



**አንባ ኢንተርናሽናል ባንክ አ.ማ.**  
**LION INTERNATIONAL BANK S.C.**

First Annual Report Ended June 30, 2008



OCTOBER, 2008

# Head Office and Branch Addresses

Area Bank	Tel.	Fax.	P.O.Box
<b>Head Office</b>			
President Office	011-662 71 11	011-662 71 15	27026/1000
Vice President Office	011-662 71 13	011-662 71 15	27026/1000
Board Secretariat	011-662 71 10	011-662 7115	27026/1000
Corporate Advisor	011-662 71 12	011-662 71 15	27026/1000
Credit and Risk Management Department	011-662 60 99	011-662 59 99	27026/1000
Finance Department	011-662 89 92	011-662 59 99	27026/1000
International Banking Department	011-662 62 82	011-662 71 14	27026/1000
Information Technology Department	011-662 69 69	011-662 59 99	27026/1000
Marketing, Planning and Research Department	011-662 71 20/24	011-662 59 99	27026/1000
Human Resources & Central Service Department	011-662 89 93	011-662 59 99	27026/1000
Internal Audit Service	011-662 62 86	011-662 59 99	27026/1000
<b>Branches</b>			
Yeka (Addis Ababa)	011-662 71 18	011-662 89 97	27026/1000
Arada (Addis Ababa)	011-156 97 40	011-157 33 64	27026/1000
Goffa (Addis Ababa)	011-467 36 51	011-467 36 50	27026/1000
Merkato (Addis Ababa)	011-278 70 47	011-278 70 46	27026/1000
Raguel (Addis Ababa)	011-213 46 06	011-213 46 00	27026/1000
Mekelle	034-441 93 60	034-441 93 65	295
Hawassa	046-221 30 81	046-220 07 67	238
Adama	022-111 68 88	022-111 75 65	1277
Gondar	058-112 24 75	058-112 21 15	1149
Humera	034-448 17 47	034-448 17 48	101
Semera	033-666 02 29	033-666 02 24	150
Mekele Market	034-440 85 88	034-440 85 86	295
Enticho	034-449 03 39	034-449 05 70	121
Sheraro	034-550 05 04	034-550 03 44	Post Office
Mekhoni	034-664 05 10	034-664 00 39	87
Shire-Endasellassie	034-444 16 44	034-444 16 61	22



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## BOARD OF DIRECTORS



**Johannes Kinfu (Prof.)**  
*Board of Directors'*  
*Chairman*



**Meressa G. Mariam**  
*Board Member*



**Yibrah Girmay**  
*Board of Directors'*  
*Vice Chairman*



**G. Medhin G. Hiwot**  
*Board Member*



**Redda Tamrat**  
*Board Member*



**Eyasu G. Abzgi**  
*Board Member*



**Habtu Kebedew**  
*Board Member*



**Legesse Tegegn (Col.)**  
*Board Member*



**Tilahun Wubneh (Eng.)**  
*Board Member*



**Goitom G. Tsadik**  
*Board Member*



**Abraham Gebreamlak**  
*Board Member*



## EXECUTIVE MANAGEMENT



**Meressa G. Mariam**  
President



**Aklilu Wubet**  
Vice President



**W. Gebriel Tewoldu**  
Corporate Advisor



**Tekea Embaie**  
Director- International  
Banking Department



**Elias Tekle**  
Director- Credit & Risk  
Management Department



**Getachew Kiros**  
A/Director-Finance  
Department



**Roman Tesfay**  
A/Director- Human Resources and  
Central Service Department



**Mekete Shiferaw**  
Director- Information  
Technology Department



## Vision

To be the leading bank in Ethiopia

## Mission

LIB is committed to maximizing customers' satisfaction and shareholders' value through quality and diversified banking services delivery, technological leadership and motivated employees.

## Motto

LIB key to success!!

## Corporate values

- High quality
- Reliability
- Confidentiality
- Responsiveness
- Customer Friendly
- Uprightness
- Learning Organization/Knowledgeable



## MESSAGE FROM THE BOARD CHAIRMAN



It is an honor and privilege to present the first annual report of the Board of Directors of the Lion International Bank S.C. on its operations and financial performances for the year ended June 30, 2008.

The report covers the 18 months' financial and operational performance of the Bank. The Bank has attempted to achieve remarkable progress during this take off period of its establishment with commitment and vigilance in spite of some challenging events. It is the first Bank in the financial industry to have more than six thousand shareholders with a paid up capital of more than Birr 176 million and 432 million subscribed capital. It is my sincere belief that the Bank has started to position itself appropriately to achieve its mission to be the leading Bank in Ethiopia.

As you are well aware, Lion International Bank was successfully founded around three years ago by a few but forward looking dedicated businessmen to bridge the gap prevailing in the banking industry by introducing technology guided new banking products and services. The establishment period was historic as it was made possible to mobilize more than three thousand people to be shareholders of the Bank at the start, which is the first in its kind in the history of the financial sector in our country. The Bank continues to strive to have more than six thousand shareholders, which makes it the most widely owned bank in the nation, a true public bank of all commercial banks in the country.

Within the short period of time, the Bank has managed to open 16 branches both in Addis Ababa and outside, where there were no or little banking services like in Semera, Sheraro, Mehoni and Enticho towns. The Bank still envisages opening branches in the current fiscal year in areas where the bank will be profitable while also fulfilling its promise to keep on going closer to its esteemed unbanked customers.



As LIB has been very successful in its foundation chapter, it is now beginning to become competitive, in its operations too. The Bank has managed to successfully penetrate the market and is occupying promising position by raising its market share from time to time. Unlike other similar banks, especially during their take off period, the LIB is setting its own quality service delivery by deploying modern technology just from the outset. The Bank has invested huge amount of money to procure core banking solution from the French based company called DELTA INFORMATIQUE. This is the first in its kind which the LIB has introduced Core Banking Solution technology from Europe. This technology will be raising the competitive advantage of the Bank by adding values to its existing in-house made IT technology.

The Bank has registered several achievements, which in the long run will give confidence and trust to its shareholders in the overall undertaking. However, like any other bank, our Bank had also faced problems in terms of management leadership, which necessitated the Board to take a bold action to replace the top management with capable, responsible and vibrant management. It is our sincere hope that the Bank will be successful with the new management in place.

The Bank has been engaged with several activities directed to boosting its operations and profitability, building its image, implementing effectively its branch expansion plan, enhancing the capacity of staff, and also upgrading management efficiency in line with the ever changing business demands. As a result, we feel that the Bank has now entered into the right direction to meet its vision and mission.

The Bank had also experienced fraud attempt due to the integrity problems of some of its staff. Thanks to the relentless effort and diligence of the police force and our staff, the majority of the money has been retrieved. This remarkable effort ushers a new era to all of us, as perpetrators will no more be harbored or remain unapprehended if all concerned bodies are working together for the common good of the public.





The Bank has also experienced continuous turnover of staff like any other similar bank, and had difficulty attracting and retaining staff mainly due to shortage of skilled manpower in the industry coupled with unfair payment of competitors. Overall the unhealthy competition for manpower is affecting the industry negatively. The rising costs of branch expansion, office modification works, challenging salary and benefits packages for staff, the soaring price of fuel and other internal and external factors had negatively impacted our profitability for this year.

As much as we have some weakness in our staff, we have also few strong employees, who are committed for the growth of the Bank with all sacrifices needed. I would like to commend and recognize the hard work and drive of these staff. These achievements should be taken as a corner stone for our bright future and fast over all progress of our Bank.

I would like to seize this opportunity to assure you that the LIB is now ready and equipped with all the necessary human and material resources more than ever to realize the dreams of shareholders. In spite of its age, the Bank has now accumulated enough experience and several resources both human and material to attain what has been foreseen during the one and half year of operation.

In the coming fiscal year the Bank has planned to achieve the following activities:

- Attain satisfactory profit;
- Scale up the efforts of deposit mobilization, and profitable and effective deployment of funds with newly considered risk;
- Raise foreign currency reserves;
- Improve service delivery and attain better customer satisfaction;
- Improve the motivation of staff and devise a sustainable strategy of attracting and retaining employees;
- Network all branches through the new IT software;
- Increase market share in the banking industry;
- Finalize the five years strategic plan;



- Open five new branches in profitable and viable areas in Addis Ababa;
- Raise the paid up capital as per the commitment of all shareholders;
- Position the Bank in a better status by working hard with all stakeholders, and renewed commitment and efforts of the new management.

As a result, I would like to assure our committed shareholders and esteemed customers, Board members, Management and staff that LIB will continue to be strong in its financial position and profitability by the coming new fiscal year.

The Bank will be one of those with unique features, for quality service delivery, and its commitment for its customers' satisfaction. I would like to assure all stakeholders that the Board will continue to work day and night to help achieve the Bank's vision and mission, with the same commitment and vigor as in the past. I would like to extend my sincere appreciation to our beloved customers and shareholders, who have been by our side in our day-to-day activities. Special appreciation must also be extended to my colleagues, Board members, who have been active members working beyond expectations. They have been shining example of a Board that is awake and alert; directing and monitoring activities with wide open eyes and ears. Acknowledgements are also due to members of management staff for their endeavors to make the Bank reach its current position.

I would like to sum up by calling all stakeholders to renew their commitment today like last year helping the Bank in its effort to be the leading bank in Ethiopia.

I thank you,

**Johannes Kinfu (Prof.)**  
*Board of Directors'*  
*Chairman*



## MESSAGE FROM THE PRESIDENT



As we all know, Lion International Bank S.C. (LIB) has come to reality just 18 months ago. Despite its early age, LIB has become successful in going through the competitive market and set a position in the Ethiopian Banking Industry. LIB within short period of time was able to open 16 branches in various regions of the country.

After successful completion of the foundation and start up stages, the Bank is stepping forward to raise its market share in the existing Banking Industry. Assuming the responsibility of maximizing the welfare of the society and profit for its shareholders, the Bank has taken measures that enhance and ensure quality service delivery.

Among the major objectives that the Bank set during its establishment were playing a role in making people owners of the Bank and simultaneously make the Bank a Community Bank. Accordingly, gathering over 6,000 shareholders, LIB has a unique position in the Banking industry for its broad based participation of the public. It has also raised its paid up capital to over 176 million birr within short period of time enabling the Bank to be established on a strong financial basis.

From the very beginning, LIB realizes that having firm financial status by itself doesn't allow it to go a long way. Therefore, to be competent enough and remain strong in the contending market, the Bank has given emphasis to enhancing internal capacity and customer demand driven service delivery activities.

Hence, Lion International Bank to improve its horizon of quality service delivery has laid down all necessary IT infrastructures and is implementing a Core Banking Software in all its operating organs and branches which was bought from a French IT developer, called "DELTA INFORMATIQUE". For the Bank, implementing such contemporary technology enables it to automate all its services, extend branch networking, and introduce new products so as to deliver efficient and quality services to its customers. In this regard, the Bank will continue exerting its efforts to maximize customers' satisfaction.



Lion International Bank, within this short period of time, maintains assets worth above half a billion birr. To maintain the spirit of cooperation among branches the management is working towards creating conducive and helpful environment. In addition, in areas where there is sufficient demand and economic viability the Bank will continue expanding its branches both in Addis Ababa and the Regions.

While going ahead in its efforts to realize its objectives, the Bank has faced challenges which are common for beginner banks. Among others scarcity of skilled man - power and the heavy cost incurred attributed to opening of branches were the challenges which led to operating losses in the first one and half years of operation.

Despite the stiff competition in the Banking industry, the Bank has managed to penetrate the market, opened a good number of branches which other private banks didn't do during their establishment period, where there was less market competition, and as a result it has successfully positioned itself in the industry. The Bank will continue to aggressively follow its well thought strategies to further strengthen itself in the industry.

Accordingly, the Bank is developing a five year strategic plan. The Bank in its strategic plan has evaluated the strength and weakness of the present banking industry and its own and accordingly set objectives to attain in the coming years. The strategic plan envisages massive investment outlay with the aim of motivating and enhancing employee productivity. The implementation of Core Banking Software and IT systems is being finalized and will be implemented shortly, boosting its competitiveness especially in service delivery. Integrated efforts at all levels are also being made to carryout deposit mobilizations. Regarding branch expansion, it is planned to open five additional branches in Addis Ababa and in the Regions in this fiscal year.

The Bank, therefore, has laid down a strong foundation that will enable it to successfully achieve its objectives and become profitable in 2008/09 fiscal year. The future is bright and hopeful. On this occasion, I would like to call up on all shareholders to be on the side of the management and exert their support to advance the Bank.

I thank you,

**Meressa G. Mariam**  
*President*



## Figures for Quick Reference

(In '000 Birr)

	Jul-07	Jun-08
Total Revenue	4,467.60	31,511.43
Total Expense	9,323.50	32,340.76
Gross Profit/Loss	(4,856.00)	(829.33)
Total Assets	266,734.90	574,138.12
Total Paid up Capital	139,824.70	176,266.56
Total Deposit	122,256.00	357,009.70
Total Loans and Advances	75,338.10	182,469.09
Figures in Number		
Number of Deposit Customers	4,365	17,841
Number of Staff	277	435
Number of Branches	8	16
Number of Shareholders	4,795	5,900
Bilateral key exchange arrangements established with Correspondent Banks	5	16



H. E. President Girma W. Georgis addressing shareholders in the founding ceremony of LIB, Jan. 06, 2007

## BOARD OF DIRECTORS' REPORT

Eighteen months have elapsed since the Lion International Bank S.C. entered into the Ethiopian banking industry. It is gratifying to note that the vision of the organizers of the Bank has materialized and the Bank has become operational. The Board of Directors of the Bank is pleased to present this Annual Report and Audited Financial Statements of the Bank for the year ended June 30, 2008 to the First Annual General Assembly of shareholders of the Bank – the first meeting being the inauguration and formal resumption of the Bank.

### 1. OPERATIONAL PERFORMANCE

#### 1.1 Deposit Mobilization

The aggregate deposit of the Bank at the end of the fiscal year 2007/08 (June 30, 2008) reached Birr 357.01 million. Overall deposit mobilized during the six months operation of 2006/07 was Birr 122.3 million. Current year's performance is higher by around Br. 138.4 million or 113.2%. The number of deposit customers has also increased from 4,365 to 17,841. Saving deposit was 49.6% of total deposit while demand and time deposits were 38.9% and 11.5% respectively. When one considers the level of deposits mobilized by similar banks in their early days of their establishment and the extent of competition, the performance of the Bank is encouraging.



Some of the founding members of LIB

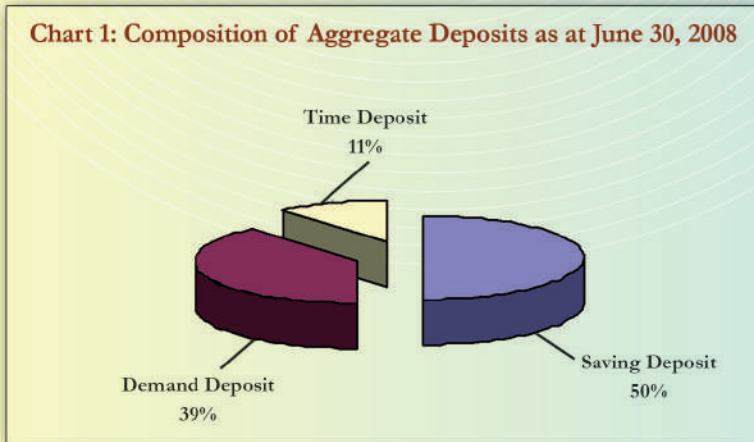


Members of the promoters' committee

Type of Deposit	June 2007	June 2008	Share as at June 2008 (%)
Saving Deposit	53,191.00	177,162.00	50
Demand Deposit	58,005.00	138,878.00	39
Time Deposit	11,060.00	40,969.00	11
Total	122,256.00	357,009.00	100

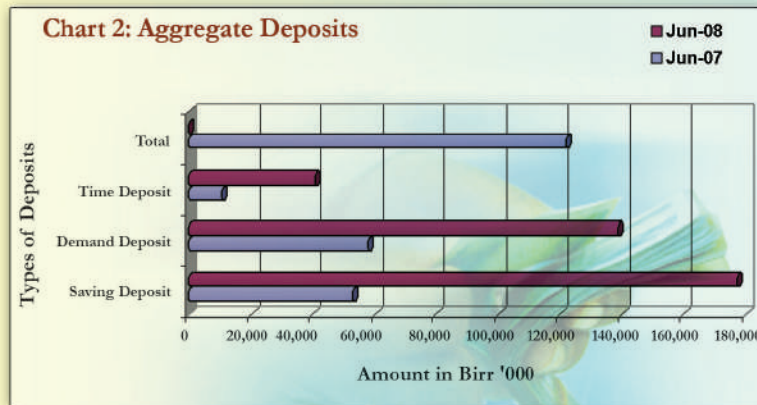


**Chart 1: Composition of Aggregate Deposits as at June 30, 2008**



Some of the founding members of LIB with H.E. Girma W. Georgis President of FDRE

**Chart 2: Aggregate Deposits**



Participants of the inaugural assembly Jan. 06, 2007

## 1.2 Loans & Advances

Overall outstanding loans and advances at the close of the fiscal year 2007/08 stood at Birr 182.5 million. As compared to the six month performance of last year, it has shown an absolute growth of Birr 107 million (142%). The loan-to-deposit ratio of 51.12% indicates that the growth of loans and advances failed to match the growth of deposits. This was partly due to some stringency in the credit policy, and the need to learn the stable portion of this young Bank's deposit structure to meet its liquidity requirements. A series of measures have been taken towards the 2nd half of the fiscal year to make the policies and procedures flexible to the demands of our corporate customers and significant improvements are expected during the next fiscal year.



Participants of the inaugural assembly Jan. 06, 2007



Major Athlete Haile G. Selassie receiving his share certificate from Prof. Johannes Kinfu, Board Chairman

Component wise, medium term loans took about 70.6% (Birr 128.8 million) of the total outstanding loans followed by short term loan 15.7% (Birr 28.7) and overdraft 13.7% (Birr 25 million).

The prudence in loan appraisal and analysis has led to the bank's healthy loan portfolio. All loans and advances at the close of the fiscal year were healthy.

Table 2 Composition of Loans and Advances ('000 Birr)

Type of Loan	End of June		Share as at June 2008 (%)
	2007	2008	
Short Term Loan	57,806.00	28,713.00	15.7
Overdraft	14,956.00	24,965.00	13.7
Medium Term Loan	2,576.00	128,791.00	70.6
Total	75,338.00	182,469.00	100



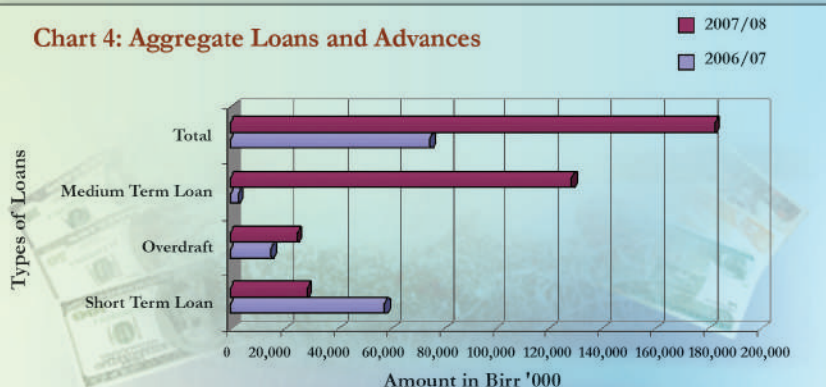
The Bank of Tomorrow

Chart 3: Composition of Loans & Advances as at June 30, 2008



LIB Staff - Preserving the environment

Chart 4: Aggregate Loans and Advances







### 1.3 International Banking Operations

The first six months of the Bank's establishment concentrated on laying the foundations for a smooth foreign banking operations. These involved creating correspondent banking relationship with leading global banks, SWIFT communication system, BKE arrangements, and the like. This preparation was fully accomplished in May 2007 and the Bank was on a solid foundation when it started the 2007/08 operation. It established correspondent banking relationship with renowned banks, went live with SWIFT and opened NOSTRO accounts in the major cities of Europe and North America to smoothly support the needs of our international banking customers.

During the year just ended, the Bank handled documents worth Birr 195 million. Out of this Birr 121 million was import, Birr 62.4 million exports and the balance outgoing and incoming remittances.

The total revenue generated from these international banking operations amounted to Birr 9.9 million which is around 31.3% of the total revenue of the Bank. This operational result was obtained despite the acute shortages of foreign currency. The contribution of the service is expected to improve when the various projects at hand that would enhance the Bank's foreign currency holdings materialize during the next fiscal year.

### 1.4 Branch Expansion

The Bank started the fiscal year with eight branches which were opened within six months of its establishment. The Bank believed that branch expansion is a necessary long term investment towards mobilizing deposits and contribute its share in reaching the unbanked regions of our country in fostering economic development. Its branch network by the end of the fiscal year reached sixteen making it the first private Bank to expand branch network with such a high pace of expansion within a short period of time.



Some of our staff on training



Some of our staff on training



Some of our staff on training



## 2. FINANCIAL PERFORMANCE

### 2.1 Revenue

The total income of the Bank as at June 30, 2008 reached Birr 31.5 million. This is composed of interest income of Birr 19.9 million, other income of Birr 9.5 million and commission income of Birr 2.1 million. Interest income takes about 63% of total income revealing that loans and advances is the major source of revenue for the Bank.



State Minister, Trade & Industry Tadesse Haile inaugurating Yeka Branch (Addis Ababa) Jan. 6, 2007



Tsegaye Berhe President of Tigray Regional State inaugurating Mekelle Branch (Mekelle) Jan. 20, 2007



Newayekirstos Gebre-Ab, Chief Economic Advisor to the PM inaugurating Arada Branch (Addis Ababa) Jan. 27, 2007



Shiferaw Shigute, President of SNNPRS inaugurating Hawassa Branch Mar. 18, 2007

Table 3 Composition of Revenue ('000 Birr)

Type of Revenue	End of June		Share as at June 2008 (%)
	2007	2008	
Interest	3,264.81	19,911.25	63.2
Commission	603.02	2,062.89	6.5
Other Income	599.80	9,542.29	30.3
Total	4,467.63	31,511.43	100

Chart 5: Composition of Revenue as at June 30, 2008

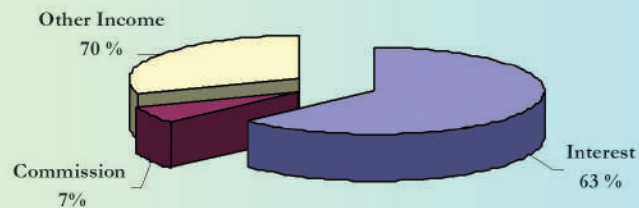
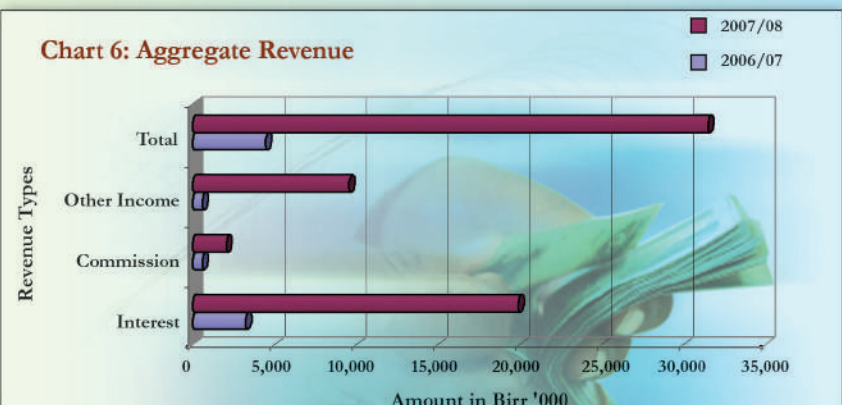


Chart 6: Aggregate Revenue





## 2.2 Expenditure

The aggregate expense of the Bank totaled Birr 32.34 million. General Expenses reached Birr 14.6 million (45%) while salaries and benefits totaled Birr 9.9 million (31%). The balance was interest expense on interest bearing deposits and provision on loans and advances. Due to high branch expansion and high fixed investment and establishment cost that accompanies it; the Bank has incurred huge non-operational expense. The overall amortization, depreciation and provision expenses reached Birr 4.4 million taking 13.5% of the overall expenses.



Ato Semahegn W. Gebriel N. Gondar Zone  
Acting Administrator  
inaugurating Gondar Branch (Gondar)  
May 6, 2007

Table 4 Composition of Expenditure ('000 Birr)

Type of Expenses	End of June		Share as at June 2008 (%)
	2007	2008	
Salaries & Benefits	3,259.18	9,961.29	30.9
General Expense <sup>1</sup>	4,935.96	14,568.68	45.2
Interest Expense	375.09	6,445.04	20.0
Provision on Loans	753.34	1,365.75	3.9
Total	9,323.57	32,340.76	100



Sherif Keri, Former Head of A.A City Admin.  
Mayor's Office inaugurating Gofa Branch  
May 20, 2007

Chart 7: Composition of Expenditures as at June 2008

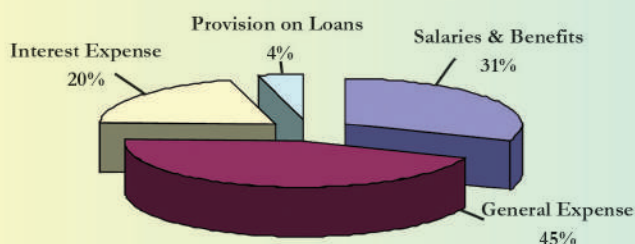
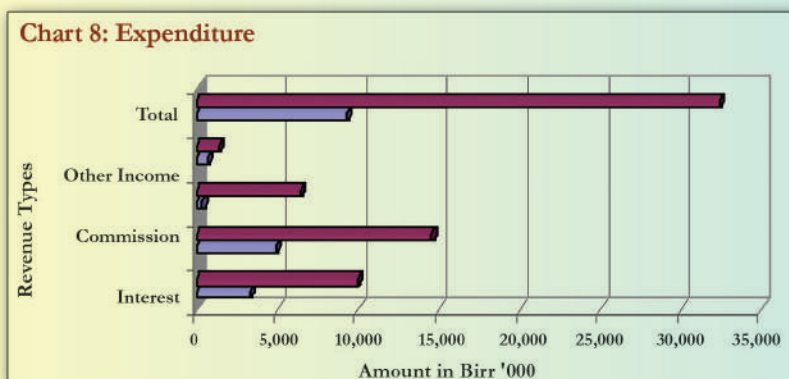


Chart 8: Expenditure



Major Athlete Haile G. Selassie & Nega G. Egziabher  
chairman of the promoters' committee  
inaugurating Raguel Branch (Addis Ababa)  
May 3, 2008

<sup>1</sup> General expense includes the following major items: office rent Birr 4.74 million, loss of revaluation currency Birr 2.4 million, depreciation expense Birr 2.44 million, amortization expense Birr 0.65 million, stationary and printing Birr 0.74 million, advertisement Birr 0.44 million, insurance expense Birr 403,993 and tax on interest income Birr 252,507 etc



## 2.3 Financial Results

The Bank incurred a financial loss of Birr 829,330.97 partly due to the enhanced branch expansion and the associated expenses that accompanied it, high price of fuel and commodities, inflation, and credit crunch.



Golagui General Trading

## 3. HUMAN RESOURCES DEVELOPMENT ACTIVITIES

The manpower strength of the Bank reached 435 as at June 30, 2008 from the previous year stock of 277. A total of 158 additional employees were employed for the new branches and to fill vacant positions at Head Office and existing branches. In order to upgrade the capacity of employees both on-the-job and off-the-job training was conducted through out the year.



Technostyle Plc

## 4. OTHER ACTIVITIES

### 4.1 Information Technology

The Bank started with in-house developed program for the major front office operations. Back office operations are mainly semi-manual. Side-by-side with the in-house program, the Bank had embarked on a big project of automating its operations and linking its branches with a computer network. During the fiscal year just ended, the project has entered its final stage after the Bank concluded a contract for a major banking software solution with a French IT Company called Delta Informatique. The project is progressing on schedule and the launching of Go-Live on selected branches will be operational towards the end of the 1st Quarter of the fiscal year 2008/09. Finalization of this project will significantly alter the operations of the Bank and improve its service delivery.



Lucy Agricultural Development Plc

### 4.2 Capital Increase

The Bank started its operation with a subscribed capital of Birr 432 million and paid-up capital of Birr 108 million. During the last eighteen months, the shareholders have raised the paid-up capital to Birr 176.7 million. This is a growth of 63% (Birr 68.7 million). The commitment of shareholders to pay their dues has been gratifying and is expected to continue in the next fiscal year where at least the 3rd and 4th payments are expected to be paid thereby strengthening the financial capacity of the Bank.



St. Gabriel General Hospital

Some of financed businesses



#### 4.3 Embezzlement cases in Branches

The Bank faced fraud act in one of its branches due to integrity problem of some its staff. Through concerted and relentless efforts of the Police and staff, it was managed to recover the majority money. In this regard, the Board of Directors' highly appreciates the unreserved support and help of the police.

#### 5. Building Effective Management Leadership:

The Bank had faced during its take off period problems in terms of staff development, and deploying strong management team. As a result, the Board of Directors took a bold action to restructure the Bank's top management positions to replace by efficiency and effective management leadership. It now believes it has a new capable management team in place.

#### 6. The Way Forward

The organizers of the Bank have written a new chapter in the history of banking in the Ethiopian banking industry. With a commitment unheard of previously and afterwards, they gave life to a new bank with a huge capital at establishment stage within a short span of time and with little or no publicity. Not only have they invested their time, energy and own resources for the establishment of the Bank, they have also willingly forfeited their benefits which the law of the country entitles them.

This exemplary commitment and belonging has to be pursued by the remaining shareholders, the management of the Bank and employees. The growth of the Bank hinges upon the commitment of these stakeholders. The critical success factors remain to be deposit mobilization, foreign exchange reserves and IT as in the previous year. All stakeholders should join hands to register a better performance for the next fiscal year.

I thank you

**Johannes Kinfu (Prof.)**  
Board of Directors'  
Chairman



## AUDITOR'S REPORT

### AUDITOR'S REPORT ON FINANCIAL STATEMENTS OF LION INTERNATIONAL BANK SH. CO.

We have audited the accompanying Balance Sheet of Lion International Bank Sh. Co. as at 30 June 2008, Income Statement and Cash Flow Statement for the year ended 30 June 2008. These financial statements are the responsibility of the bank's management. Our responsibility is to express an opinion on them.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the bank as of 30 June 2008 and of the results of its operations and its Cash Flows for the year ended 30 June 2008.

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 recommend approval of these financial statements.

Addis Ababa  
September 11, 2008

  
Ama - Hai





**LION INTERNATIONAL BANK SH. CO.**  
**BALANCE SHEET**  
**AS AT 30 JUNE 2008**

CURRENCY: BIRR  
 SIX MONTHS  
 ENDED 30 JUNE 07

<u>ASSETS</u>	<u>Notes</u>		
Cash & balance with banks	2h, 3	276,329,826	148,737,119
Reserve with National Bank of Ethiopia (NBE)		54,000,000	6,000,000
Foreign bank deposits	4	34,398,585	13,785,900
Loan & advances	2d, 5	180,348,258	74,584,792
Stock of supplies	6	3,121,306	1,322,050
Other assets	7	6,916,822	6,688,995
Deferred charges	2i, 8	2,449,896	2,694,628
Investment	9	1,029,573	1,029,573
Fixed assets	2e, 10	<u>15,543,853</u>	<u>11,891,813</u>
<b>Total assets</b>		<b><u>574,138,119</u></b>	<b><u>266,734,870</u></b>
<b>LIABILITIES, CAPITAL AND RESERVES</b>			
<b><u>LIABILITIES</u></b>			
Deposits from customers	11	375,228,537	122,255,971
Other liabilities	12	24,116,377	8,088,820
Margin held on letters of credit		<u>3,781,573</u>	<u>1,421,306</u>
<b>Total liabilities</b>		<b><u>403,126,487</u></b>	<b><u>131,766,097</u></b>
<b><u>CAPITAL AND RESERVES</u></b>			
Paid up capital	13	176,696,900	139,824,710
Accumulated profit (loss)		<u>(5,685,268)</u>	<u>(4,855,937)</u>
<b>Total capital and reserves</b>		<b><u>171,011,632</u></b>	<b><u>134,968,773</u></b>
<b>Total liabilities, capital and reserves</b>		<b><u>574,138,119</u></b>	<b><u>266,734,870</u></b>





**LION INTERNATIONAL BANK SH. CO.  
INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2008**

**CURRENCY: BIRR  
SIX MONTHS  
ENDED 30 JUNE 07**

INCOME	<u>Notes</u>		<u>ENDED 30 JUNE 07</u>
Interest income	14	19,906,255	3,264,804
<u>Less: Interest Expenses</u>	15	<u>(6,445,039)</u>	<u>(375,089)</u>
<b>Net Interest Income</b>			<b>13,461,216</b>
Commission, fees and charges	16	2,062,888	603,022
Net gain from dealing in foreign currencies	2g, 17	5,136,461	272,764
Other income		<u>2,043,270</u>	<u>276,956</u>
<b>Net operating income</b>			<b>9,242,619</b>
Provision for doubtful loans and advances			<u>(1,367,503)</u>
<b>Net interest and other income after provisions for doubtful loans and advances</b>			<b>21,336,332</b>
<b><u>OPERATING EXPENSES</u></b>			
Salaries and benefits		9,963,740	3,259,176
General administration expenses	18	11,956,923	4,703,330
Directors fee		222,000	165,300
Audit fee		<u>23,000</u>	<u>17,250</u>
<b>Total operating expenses</b>			<b>(22,165,663)</b>
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>			<b>(829,331)</b>
<b>BALANCE BROUGHT FORWARD</b>			<b>(4,855,937)</b>
<b>BALANCE CARRIED FORWARD</b>			<b>(5,685,268)</b>







**LION INTERNATIONAL BANK SH. CO.**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 30 JUNE 2008**

*CURRENCY: BIRR*  
**SIX MONTHS**  
**ENDED 30 JUNE 07**

**OPERATING ACTIVITIES**

Net loss	(829,331)	(4,855,937)
Amortization of deferred charges	641,677	263,338
Depreciation	2,413,494	753,283
<b>Operating loss before working capital changes</b>	<b>2,225,840</b>	<b>(3,839,316)</b>
Increase in stock of supplies	(1,799,256)	(1,322,050)
Increase in other assets	(227,827)	(1,959,565)
Increase in loans and advances	(107,130,970)	(75,338,130)
Provision for doubtful loans and advances	1,367,504	753,338
Increase in deposits from customers	252,972,566	122,255,971
Increase in other liabilities	16,027,557	7,206,081
(Decrease) Increase in margin held on letter of credit	2,360,266	1,421,307
<b>Net cash generated from operating activities</b>	<b>163,569,840</b>	<b>53,016,952</b>

**INVESTING ACTIVITIES**

Acquisition of fixed assets	(6,065,535)	(6,922,927)
Increase in investment	-	(1,029,574)
Increase on differed charges	(396,945)	(1,495,388)
<b>Net cash used in investing activities</b>	<b>(6,462,480)</b>	<b>(9,447,889)</b>

**FINANCING ACTIVITIES**

New shares issued and paid	36,872,190	31,696,119
<b>Net cash generated from financing activities</b>	<b>36,872,190</b>	<b>31,696,119</b>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

	196,205,390	71,425,866
Cash and cash equivalents at beginning of the period	168,523,019	97,097,153
Cash and cash equivalents at end of the year	<u>364,728,409</u>	<u>168,523,019</u>

**CASH AND CASH EQUIVALENTS**

Cash on hand	115,248,068	20,360,431
Cash and balances with National Bank of Ethiopia	142,448,530	28,933,815
Cash and Balances with domestic banks	72,633,228	105,442,873
Cash and balances with foreign banks	34,398,583	13,785,900
	<u>364,728,409</u>	<u>168,523,019</u>





**LION INTERNATIONAL BANK SH. CO.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

**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 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 International Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board.

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 exchange rate.





LION INTERNATIONAL BANK SH. CO.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008

**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 SH. CO.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008

**(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 32/2002 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 SH. CO.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008

**(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:

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

**Note**

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





**LION INTERNATIONAL BANK SH. CO.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

**e) Fixed assets**

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

	%
Vehicles	20
Furniture, fittings & equipment	10
IT equipment	10
Deferred charges	20

**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 mid exchange rates ruling at 30 June 2008. 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 SH. CO.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

**i) Deferred charges**

These are the total expenses incurred by the bank less interest earned on its savings account and time deposit during the establishment period and costs incurred during opening new branches. This balance is amortized over five years.

	<i>CURRENCY: BIRR</i>	
	SIX MONTHS	
	ENDED 30 JUNE 07	
<b><u>3. CASH AND BALANCE WITH BANKS</u></b>		
Cash on hand	115,248,068	20,360,431
Deposits with domestic banks	72,633,228	105,442,873
NBE-payment and settlement account	88,448,530	22,933,815
	<u>276,329,826</u>	<u>148,737,119</u>
<b><u>4. DEPOSIT WITH FOREIGN BANK</u></b>		
CommerZ Bank AG - Frankfurt	34,398,585	13,785,900
	<u>34,398,585</u>	<u>13,785,900</u>

**5. LOANS AND ADVANCES**

**Analysis by period of maturity**

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

Loans and advances due:		
Within 12 months	61,108,082	20,110,827
After 12 months but within 24 months	2,940,113	31,327,165
After 24 months	118,420,905	23,900,138
	182,469,100	75,338,130
<b>Less: Provision for doubtful debts</b>	<u>(2,120,842)</u>	<u>(753,338)</u>
	<u>180,348,258</u>	<u>74,584,792</u>





**LION INTERNATIONAL BANK SH. CO.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**CURRENCY: BIRR**  
**SIX MONTHS**  
**ENDED 30 JUNE 07**

**Analysis by sector**

Export loans	14,435,782	8,200,210
Import loans	69,785,132	26,753,741
Manufacturing & production	3,517,186	1,307,577
Building contribution	18,774,360	7,282,879
Domestic trade	75,374,037	31,793,723
Staff (others)	582,603	-
	<u>182,469,100</u>	<u>75,338,130</u>
<b>Less: Provision for doubtful debts</b>	<u>(2,120,842)</u>	<u>(753,338)</u>
<b>Loans and advances, net</b>	<u><b>180,348,258</b></u>	<u><b>74,584,792</b></u>

**6. STOCK OF SUPPLIES**

Negotiable instrument	250,345	100,642
General supplies	268,384	100,212
Stock, non supplies	454,246	1,105,482
Others	12,408	15,714
Goods in transit	2,135,923	-
	<u><b>3,121,306</b></u>	<u><b>1,322,050</b></u>

**7. OTHER ASSETS**

Payments	4,917,625	4,508,276
Miscellaneous	1,643,318	-
Payments and deposits	-	1,560,477
Accrued income	179,199	600,000
Stock overage	(40,573)	-
Branch receivable	-	14,494
Stock shortage	16,991	-
Others	8,378	5,748
Travelers cheque	191,884	-
	<u><b>6,916,822</b></u>	<u><b>6,688,995</b></u>







**LION INTERNATIONAL BANK SH. CO.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

*CURRENCY: BIRR*  
**SIX MONTHS**  
**ENDED 30 JUNE 07**

**8. DIFFERED CHARGES**

Balance at 31 Dec. 2007	2,957,966	1,462,578
<u>Add: Additions during the year</u>	<u>396,945</u>	<u>1,495,388</u>
	3,354,911	2,957,966
<u>Less: Amortization during the year</u>		
Opening balance	263,338	263,338
Current year	<u>641,677</u>	<u>-</u>
	<u>(905,015)</u>	<u>(263,338)</u>
	<u><u>2,449,896</u></u>	<u><u>2,694,628</u></u>

**9. INVESTMENT**

Lion Insurance Co. S.C.	1,000,000	1,000,000
SWIFT	<u>29,573</u>	<u>29,573</u>
	<u><u>1,029,573</u></u>	<u><u>1,029,573</u></u>

The bank had subscribed 160,000 shares of Birr 25 per share. Out of the total subscribed value 40,000 shares had been paid. The bank had also purchased one share of Birr 29,574 (2,540 Euro) from Society of Worldwide Interbank Financial Telecommunication (SWIFT).

**10. FIXED ASSETS**

<u>COST</u>	<u>BALANCE AT</u> <u>30 JUNE 2007</u>	<u>ADDITIONS</u>	<u>BALANCE AT</u> <u>30 JUNE 2008</u>
Motor vehicles	6,031,576	2,574,178	8,605,754
Furniture and fittings	2,032,706	883,429	2,916,135
Office & other equipment	1,108,104	1,251,581	2,359,685
IT equipments	2,559,483	1,189,574	3,749,057
Construction in progress	<u>913,227</u>	<u>166,773</u>	<u>1,080,000</u>
	<u>12,645,096</u>	<u>6,065,535</u>	<u>18,710,631</u>
<b>DEPRECIATION</b>			
Motor vehicles	580,808	1,635,870	2,216,678
Furniture and fittings	53,823	275,555	329,379
Office & other equipment	28,963	184,196	213,159
IT equipments	89,689	317,873	407,562
	<u>753,283</u>	<u>2,413,494</u>	<u>3,166,778</u>
<b>NET BOOK VALUE</b>	<u><u>11,891,813</u></u>		<u><u>15,543,853</u></u>





**LION INTERNATIONAL BANK SH. CO.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**CURRENCY: BIRR**  
**SIX MONTHS**  
**ENDED 30 JUNE 07**

**11. DEPOSITS FROM CUSTOMERS**

<b>Payable on demand</b>		
Private sector	155,447,726	58,004,695
Public enterprises	196,680	-
Non bank financial	380,108	-
Co-operatives & association	248,003	-
	<u>156,272,517</u>	<u>58,004,695</u>
<b>Saving deposits</b>		
Private sector	176,083,717	51,656,276
Co-operatives & association	1,078,569	1,535,000
	<u>177,162,286</u>	<u>53,191,276</u>
Foreign currency deposits	824,810	-
	<u>824,810</u>	-
<b>Term deposits</b>		
Private sector	40,968,894	11,060,000
	<u>40,968,894</u>	<u>11,060,000</u>
<b>Total deposits from customers</b>	<u><u>375,228,507</u></u>	<u><u>122,255,971</u></u>

**12. OTHER LIABILITIES**

Cash payment orders	12,980,008	4,831,365
Blocked accounts	1,621,745	1,405,111
Delta bank project	1,072,354	-
Provision for annual leave	366,396	126,002
Local transfers payable	4,573,924	363,087
ETCON	235,535	-
Exchange commission	286,294	29,329
Taxes and stamp duty charges	151,313	170,790
BT digital advert	114,326	-
Miscellaneous payable	245,805	1,108,476
Retention payable	174,958	17,612
CBE	1,372,489	-
Provident fund payable	11,561	17,634
Accrued interest on savings	904,228	19,414
Others	5,441	-
	<u>24,116,377</u>	<u>8,088,820</u>





**LION INTERNATIONAL BANK SH. CO.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

CURRENCY: BIRR

**13. CAPITAL**

Paid up capital

7,067,876 shares are issued and paid. The par value of one share is Birr 25.

SIX MONTHS  
 ENDED 30 JUNE 07

Balance at 31 December 2006	139,824,710	108,128,591
<u>Add: Shares paid during the period</u>	<u>36,872,190</u>	<u>31,696,119</u>
	<u><u>176,696,900</u></u>	<u><u>139,824,710</u></u>
<b>14. INTEREST INCOME</b>		
Interest on loans and advances	14,871,751	956,527
Interest on deposits	5,034,504	2,308,277
	<u><u>19,906,255</u></u>	<u><u>3,264,804</u></u>
<b>15. INTEREST EXPENSES</b>		
Fixed deposits	2,767,673	19,413
Saving and demand deposits	3,677,366	355,676
	<u><u>6,445,039</u></u>	<u><u>375,089</u></u>
<b>16. COMMISSION, FEES AND CHARGES</b>		
On letter of credit	451,113	16,210
On letter of guarantee	225,974	540,819
On local transfers and transactions	1,385,801	45,993
	<u><u>2,062,888</u></u>	<u><u>603,022</u></u>
<b>17. NET GAIN FROM DEALING IN FOREIGN CURRENCIES</b>		
Gain on foreign exchange	7,499,021	322,847
Loss on foreign exchange	(2,362,560)	(50,083)
	<u><u>5,136,461</u></u>	<u><u>272,764</u></u>





**LION INTERNATIONAL BANK SH. CO.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**CURRENCY: BIRR**  
**SIX MONTHS**  
**ENDED 30 JUNE 07**

**18. GENERAL EXPENSES**

Deprecation	2,413,385	672,093
Amortization	641,677	263,338
Office rent	4,741,624	1,769,280
Stationery and printing	739,510	188,366
Communication	1,103,661	340,654
Advertisement and promotion	436,933	434,404
Insurance	403,993	260,919
Repair and maintenance	182,261	49,514
Fuel and lubricants	126,920	47,711
Traveling	191,753	99,218
Electricity and water	114,444	42,212
Subscription and membership fees	111,215	92,046
Wages	35,255	19,460
License fee	-	3,000
Transportation	138,057	14,951
Entertainment	43,116	9,865
Inauguration	72,078	150,421
Cleaning supplies	14,252	52,359
Tax expenses on interest income	252,507	58,726
Others	194,282	134,793
	<b>11,956,923</b>	<b>4,703,330</b>

**19. LOSS CARRIED FORWARD FOR TAXATION**

Net profit (loss) before taxation	(829,331)	(4,855,937)
<b>Add:</b> Non-allowable expense		
Deprecation in accordance with banks policy	2,413,494	753,283
Entertainment	43,116	9,865
	<b>1,627,279</b>	<b>(4,092,789)</b>
<b>Less:</b> Allowable expense & deposit income		
Deprecation in accordance with tax proclamation		
No. 286/2002	(3,450,147)	(1,237,174)
Interest income on deposits as per tax proclamation		
No. 286/2002 Article 36, sub Article 3	(5,034,504)	(2,308,277)
Profit (loss) for taxation	(6,857,372)	(7,638,240)
Loss brought forward for taxation	(7,638,240)	-
Loss carried forward for taxation	<b>(14,495,612)</b>	<b>(7,638,240)</b>





LION INTERNATIONAL BANK SH. CO.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008

CURRENCY: BIRR

**20. 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.

**Contingent liabilities**

Letters of credit (Note (a))	10,185,695
Guarantees issued (Note (b))	31,893,915
	<u>42,079,610</u>

**Contingent liabilities**

Undrawn loans and advances approved but not drawn	<u>42,312,000</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 SH. CO.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**CURRENCY: BIRR**

**21. 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 counterparty is evaluated and appropriate credit limits are established. To reduce individual counterparty 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 5 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.

**22. MEMORANDUM ACCOUNTS**

Inward bills of collection-acceptance and sight	1,930,242
Outward bills for collection loans and foreign	728,452



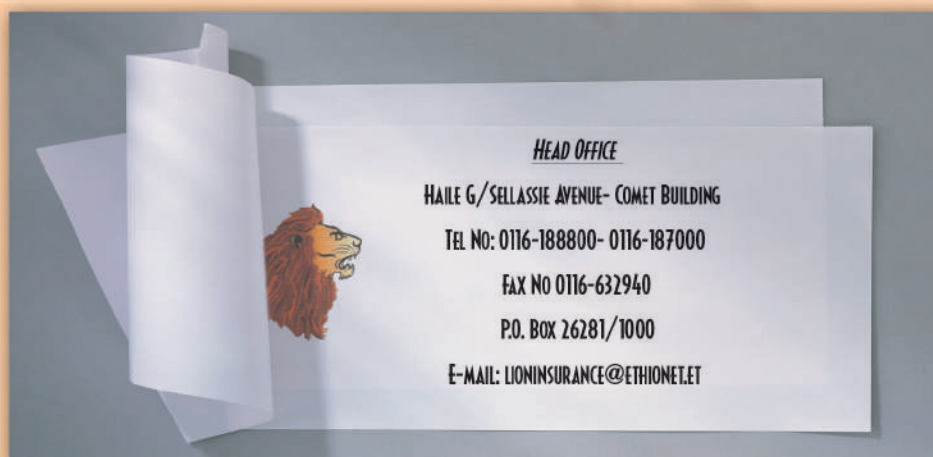


**አንበሳ ኢንሹራንስ ኩባንያ (አ.ማ.)**  
**LION INSURANCE COMPANY (S.C.)**

For Reliable Service  
and  
Dependable Capacity  
Rely on Lion Insurance Company (S.C.)  
For all your general Insurance requirements.

**Branch Networks**

<b>Addis Ababa</b>			
<b>Branch</b>	<b>Telephone No</b>	<b>Fax No</b>	<b>P.O. Box</b>
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Raguel	0112135193	0112135192	26281/1000
Bole	0115527694	0115527699	26281/1000
<b>Regions</b>			
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Hawassa	0462202451	0462202491	1022
Mekelle	0344411801	0344411971	1825
Gondar	0911821081	-	1260





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