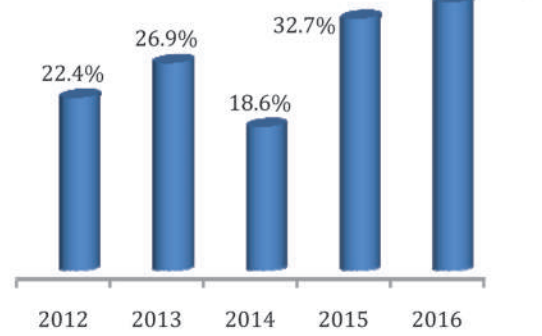
The matched growth of the profit after tax and the share capital of the bank has in return increased the earning per share by 13 percent from the preceding year's standing and resulted a 45 percent (Birr 11.97) EPS.

Lion's sound financial performance based its roots in progressively surging its market share and allocating resources strategically. Accordingly, the aggregate result of the aforesaid resulted in return on asset (3.7 percent) and return on capital (34.8 percent) that have outdone the standing of the past years.

RETURN ON ASSET - FIVE YEAR TREND



RETURN ON CAPITAL - FIVE YEAR TREND



REVENUE

Spurred by the ever growing business volumes and careful management of resources to maximize earnings, the total revenue of the Bank has reached an all time high of Birr 923 million in the financial year, up by 39 percent from the previous year of Birr 664 million. The notable growth in the total revenue is the attribute of both interest and non-interest income sources.

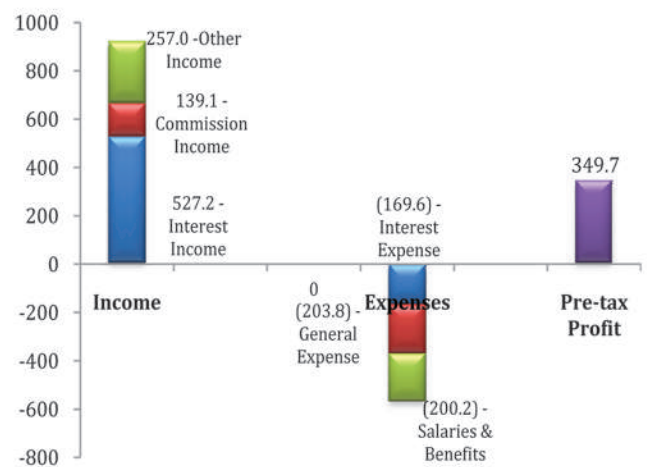
Still, the revenue structure of the bank notably shifted from the previous years, remaining resilient, keeping the growth in motion regardless of the multiple external challenges, where 57 percent of the total revenue is from interest income and 43 percent from non-interest income sources.

Further breaking down non-interest income, other income is 70 percent, while income from commission is 30 percent. Despite the slight decline from the previous year’s 5.7 percent of earning on total assets from non-interest income towards 4.9 percent, the return gained is still notable.

EXPENSES

The Bank has invested on financial, physical and human resources, amounting Birr 574 million over the year to earn the above stated revenue.

Efficiency tangled with flexible business response is the guiding principle that has been shaping the investments made from branch expansion to rolling out of new products and services to development work on the human capital and upgrading the IT infrastructure. Following the vast expansion made in both physical and technological aspects, the non-interest expenses cover 70.4 percent of the total, while the remaining 29.6 percent was spent on interest payments.



BALANCE SHEET

The assets size of the Bank has exhibited a 39 percent increment during the year, rising from the balance of Birr 5.9 billion to Birr 8.1 billion. Its growth is largely linked to the 52 percent growth in loans & advances and 36 percent in bill purchase. The total outstanding balance of the bank's NBE bills has reached Birr 1.7 billion as the year came to an end. This total amount is 27 percent of the total deposits and 39 percent of the total loans & advances of the bank. The 23 percent liquid assets to total assets ratio reflects that the bank generated profit within the moderate own-risk limit and above the minimum requirement of the regulatory organ.

The growth of liabilities, in which 90 percent of the total amount is resulted from customers' deposits, is the reflection of the notable efforts made in fund mobilization. By the end of the year, the total liabilities of the Bank stood at Birr 7.05 billion, with 40 percent growth from the past year.

The share capital covers 60 percent of the total capital & reserve, which is Birr 1.07 billion. Legal reserve and retained earnings jointly made up the remaining amount. The capital adequacy ratio of the bank stood at 14 percent, well above the minimum regulatory requirement of 8 percent, still reflecting the notable strength of the Bank in progressively taking up reasonable risks for matched returns.

WEALTH MANAGEMENT

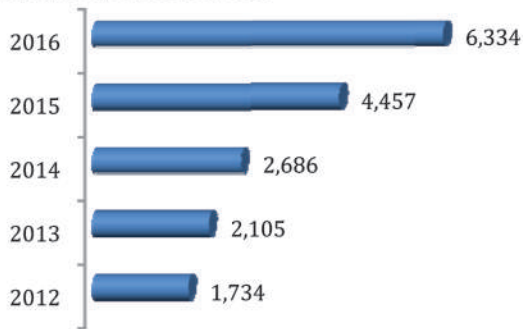
Lion International Bank has once again registered a commendable and consistent growth in the three critical banking operations. This performance is the result of resourceful and comprehensive move exerted to collect deposits, facilitate loans and advances, and securing foreign funds for businesses in need of the resource.

DEPOSITS

The integrated approach of the bank has been the wheel that boosted Lion's deposit position of Birr 4.46 billion in the previous year to Birr 6.33 by the end of June 2016. The remarkable Birr 1.9 billion (42 percent) leap in the year is backed by stable source of funds with relatively predictable costs since 97 percent of the net mobilization came from saving and demand deposits; while savings hold the upper hand within this category (80 percent).

Regarding the total deposits portfolio composition, the bank has continued to maintain saving deposits as its primary source (64 percent), followed by 28 percent demand and 8 percent fixed time deposits. Matching the pace of the total amount, the customer base widened by 45 percent from the prior year and reached more than 275,000. Accordingly, the average size of the bank's deposits is about Birr 23,000 per depositor, one more indication that reflects non-concentration or stability of the resource.

ANNUAL TREND OF DEPOSIT



INTERNATIONAL BANKING

International banking operations has remained a tough ground to play as the eyes of all set in the prize that shall be gained from the service. Despite this context, Lion has succeeded both in generating 188 million U.S. dollars, which went up by 13 percent from the previous year, and effectively turning it into the most valuable engine for the overall service. Attributed to the emphasis given to the export sector, 71 percent of the stated amount is the result of this source.

Lion is finalizing partnership process with two money transfer agents, Al-Amal Express and World Remit, to increase the money transfer options for customers from 9 to 11. Simultaneously, the number of correspondent banks shall grow by two in the new financial year as the contractual agreement shall be concluded sooner.

The aggregate of the above factors and the RMA relationship Lion has with 66 banks, has been stimulating and will continue to do so in the process of mobilizing foreign currency.

CREDIT MANAGEMENT

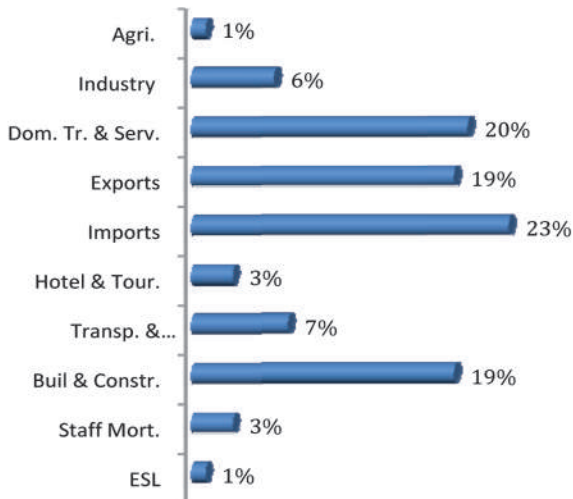
Equivalent to the boost in the resources, the total lending of the bank grew by 52 percent and reached Birr 4.3 billion over the year from last year's Birr 2.8 billion balance. Excluding the amount invested for bill purchase, the loan to deposit ratio of the bank at the end of the year has reached 68 percent.

Lion has been in the forefront in terms of credit decision and delivery, while counterbalancing related credit risks. Sector-wise diversification along with the number of borrowers has continued to show a favorable strategic shift.

The bank has financed from agriculture to construction sectors and from export related to imports in order to maintain a healthy allocation of resources while supporting the demand of eligible customers. Despite the notable growth in the gross lending, the bank's policy to monitor the credit portfolio by identifying early warning signals and focus to revive defaults has helped the bank to maintain modest non-performing loans, much lower than the regulatory maximum limit of 5 percent and most peer banks.



TOTAL LENDING COMPOSITION



RISK & COMPLIANCE MANAGEMENT

Recognizing the need to keep in place and maintain a comprehensive and judicious risk management framework that conforms to its size, the complexity of operations and the diversity of business activities, a well thought risk management and compliance system has already been employed by Lion International Bank S.C. As part of this endeavor, the bank has established independent risk management function aiming at playing pivotal role in instilling risk aware culture, minimizing the possibility of underwriting unwarranted risk and promoting disciplined risk taking behavior while optimizing risk-reward tradeoff and providing reasonable assurance to the achievement of envisaged goals and objectives. In strengthening this, the Board of Directors, jointly with the Senior Executive Management of the bank are intensively putting into use their risk oversight functions by setting appropriate tone and risk culture.

Furthermore, paying heed to the increasing need for compliance from the Financial Intelligence Center and National bank of Ethiopia and other supervisory bodies as well as international requirements to comply with applicable laws, regulation and directives; the bank is striving to ensure that the overall business operations are undertaken in conformity with those stipulations so that it duly protects the bank from risk of non-compliance. Overall, the bank's Risk and Compliance Management Department, as a functional organ that has been independently organized in accordance with national standards, basically endeavor to ensure that the bank's strategic directions are pursued in due manner. Hence, the Department has accomplished substantial tasks in line with its envisaged objectives; comprising but not limited to developing and getting approval of the bank's Risk Management Program, developing risk management procedure, producing various types of risk and compliance reports, conducting awareness building sessions and monitoring the level of risks thereby ensuring that the bank's risks are contained within acceptable level.

LOOKING AHEAD

With this progress, the bank is well positioned to continue building the growth platform into 2017 and beyond. The bank has constantly transformed and grown to stay ahead of the evolving expectations of its customers. The bank begins this year with the same determination and passion to achieve new heights. By understanding the complete financial services towards exceling expectations of its clients, the bank will continue to ensure that its growth is customer-driven. The bank also continues to operate within the appropriate risk parameters. Focus on investing in human resources, providing an engaging work environment and fostering leadership will continue in the future. Further, introducing new products as well as delivery channels will be the highlight of the coming years. The board of directors, management and the entire team are committed to achieving the strategic goals and continue to be fully engaged to deliver greater returns to the bank's shareholders

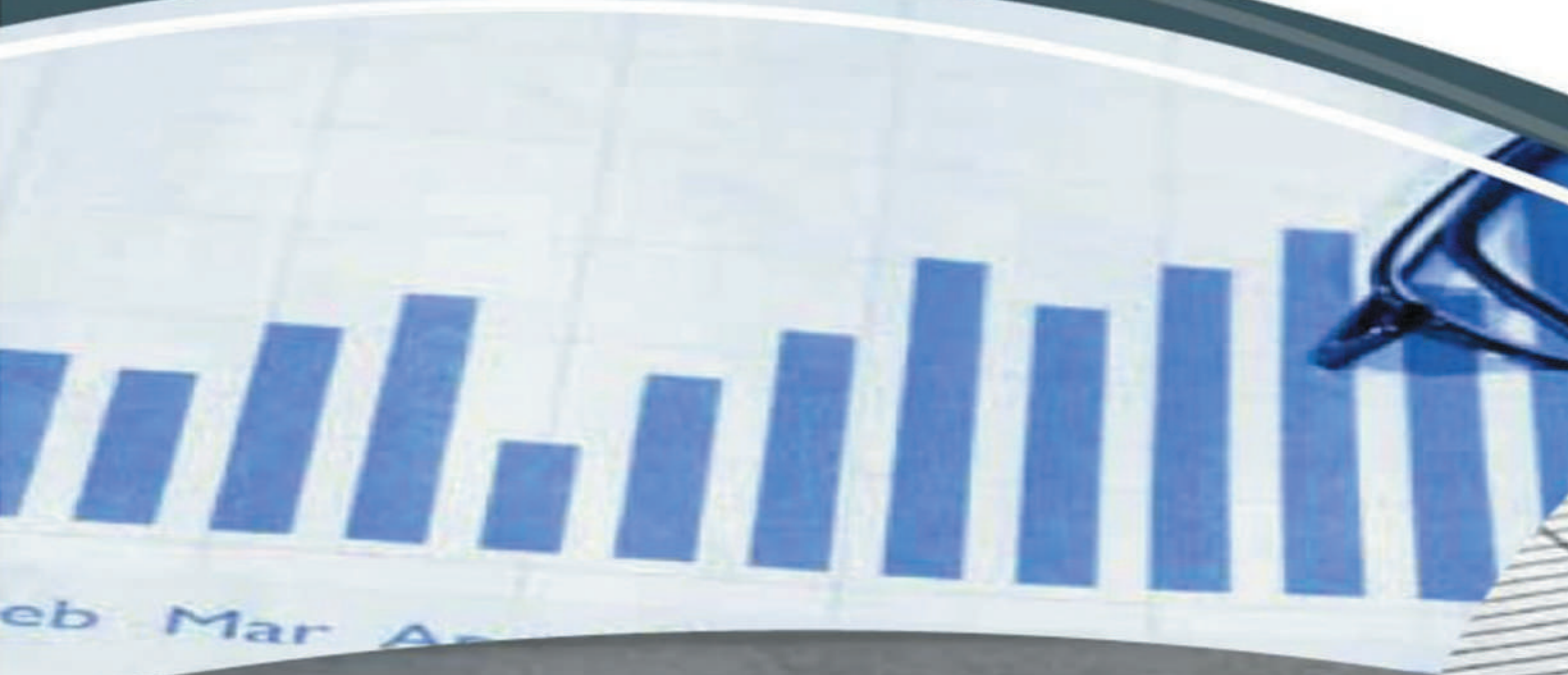
THE BOARD OF DIRECTORS

29TH OCTOBER 2016



2015-16





profit

349.7

Million

Auditors' Report





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Ama - Hai Chartered Certified Accountants & Auditors

Partners

AmanuelBahta, FCCA (U.K.)
 Haileselassie G/kidan, FCCA (U.K.)

INDEPENDENT AUDITORS' REPORT
ON FINANCIAL STATEMENTS OF
LION INTERNATIONAL BANK S. C.

We have audited the accompanying financial statements of Lion International Bank S. C. which comprise the Statement of Financial Position as of 30 June 2016, the Statement of Financial Performance and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with Applicable laws and Accounting Policies of the Bank. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.



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Addis Ababa, Ethiopia

Email: haigeb2004@yahoo.com
 ammanuel.bahta@yahoo.com.

Mesekle Flower Road, Aster SurafelBld 2nd floor, Room No. 205

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Unqualified opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Lion International Bank S. C. as of 30 June 2016, and of its financial performances and its cash flows for the year then ended and are prepared in accordance with Applicable laws and Accounting Policies of the Bank.

We have no comments to make on the report of the Board of Directors of the Bank in so far as it relates to these financial statements and pursuant to Article 375 of the Commercial Code of Ethiopia 1960 we recommend approval of these financial statements.

Addis Ababa
September 30, 2016



Ama - Hai
Chartered Certified Accountants

Sit back and relax




- ✱ Transaction notification
- ✱ Loan due date
- ✱ Foreign exchange enquiry
- ✱ Customer registration
- ✱ Balance enquiry
- ✱ Min- Statement enquiry

LION INTERNATIONAL BANK S. C.
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

CURRENCY: BIRR

ASSETS	Notes		2015
Cash & balance with banks	2h, 3	1,096,762,700	814,461,602
Reserve with National Bank of Ethiopia		318,000,000	217,000,000
National Bank of Ethiopia bills	4	1,679,129,000	1,236,900,000
Foreign bank deposits	5	219,049,244	503,976,412
Domestic bank time deposit	6	200,000,000	-
Loan & advances	2d, 7	4,303,387,848	2,830,566,767
Stock of supplies	8	7,605,338	3,697,300
Other assets	9	173,872,868	160,339,715
Deferred charges	2i, 10	3,798,708	1,608,512
Investment	11	25,732,624	25,399,574
Plant, property & Equipment	2e, 12	91,893,314	65,412,358
Total assets		8,119,231,644	5,859,362,240
LIABILITIES, CAPITAL AND RESERVES			
LIABILITIES			
Deposits from customers	13	6,333,564,240	4,457,396,806
Other liabilities	14	431,042,472	240,913,005
Margin held on letters of credit		196,638,844	264,100,040
Provision for taxation	26	88,126,516	74,830,716
Total liabilities		7,049,372,072	5,037,240,567
CAPITAL AND RESERVES			
Paid up capital	15	642,489,634	509,919,263
Legal reserve	16	207,222,251	141,836,919
Special reserve	17	7,092,821	2,895,579
Retained earning	18	213,054,866	167,469,912
Total capital and reserves		1,069,859,572	822,121,673
Total liabilities, capital and reserves		8,119,231,644	5,859,362,240


Tassew Whana (Phd)
 Chairman, Board of Directors




Getachew Solomon (Ato)
 President

LION INTERNATIONAL BANK S. C.
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016

CURRENCY: BIRR

INCOME	Notes		2015
Interest income	19	527,201,904	326,861,807
Less: Interest Expenses	20	<u>(169,608,626)</u>	<u>(106,597,782)</u>
Net Interest Income		357,593,278	220,264,025
Commission, fees and charges	21	117,828,141	117,412,016
Net gain from dealing in foreign currencies	2g, 22	110,572,324	74,949,356
Other income	23	<u>139,198,029</u>	<u>119,718,016</u>
Net operating income		<u>367,598,494</u>	<u>312,079,388</u>
Provision for doubtful loans and advances		(38,565,616)	(27,086,761)
Provision for doubtful debts other than loans & advances		-	(3,295,487)
Net interest and other income after provisions for doubtful accounts		686,626,156	501,961,165
<u>OPERATING EXPENSES</u>			
Salaries and benefits		200,231,613	122,879,853
General & administration	24	135,379,078	102,520,455
Directors fee	25	1,048,667	820,000
Audit fee & expenses		<u>298,954</u>	<u>148,754</u>
Total operating expenses		<u>(336,958,312)</u>	<u>(226,369,062)</u>
NET PROFIT BEFORE TAXATION		349,667,844	275,592,103
PROVISION FOR TAXATION	26	<u>(88,126,516)</u>	<u>(74,830,716)</u>
		261,541,328	200,761,387
LEGAL RESERVE	16	<u>(65,385,332)</u>	<u>(50,190,347)</u>
NET PROFIT AFTER TAXATION & LEGAL RESERVE		<u>196,155,996</u>	<u>150,571,040</u>
EARNING PER SHARE OF BIRR 25	27	11.97	10.63



LION INTERNATIONAL BANK S. C.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

CURRENCY: BIRR

OPERATING ACTIVITIES

		2015
Net profit before taxation	349,667,844	275,592,103
Amortization of deferred charges	230,603	2,754,840
Depreciation	13,897,795	9,455,695
Prior year adjustment	7,355	(6,044)
Return on investment (divided income)	(933,305)	(1,116,000)
Gain on disposal at fixed asset	-	(3,669)
Operating (loss) before working capital changes	362,870,292	286,676,925

Decrease (Increase) in stock of supplies	(3,908,038)	(1,081,232)
Increase in other assets	(11,787,143)	(1,918,613)
Increase in loans and advances	(1,511,386,698)	(1,316,287,670)
Doubtful debts other than loans written back	(1,746,010)	-
Provision for doubtful loans and advances	38,565,616	30,382,248
Doubtful accounts written off	-	(199,088)
Increase in deposits from customers	1,876,167,434	1,770,412,460
Increase in other liabilities	190,129,467	28,705,108
(Decrease) Increase in margin held on letter of credit	(67,461,198)	208,379,016
Profit tax & withholding tax paid	(74,830,716)	(30,605,876)
Dividend paid	(63,774,682)	(69,539,610)

Net cash generated from operating activities **369,968,032** **618,246,743**

INVESTING ACTIVITIES

Acquisition of fixed assets	(40,378,750)	(26,384,960)
Increase on differed charges	(2,420,799)	(363,081)
Acquisition of NBE bills	(442,229,000)	(520,512,000)
Proceeds from disposal at fixed assets	-	6,626
Investment in share	(333,050)	(16,340,000)
Return on investment (Dividend received)	933,305	1,116,000
Net cash used in investing activities	(484,428,294)	(562,477,415)

FINANCING ACTIVITIES

Payments for subscribed shares & capitalization	49,963,900	63,085,976
Net cash generated from financing activities	49,963,900	63,085,976

Net (Decrease)/Increase In Cash And Cash Equivalents 298,373,930 405,532,229
Cash and cash equivalents at beginning of the year 1,535,438,014 1,129,905,785
Cash and cash equivalents at end of the year **1,833,811,944** **1,535,438,014**

CASH AND CASH EQUIVALENTS

Cash on hand	660,958,643	796,281,860
Cash and balances with National Bank of Ethiopia	753,804,057	235,179,742
Cash and balances with foreign banks	219,049,244	503,976,412
Cash and balances with domestic banks	200,000,000	-
1,833,811,944	1,535,438,014	



LION INTERNATIONAL BANK S. C.
STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

CURRENCY: BIRR

	<u>Paid up Capital</u>	<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance as at 30 June 2014	446,833,287	91,646,572	-	89,340,105	627,819,964
Dividend paid	-	-	-	(69,539,610)	(69,539,610)
Special reserve	-	-	2,895,579	(2,895,579)	-
Contribution to subscribed capital	63,085,976	-	-	-	63,085,976
Net profit for the year	-	-	-	150,571,040	150,571,040
Prior year adjustment	-	-	-	(6,044)	(6,044)
Transfer to legal reserve	-	50,190,347	-	-	50,190,347
Balance as at 30 June 2015	509,919,263	141,836,919	2,895,579	167,469,912	822,121,673
Dividend paid	-	-	-	(146,387,828)	(146,387,828)
Special reserve	-	-	4,183,212	(4,183,212)	-
Contribution to subscribed capital	132,577,046	-	-	-	132,577,046
Net profit for the year	-	-	-	196,155,994	196,155,994
Prior year adjustment	(6,675)	-	14,030	-	7,355
Transfer to legal reserve	-	65,385,332	-	-	65,385,332
Balance as at 30 June 2016	642,489,634	207,222,251	7,092,821	213,054,866	1,069,859,572



LION INTERNATIONAL BANK S. C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. BACKGROUND

Lion International Bank (S.C) was formed in Ethiopia in 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 Commercial Code of Ethiopia 1960.

The Bank's principal activity is commercial banking.

The registered address of the bank is Yeka sub city, Kebele 12, House No. New, Lex Plaza Building, Addis Ababa.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Bank are stated below:-

a) *Statement of compliance*

The financial statements have been prepared in accordance with Applicable laws and Accounting Policies of the Bank.

For the purpose of reporting under the Commercial Code of Ethiopia 1960, the Balance Sheet in these financial statements is represented by the Statement of Financial position and the Profit & loss account is represented by Statement of Financial Performance.

The bank has applied National Bank of Ethiopia directive No. SBB/43/2008, Asset Classification and Provisioning which sets out the minimum provisions for different categories of loans and receivables in determining provision for loans and advances.

The financial statements are presented in Ethiopian Birr.

b) *Basis of preparation*

The financial statements are prepared on historical cost basis. Financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost or historical cost, except for foreign currencies which are stated at closing date selling exchange rate.



LION INTERNATIONAL BANK S. C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

c) *Financial instruments*

(i) *Classification*

A financial instrument is any contract that rises to a financial asset for the bank and a financial liability or equity instrument of another party. All assets and liabilities in the balance sheet are financial instruments except fixed assets, deferred charges and shareholders equity.

The major financial instrument of the Bank is originated loans and advances.

Originated loans and advances are loans and receivables created by the Bank providing money to a debtor. Originated loans and receivables comprise deposits and other balances due from banks and loans and advances to customers.

(ii) *Recognition of financial instruments*

The Bank initially recognizes financial assets and liabilities on its balance sheet on the date it becomes a party to the contractual provision of the instrument. Any gains and losses arising from changes in value of the asset are recognized from this date. When the Bank becomes a party to the contractual terms comprising a loan and as a consequence has the legal right to receive principal and interest payments on the loan, it controls the economic benefits associated with the loan. Normally, a bank becomes a party to the contractual provisions that comprise a loan (i.e., acquires legal ownership of the loan) on the date of the advance of funds or payment to third party. As a result, a commitment to lend funds is not recognized as an asset on the balance sheet.



LION INTERNATIONAL BANK S. C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

(iii) De-recognition of financial instruments

All financial assets are derecognized when the Bank loses control over the contractual rights that comprise the assets. This occurs when the rights are realized, expired or are surrendered. A financial liability is derecognized when it is extinguished.

(iv) Measurement of financial instruments

The Bank measures all financial instruments initially at cost, including transaction costs.

d) *Loans and advances*

Loans and advances are financial instruments originated by the Bank by providing money to the debtors. The loans and advances are stated at cost less impairment losses.

Impairment losses comprise specific provisions against debts identified as bad and doubtful and general provision against losses which are likely to be present in any loans and advances portfolio. The Bank follows the National Bank of Ethiopia Supervision of Banking Business Directive number SBB 43/2008 in determining the extent of provision for impairment losses. The Directive classifies loans and advances into the following:

(i) Pass loans

Loans and advances in this category are fully protected by the current financial and paying capacity of the borrower and are not subject to criticism. In general, loan and advances, which are fully secured, both as to principal and interest, by cash or cash substitute, is classified under this category regardless of past due status or other adverse credit factors.



LION INTERNATIONAL BANK S. C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

(ii) Special mention

Any loan or advance past due 30 days or more, but less than 90 days is classified under this category.

(iii) Substandard

Non-performing loans or advances past due 90 days or more but less than 180 days is classified under this category.

(iv) Doubtful

Non-performing loans or advances past due 180 days or more but less than 360 days is classified as doubtful.

(v) Loss

Non-performing loans or advances past due 360 days is classified as loss.

As per this directive, the provision for impairment losses is determined as follows:

<u>Loan Category</u>	<u>Extent of Provision Required</u>
1. Pass loans	1% of outstanding loan balances
2. Special mention loans	3% of the outstanding loan balances
3. Substandard loans	20% of the net loan balance (Note)
4. Doubtful loans	50 % of the net loan balance
5. Loss loans	100% of the net loan balance

Note

Net loan balance is outstanding loan balance less net Recoverable Value of collaterals.



LION INTERNATIONAL BANK S. C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on straight line bases at the following rate.

	<u>%</u>
Building	5
Vehicles	20
Furniture, fittings & equipment	10
IT equipment	10

f) Revenue recognition

Interest income and expense in the income statement are recognized on accrual basis.

Fees and commission income arise on financial services provided by the bank and are recognized when the services are provided to customers.

g) Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at the value date of the transactions.

Monetary assets denominated in foreign currencies, which are stated at historical cost, are translated at the selling exchange rates ruling at 30 June 2016. Foreign exchange differences arising on translations are recognized in the income statement.

h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand balances and balances with the National Bank of Ethiopia, due from domestic and foreign banks on demand.



**LION INTERNATIONAL BANK S. C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

i) Deferred charges

These are the cost of new banking software (Delta Software) and will be amortized on straight line bases over five years.

CURRENCY: BIRR

3. CASH AND BALANCE WITH BANKS

2015

Cash on hand (Local & Foreign currency)	660,958,643	796,281,860
NBE-payment and settlement and issue account	435,804,057	18,179,742
	1,096,762,700	814,461,602

4. NATIONAL BANK OF ETHIOPIA BILLS

This represents cost of Bills acquired from the National Bank of Ethiopia in accordance to the directives on the Establishment and operation of National Bank of Ethiopia Bills market No MFA/NBEBILLS/002/2011. Maturity period of the bills is five years.

Balance at 30 June 2015	1,236,900,000
Add: Additional bills acquired	607,172,000
	1,844,072,000
Less: Bill matured & repaid back	(164,943,000)
	1,679,129,000

5. DEPOSIT WITH FOREIGN BANK

Bank of Africa – Djibouti	7,957,483	14,094,151
Bank of Beirut	6,209,031	9,826,212
CommerZ Bank AG - Frankfurt	172,408,577	480,056,049
Bank of China – Beijing	32,474,153	-
	219,049,244	503,976,412

6. DESPOT WITH DOMESTIC BANK

Abay Bank S.C.	50,000,000
Enat Bank S.C.	100,000,000
Bunna International Bank S.C.	50,000,000
	200,000,000



LION INTERNATIONAL BANK S. C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

CURRENCY: BIRR

7. LOANS AND ADVANCES

Analysis by period of maturity

Maturities are expressed in terms of the original loan period to the repayment date:

		2015
Loans and advances due:		
Within one year	1,767,266,440	1,200,156,319
After but within five years	2,291,782,536	1,476,521,724
After five years	330,653,329	201,637,565
	<u>4,389,702,305</u>	<u>2,878,315,608</u>
Less: Provision for doubtful debts	(86,314,457)	(47,748,841)
	<u>4,303,387,848</u>	<u>2,830,566,767</u>

Analysis by sector

Transportation & communication	290,597,660	72,588,278
Export loans	828,902,954	574,443,493
Import loans	994,480,487	714,419,273
Manufacturing & production	249,405,588	157,735,186
Building construction	837,330,815	491,360,128
Domestic trade	869,370,301	652,386,259
Staff emergency & mortgage loan	141,919,912	61,081,081
Agricultural loan	59,542,211	49,748,581
Hotel & tourism	118,152,377	104,553,328
	<u>4,389,702,305</u>	<u>2,878,315,607</u>
Less: Provision for doubtful debts	(86,314,457)	(47,748,840)
	<u>4,303,387,848</u>	<u>2,830,566,767</u>

Loans and advances, net

8. STOCK OF SUPPLIES

Negotiable instrument	566,796	1,041,137
General supplies	2,494,911	1,314,938
Stock, non supplies	9,165	8,582
Others	-	507
Fixed asset in store	4,534,466	1,332,136
	<u>7,605,338</u>	<u>3,697,300</u>



LION INTERNATIONAL BANK S. C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

CURRENCY: BIRR

9. OTHER ASSETS

		2015
Prepayments	94,894,994	60,761,396
Sundry	11,439,912	5,668,908
Accrued income	27,528,919	15,079,441
Other receivables	40,746,124	76,059,808
Acquired property (Note below)	1,239,822	6,493,075
	<u>175,849,771</u>	<u>164,062,628</u>
Less: Provision for doubtful debts	<u>(1,976,903)</u>	<u>(3,722,913)</u>
	<u>173,872,868</u>	<u>160,339,715</u>

Note

Acquired properties represent properties that have been held as loan collateral, and acquired by the bank in accordance to a proclamation No. 97/1998.

10. DEFERRED CHARGES

Balance at 30 June 2015		16,930,146	16,567,065
Add: Additions during the year		<u>2,420,799</u>	<u>363,081</u>
		19,350,945	16,930,146
Less: Amortization			
Balance at 30 June 2015	15,321,634		12,566,795
Current year amortization	<u>230,603</u>		<u>2,754,839</u>
		<u>(15,552,237)</u>	<u>(15,321,634)</u>
		<u>3,798,708</u>	<u>1,608,512</u>

11. INVESTMENT

EthSwitch S.C.		11,370,000	11,370,000
Lion Insurance Co. S.C.		4,333,050	4,000,000
SWIFT		29,574	29,574
Goda Bottle & Glass S.C.		10,000,000	10,000,000
		<u>25,732,624</u>	<u>25,399,574</u>

The bank had subscribed and paid 173,322 shares of Birr 25 per share, in Lion Insurance Co. The bank had also purchased one share of Birr 29,574 (2,540 Euro) from Society of Worldwide Interbank Financial Telecommunication (SWIFT) and subscribed and paid 11,370 shares of Birr 1000 per share, in Ethswitch S.C. In addition, the Company had purchased a new 200,000 shares of Birr 50 per share in Goda Bottle & Glass S.C.



LION INTERNATIONAL BANK S. C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

CURRENCY: BIRR

12. PLANT, PROPERTY & EQUIPMENT

<u>COST</u>	<u>BALANCE AT 30 JUNE 2015</u>	<u>ADDITIONS</u>	<u>BALANCE AT 30 JUNE 2016</u>
Motor vehicles	24,099,704	13,849,123	37,948,827
Furniture and fittings	23,388,367	8,784,637	32,173,004
Office & other equipment	23,256,161	9,930,365	33,186,526
IT equipments	24,583,892	7,814,626	32,398,518
Building & premises	4,500,033	-	4,500,033
	<u>99,828,157</u>	<u>40,378,751</u>	<u>140,206,908</u>
DEPRECIATION			
Motor vehicles	12,957,247	4,475,650	17,432,897
Furniture and fittings	5,808,627	2,715,059	8,523,686
Office & other equipment	5,762,250	2,708,194	8,470,444
IT equipments	8,920,071	3,773,891	12,693,962
Building & premises	967,604	225,001	1,192,605
	<u>34,415,799</u>	<u>13,897,795</u>	<u>48,313,594</u>
NET BOOK VALUE	<u>65,412,358</u>		<u>91,893,314</u>

13. DEPOSITS FROM CUSTOMERS

		<u>2015</u>
Payable on demand		
Private sector	1,658,931,693	1,308,826,183
Public enterprises	33,445,231	43,492,941
Non bank financial	49,286,773	12,076,825
Co-operatives & association	3,935,912	8,556,998
Central agreement	1,087,589	1,222,831
	<u>1,746,687,198</u>	<u>1,374,175,778</u>
Saving deposits		
Private sector	4,029,859,595	2,575,794,640
Public enterprise	752,395	1,842,365
Non-Bank financial institution	2,166,780	8,112,966
Co-operatives & association	20,645,862	16,457,740
	<u>4,053,424,632</u>	<u>2,602,207,711</u>
Foreign currency deposits	10,425,104	14,321,443
	<u>10,425,104</u>	<u>14,321,443</u>
Time deposits		
Private sector	502,527,306	422,254,118
Non-Bank financial institution	12,500,000	36,937,756
Diaspora deposit	7,000,000	6,500,000
Public enterprise	1,000,000	1,000,000
	<u>523,027,306</u>	<u>466,691,874</u>
Total deposits from customers	<u>6,333,564,240</u>	<u>4,457,396,806</u>



LION INTERNATIONAL BANK S. C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

CURRENCY: BIRR

14. OTHER LIABILITIES

		2015
Cash payment orders	169,701,244	110,422,518
Blocked accounts	56,657,271	8,285,123
Provision for annual leave	10,964,687	7,418,549
Local transfers payable	4,889,673	12,202,632
Exchange commission	14,252,189	20,183,489
Taxes and stamp duty charges	5,111,502	3,176,137
Miscellaneous payable	45,046,214	862,114
Retention payable	15,474	-
Retention on foreign currency	11,907,823	5,860,465
Accruals	57,887,745	45,102,459
Others	1,449,444	1,736,082
Unearned LG Commission	31,840,198	-
Provident & pension fund	669,829	402,792
Foreign transaction payable	4,074,439	7,104,837
Temporary customer account	8,041,568	5,633,015
Advance on import bill	8,533,172	12,522,793
	431,042,472	240,913,005

15. PAID UP CAPITAL

Subscribed capital of the bank has been increased to Birr 1,000,000,000 (One Billion Birr) as per the 4th extraordinary meeting of the shareholders.

Balance at 30 June 2015	509,919,263	446,833,287
Add: Shares paid during the year	49,963,900	63,085,976
Dividend capitalized	82,613,146	-
Less: Adjustment	(6,675)	-
	642,489,634	509,919,263

16. LEGAL RESERVE

Article 13(4) of the licensing and supervision of banking proclamation No. 84/1994 provides that 25% of the net profit after taxation shall be transferred to legal reserve account until the balance reaches the paid-up capital.

Balance at 30 June 2015	141,836,919	91,646,572
Add: Current year reserve	65,385,332	50,190,347
	207,222,251	141,836,919



LION INTERNATIONAL BANK S. C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

CURRENCY: BIRR

17. SPECIAL RESERVE

According to the resolution of the 10th & 11th shareholders' general assembly, the assembly has passed a resolution to retain a special reserve from the profit of the year ended 30 June 2015 & 2016. This reserve is not subject to distribution to the shareholders.

18. RETAINED EARNINGS

		2015
Balance at 30 June 2015	167,469,912	89,340,105
Prior year adjustment	14,030	(6,044)
Dividend declared	(146,387,828)	(69,539,610)
Transferred special reserve	(4,197,242)	(2,895,579)
Add: Net profit for the year	196,155,994	150,571,040
	213,054,866	167,469,912

19. INTEREST INCOME

Interest on loans and advances	478,627,897	298,231,786
Interest on time deposit	4,187,351	-
Interest on treasury & NBE bills	44,386,656	28,630,021
	527,201,904	326,861,807

20. INTEREST EXPENSES

Fixed deposits	50,006,597	32,130,264
NBE-borrowing	899,235	-
Saving and demand deposits	118,702,794	74,467,518
	169,608,626	106,597,782

21. COMMISSION, FEES AND CHARGES

On letter of credit	55,443,713	52,291,796
On letter of guarantee	56,255,100	57,614,740
On local transfers and transactions	6,129,328	7,505,480
	117,828,141	117,412,016

22. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

Gain on foreign exchange	139,073,081	99,592,021
Loss on foreign exchange	(28,500,757)	(24,642,665)
	110,572,324	74,949,356



LION INTERNATIONAL BANK S. C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

CURRENCY: BIRR

23. OTHER INCOME

		2015
Provision for doubtful debts other than loans & advance written back	1,743,095	-
Gain on disposal of fixed assets	-	3,669
Telephone, telegraph and postage charge	2,095,855	2,716,321
Service charge on foreign and local transaction	133,495,724	112,738,053
Others	930,050	3,143,973
Dividend	933,305	1,116,000
	139,198,029	119,718,016

24. GENERAL & ADMINISTRATION EXPENSES

Depreciation	13,897,796	9,455,695
Inspection & circulation fee	45,896	33,312
Amortization	230,603	2,754,839
Office rent	45,818,679	32,992,387
Stationery and printing	4,975,732	4,507,810
Communication	6,778,406	4,953,139
Correspondent charges	637,409	121,290
Advertisement and promotion	11,326,193	7,855,152
Insurance	3,099,278	2,963,832
Repair and maintenance	3,214,223	2,336,976
Fuel and lubricants	588,492	676,850
Traveling & per diem	3,320,236	1,497,262
Electricity and water	557,816	535,725
Subscription and membership fees	446,941	198,431
Wages	23,709,610	12,524,298
Postage expenses	274,307	251,599
License fee	480,125	181,523
Transportation	677,236	675,487
Legal expense	1,743,095	-
Entertainment	1,014,225	1,177,732
Inauguration	2,273	2,880
Cleaning supplies	314,844	236,720
Office supplies	900,348	563,124
Maintenance, support & consultancy fee	4,861,210	3,135,338
Transportation of currencies	4,889,624	9,805,954
Legal fees	321,597	7,495
Stamp duty tax	19,943	16,665
Miscellaneous	1,012,941	1,058,940
Donation	150,000	2,000,000
Penalty	70,000	-
	135,379,078	102,520,455



LION INTERNATIONAL BANK S. C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

CURRENCY: BIRR

25. DIRECTORS FEE

		2015
Monthly allowance	272,000	270,000
Annual directors fee	596,667	550,000
Nomination committee allowance	180,000	-
	1,048,667	820,000

The annual directors fee represents the maximum limit allowed by the National Bank of Ethiopia on its directive No. SBB/49/2011. However, this fee is subject to approval by the shareholders general assembly.

26. PROVISION FOR TAXATION

Net profit before taxation for the year	349,667,844	275,592,103
Add: Non-allowable expense		
Deprecation in accordance with bank's policy		
13,897,795	13,897,795	9,455,695
Entertainment	1,014,225	1,177,732
Penalty	70,000	360,000
Donation	150,000	1,000,000
Amortization of deferred charge as per bank policy	230,603	2,754,840
Provision for doubtful accounts other than loans & advances	-	3,295,487
	15,362,623	18,043,754
Less: Allowable expense & deposit income		
Deprecation in accordance with tax proclamation No. 286/2002	18,736,927	12,993,612
Interest income on deposits as per tax proclamation No 286/2002 Article 36, sub Article 3 (Note 19)	48,574,007	28,630,021
Dividend income taxed at source	933,305	1,116,000
Amortization of deferred charge as per tax law	1,285,165	1,456,834
Gain on disposal of IT equipment	-	3,669
Written back of doubtful debts other than loans & advance	1,746,010	-
	(71,275,414)	(44,200,136)
Taxable profit	293,755,053	249,435,721
Provision for taxation (30%)	88,126,516	74,830,716
Less: Withholding tax	-	-
	88,126,516	74,830,716

27. EARNING PER SHARE

Earning per share is calculated by dividing net profit after tax but before legal reserve divided by average number of outstanding shares as at 30 June 2016. The weighted average number of outstanding shares as at 30 June 2016 is 21,854,216 (18,888,752 share as at 30 June 2015) shares of Birr 25 par value.



**LION INTERNATIONAL BANK S. C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

CURRENCY: BIRR

28. CONTINGENT LIABILITIES & COMMITMENTS

Contingent liabilities represent credit-related commitments to extend letter of credit, guarantees and acceptance and forward foreign exchange contracts which are designed to meet the requirements of the Bank's customers to ward third parties. Commitments represent the Bank's commitments approved unutilized facilities and other commitments of the Bank.

		2015
Contingent liabilities		
Letters of credit (Note (a))	474,803,920	826,910,560
Guarantees issued (Note (b))	1,271,181,671	1,107,373,344
	<u>1,745,985,591</u>	<u>1,934,283,904</u>
Contingent liabilities		
Loans and advances approved but not drawn	<u>279,961,523</u>	<u>258,462,749</u>

Note (a)

The Bank has a lien on the goods imported through letter of credit as the suppliers are required to send shipping documents directly to the bank.

Note (b)

The risk exposure involved in connection with the performance guarantees issued is managed in the following manner.

- The bank has held collaterals and letters of undertaking in respect of most guarantees issued to its customers;
- Concerning guarantees issued on clean basis, upon issuance of guarantees customers are obliged to deposit advance payments and subsequent collections from their clients into a current account maintained with Bank itself under joint control of the Bank and the customer, whereby payments from such a joint account are made with the consent of the Bank and only in respect of related guaranteed contracts.



**LION INTERNATIONAL BANK S. C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

CURRENCY: BIRR

29. MEMORANDUM ACCOUNTS

		2015
Inward bills for collection-acceptance and sight	32,354,939	54,332,209
Outward bills for collection local and foreign	8,461,498	5,633,015
Interest on Non performing loans	6,264,694	4,504,269

30. RISK MANAGEMENT

This note provides details of the Bank’s exposure of risk and describes the methods used by management to manage such risk. The most important types of financial risks to which the Bank is exposed are credit risk, liquidity risk and foreign exchange risk.

Credit risk

Credit risk, both on and off balance sheet, is managed and monitored in accordance with defined credit policies and procedures. The credit worthiness of each counterpart is evaluated and appropriate credit limits are established. To reduce individual counter party credit risk the Bank ensures, whenever necessary, that all loans are secured by acceptable forms of collateral. Although the bank has not yet established credit limits across industries and products, it needs to review its credit exposure. The bank loans are diversified against various sectors as shown in Note 6 to the financial statements.

Liquidity risk

Liquidity risk arises in the general funding activities of the Bank and the management of positions. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in appropriate time frame. The bank has a reasonable funding base. Funds are raised mainly from customers’ deposits.

Foreign exchange risk

Foreign exchange risks are controlled by maintaining major currencies whose exchange rate against the reporting currency has always been appreciating. The Bank settles foreign exchange transactions of customers at the exchange rate ruling on the date of the transactions. Hence, the customers bear the cost of the increase in exchange rates.



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LION INTERNATIONAL BANK S.C.
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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 globally.

"To be the leading Bank in Ethiopia by 2035"

- Integrity
- Teamwork
- Diversity
- Social Responsibility
- Innovation & learning organization
- Customer Satisfaction
- Employee Satisfaction

Partners



ScioHulling PLC



**ሙሉጌታ መኮንን ኅኪ
Mulugeta Mekonnen Export**



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