



Annual Report

For the year ended
June 30, 2010

Figures for Quick Reference

Birr in million

S.N.	Description	2007/08	2008/09	2009/10
1	Capital	432	432	432
	☞ Subscribed			
	☞ Paid Up	176.6	193.6	204.1
2	Deposit	375	703.6	1,017.5
3	Loan and Advances			
	☞ Approved	172.7	620.0	202.3
	☞ Disbursed	155	305.7	166.8
	☞ Collected	60	227	86.8
	☞ Outstanding Loan	180.3	470	587.1
4	Income and Expense			
	☞ Total Income	31.5	52.15	114.4
	☞ Total Expense	32.3	48.4	64.7
	☞ Net Profit/Loss	0.8	3.74	49.7
5	Asset and Liability			
	☞ Total Asset	574	952.4	1,363.6
	☞ Total Liability	403	760.7	1,121.8
6	Others			<i>in numbers</i>
	☞ No. of Depositors	17842	30900	40360
	☞ No. of Shareholders	5900	6391	6459
	☞ No. of Employees	435	504	536





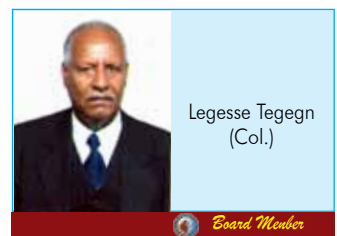
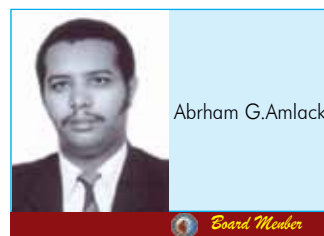
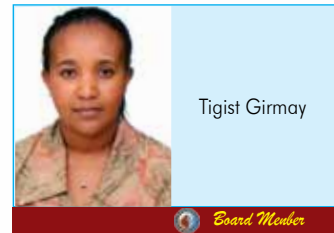
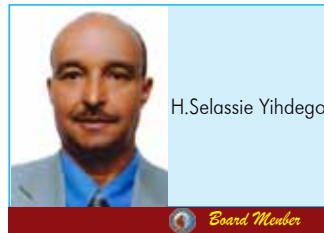
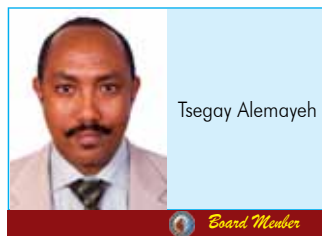
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Board of Directors



Vision

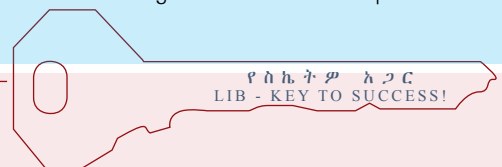
LIB's vision is to be the leading bank in Ethiopia.

Mission

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

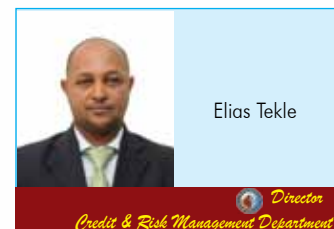
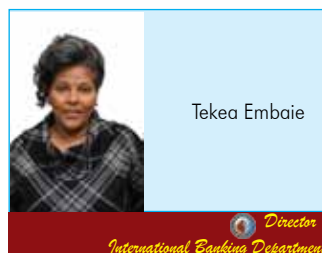
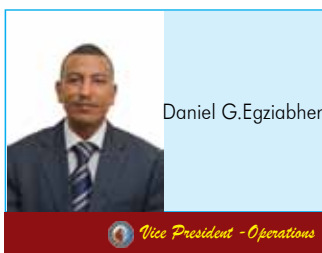
Principles and values

The Statement of Guiding Principles contains the Core Corporate Values, which are our key beliefs that define our corporate philosophy and the character of the organization. It also details the Business Principles that govern day-to-day operations which define what LIB is. And LIB is committed to the core business principles through which it will keep loyal and committed stakeholders with lasting customer relationships





Executive Management



Corporate Values:

- Dedication to customer satisfaction;
- Confidentiality;
- Transparency;
- Learning organization;
- Professionalism;
- Striving to employees' satisfaction; and
- Social responsibility.

Individual Values:

- Professionalism and Competency;
- Reliability;
- Uncompromised Integrity, Honesty, and Ethical standard;
- Customer Friendliness;
- Confidentiality;
- Advance Bank's Interest; and
- Team Spirit.

Motto:

“LIB - KEY TO SUCCESS”



MESSAGE FROM THE BOARD CHAIRPERSON



Berhanu Gebremedhin (PhD),
Board of Directors' Chairperson

On behalf of the Board of Directors and on my own, I am pleased to present the following brief message based on the operations, performances and status of Lion International Bank S.C. of the fiscal year ended June 30, 2010.

The report of the 12 months' financial and operational performance of the Bank shows the remarkable progress that the Bank has achieved during the fourth year in operations in spite of some challenging events in connection with internal and external pressures in managing the internal affairs of the Bank. It is my great pleasure to announce that the Bank has managed to register a record profit of about Birr 50 million before tax during the 2009/10 fiscal year. The Bank is now in the right direction of progress to achieve its vision to be the leading bank in Ethiopia.

As you are well aware, following the conducive policy environment created by our government, Lion International Bank was successfully founded around four years ago by initiators and promoters who are committed to bring a difference in the banking industry in our country. The Bank expanded its number of branches from 16 to 24, and the number of shareholders grew to over 6400 (six thousand four hundred) paving the way for the bank to be the true public Bank in the country. By adopting its five years strategic plan, the Bank has strived to provide its esteemed customers with quality, fast and dependable service by introducing technology guided new CORE banking solutions. The new Board would like to bring to the attention





of its esteemed shareholders that it is trying its level best to create a new working atmosphere, where all stakeholders could join their hands to realize the vision and mission of the Bank. The Board is also trying to create conducive working environment, through which the shareholders and the employees could work to a common goal and in turn receive their due opportunities and benefits. The Non-Performing Loans (NPL) status of the bank shows that the bank is in a healthy condition.

It is true that there were mishandlings that led to the turnover of staff particularly at the senior management and middle management levels. The new Board has been working day and night to correct some of the human resources related problems that carried over from the just ended fiscal year. There are also attempts to create unwavering, cohesive and independent top management so as to realize the overall objectives of the Bank. I would like to assure shareholders that from this day onwards, every effort will be made to ensure that the Bank is stable, efficient, reputable and progressive.

We should all be grateful to members of the outgoing board for their efforts in directing the bank and for the performance the bank has registered. I also like to express my gratitude to the relentless efforts and diligence of shareholders, staff and management, and all concerned stakeholders, who contributed their share to help the Bank achieve its targets. The Bank is continuing to become profitable in the current fiscal year as well. This achievement will help us further strengthen and consolidate the profitability of our Bank to satisfy the expectations of both our shareholders and customers.

I like to express my heart felt appreciation to my colleagues, Board members, who have been working very hard since the very day we assumed responsibility. They have been working based on consensus and in a transparent manner to achieve the best interest of the Bank.

In conclusion, I would like to call upon all stakeholders to renew and strengthen their commitment and work in unison so that our bank will record progressive improvements and fulfill its vision and mission.

By working together we can achieve our vision of making the Bank, 'a leading bank in Ethiopia.'

I thank you,

Berhanu Gebremedhin (PhD),
Board of Directors' Chairperson



MESSAGE FROM THE A/PRESIDENT



Meressa G. Mariam
A/President

It is my great pleasure to announce that the financial and operational performance of Lion International Bank of this fiscal year just ended was outstanding and encouraging. Despite the unfavorable economic climate that posed more challenges than opportunities for the banking industry during the financial period, the Bank successfully managed to register gratifying achievements in every aspect of its services. During the year, the Bank has registered a gross profit of about Birr 50 million before tax. I hope, this is good news for our esteemed shareholders and customers who gave us their support and the staff who diligently performed their duties.

Indeed, as detailed more fully in the Board of Directors report, we have achieved remarkable results which we are proud of. To mention some, we have mobilized Birr 1.018 billion deposit. Our customer base has also increased by 30.6% over the preceding year. This demonstrates that our customers and the public at large continue to build their confidence in us; and it provides us with a chance to use the opportunity as a spring board for registering better achievement.

Regarding branch expansion, during the reported period we managed to open five additional branches at Metema Yohannes, Axum, Adigrat, and Addis Ababa. The total number of our branches has now reached 24.

As a matter of fact, it is important to note that despite the achievements recorded in the fiscal year,





the Bank has faced management problems which cast a shadow on its performance. Because of this problem and other reasons, there was increased instability and high turnover of staff, particularly at the middle level management. Hence, creating peaceful and conducive working environment, human resource development and reorganizing of work processes need to be the prior attention of the new Management.

From the point of operations, however, it can be said that during the reported period good performance has been registered for the Bank to remain strong and competitive in the industry I can assure you that measures will be taken to enhance all areas of our services. Accordingly, based on the five years strategic plan, we have set an operational and financial plan for the 2010/11 F.Y by evaluating all our strengths, weaknesses, threats and opportunities of the economic climate. Through capitalizing the corporate strategic direction, we will keep on reordering our priorities and consistently raise the bar of performance.

Strengthening all the services of the International Banking Department is of vital importance. Hence, emphasis has been given to boost-up our foreign reserves. For this reason, apart from the existing IBD services, attention has been given to reinforce the International Money Transfer services being provided through Money Gram and Western Union. We are also exerting efforts to maintain business relationship with other Money Transfer Service agencies.

In order to provide to our customers with speedy service, in addition to automating all

the services via Delta CORE banking solutions software, it is planned to network branches which are not yet networked due to lack of broadband connection. In relation to branch expansion, it is planned to raise the number of our branches to 29 by opening additional five branches both in Addis Ababa and regional states during this fiscal year (2010/11). By doing so, we are convinced that we will increase our accessibility and market share in the Banking industry.

Finally, on behalf of the management, I would like to take this opportunity to thank most sincerely all institutions and individuals for their active contributions. My sincere gratitude goes to our esteemed customers for their fidelity, integrity and confidence in us. I would also like to acknowledge the gratifying support of the National Bank of Ethiopia, the public and private institutions for the unreserved cooperation extended to us during the reported year.

Best regards,

Meressa G. Mariam
A/President



BOARD OF DIRECTORS' REPORT

Introduction

Global and Local Economic Environment:

The recuperation of the world economy has been proceeding through out the 2010 fiscal year. However, it has been an unbalanced recovery which is sluggish in advanced countries and much stronger in emerging and developing nations.

According to the World Economic Outlook report of IMF, "the world economy, led by emerging market and developing countries is forecasted to grow by 4.8 percent in 2010 before falling back to 4.2 percent next year". Though IMF does not expect a sharper global slowdown, it stated that the economy still remains fragile.

In line with the IMF projections, growth in the advanced economies is estimated at 2.7 percent in 2010 and 2.2 percent in 2011 as the emerging and developing economies is projected to expand at 7.1 percent and 6.4 percent in 2010 and 2011, respectively.

Similarly, the IMF report indicates that the economies are recovering at a different speed and intensities. Among these economies, Sub-Saharan Africa nations are projected to expand with 5.0 percent and 5.5 percent in 2010 and 2011.

In general, the existing global economy is characterized with three key policy challenges:

- ⇒ Unemployment which remained as a major economic and social challenge, especially in the advanced countries the unemployment rate is increasing;

- ⇒ A need for a smooth transition from public to private sector-led growth in many advanced economies, as rolling back large fiscal deficits;
- ⇒ Emerging economies should shift from external to domestically driven growth.

From the Sub-Saharan African countries, Angola, Ethiopia, Nigeria and Republic of Congo are named as high performers of the region. Though Ethiopia recorded a double-digit growth in 2008/09, the country felt the impact of global economic crisis. As a result Ethiopia experienced a rising inflation and falling international reserves. According to Economic Health Check report of IMF, in Ethiopia the "overall consumer price inflation peaked at 64 percent in July 2008 and international reserves fell to 1 month of imports at end-October 2008".

However, in late 2008 the country adopted a policy package which included the following and IMF supported the package.

- ⇒ Significant fiscal and monetary adjustments;
- ⇒ Elimination of fuel subsidies
- ⇒ Protection to vulnerable groups.

On the top of the reform measures, the price of international food and fuel sharply declined. As a result, inflation declined to single digit by mid-2009 as international reserves recovered to just over 2 months of imports at end-2009, with the help of donor inflows and finances from IMF.

Since then ongoing efforts have been made to establish economic stability. The fiscal side of the country has been registering a good performance with prudently managed budget and stronger revenue collection effort. However, the reserve money growth has been reduced and caused further problems in the economy





system of the country.

Therefore, to clear up the mess credit ceilings were imposed by National Bank of Ethiopia since early 2009. Besides, the exchange rate was devalued twice within a year in addition to the modest ongoing crawling depreciation.

These measures combined with the sharp fall of inflation, brought the “real effective exchange rate broadly back into equilibrium, and improved external competitiveness”¹. Inflation and inflationary pressures at national level are to be great challenges for the economy and hence for the banking industry.

Ethiopia’s next step for advanced growth is adjusting policies to reverse the demonetization trend and further sustained growth while reducing vulnerability of shocks. Besides, the economy of Ethiopia is estimated to grow by 10.1 percent in 2009/10 following the 9.9 percent growth registered in 2008/09. In 2009/10 fiscal year, the reduction of government deficit and domestic financing of half of the original program target is expected to grow.

The financial institutions performance largely depends on the prevailing macroeconomic situation of a country and on global economic situational trends which more or less influence the performance of the domestic economy.

Till now the banking industry has benefited from the growth of both global and domestic economic activities during the year under consideration though the phenomena of the incessant hike in world oil price and commodity price significantly affected the economy by raising the cost of living which in return affected the overall economy in general including the banking sector.

1. BUSINESS ACTIVITIES OF LIB OVERVIEW

Three years and six months have elapsed since the Lion International Bank S.C. entered into the Banking Industry. It is gratifying to note that LIB’s vision has materialized and the Bank has become not only

¹ IMF Survey Magazine: Countries & Regions

operational but also getting good experience in its operation. The Board of Directors of LIB is pleased to present LIB’s annual report and audited financial statements of the Bank for the fiscal year ended 2009/10 to the Third Annual General Assembly of Shareholders of the Bank.

The Board of Directors would like to express its deepest appreciation to all those who kindly gave us their support and encouragement during the year under review. It would like to thank particularly the management and employees for the maximum effort they exerted toward enabling the Bank to continue matching on its path of growth, regardless of the fact that the conditions were somewhat unfavorable for growth.

1.1 Operational Performance

Operational performance of LIB for the fiscal year 2009/2010 is encouraging. The gross profit registered in the year ended June 30, 2010 is Birr 49.65 million.

1.1.1 Deposit Mobilization

The aggregate deposit of LIB at the end of the fiscal year 2009/10 reached Birr 1.018 Billion which is Birr 212.47 million (17.67%) less than that of the target and Birr 166.67 million (19.51%) more than of the preceding fiscal year. The deposit is composed of Demand, Saving, and Time deposits. The total saving deposit constitutes the major share of total deposits representing Birr 525.47 million which is Birr 80.27 million higher than the previous fiscal year while demand deposit is Birr 387.53 million which has increased by Birr 83.01 million as well as time deposit is Birr 100.76 million which decreased by Birr 0.74 million.

The relative total number of deposit accounts at the end of the reviewed period increased from 30,900 in 2008/09 to 40,360 in 2009/10 showing a 30.6 % growth. This all is an encouraging achievement in deposit mobilization and number of deposits indicating that our Bank is gaining the public trust since its establishment.



Table 1: Deposits by Type in Birr

Type of Deposit	June-07	June-08	June-09	June-10
Demand Deposit	58,005,000	142,627,000	271,362,390	387,526,961
Saving Deposit	53,191,000	177,077,000	347,846,400	525,466,551
Time Deposit	11,060,000	40,969,000	50,362,120	100,755,270
Total	122,256,000	360,673,000	669,570,910	1,017,580,190

Chart 1: Deposit Composition as at June 30, 2010

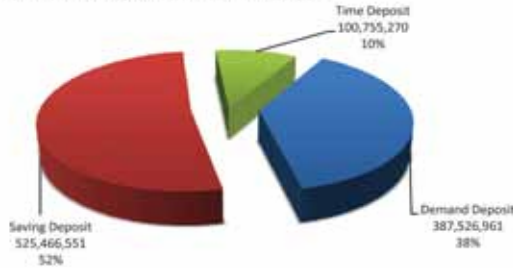
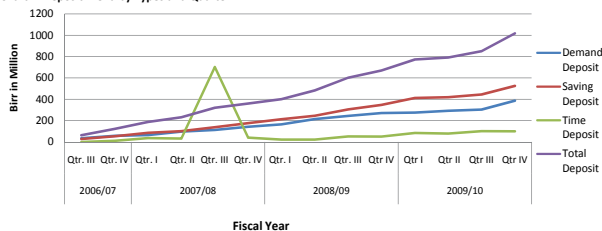


Chart 2: Deposit Trend by Types and Quarter



1.1.2 Loans and Advances

Overall outstanding loans and advances balance of the Bank' at the end of the fiscal year 2009/10 stood at Birr

587.17 million which shows Birr 117.17 million (24.93%) improvement compared to that of the performance of the preceding fiscal year. The loan to deposit ratio 57.70% indicates that the growth of loans and advances didn't match the growth of deposits in meeting its liquidity requirements. We should make significant improvements haven't been made to meet the demands of our corporate customers in this respect. Components wise, overdraft loans comprise 13.5% (Birr 79.28 million) of the total outstanding loans and advances followed by term loans 61.24% (Birr 359.61million) and merchandise loan 25.26% (Birr 148.29 million).

- Below are loans and advances by type, sector amount in chart
- The pie chart below indicates the percentage share of each loan by type for the FY.
- Trends in loans and advances by category

Table 2: Outstanding Loans and Advances in Birr

Types of Loans and Advances	Jun-07	June, 08	June 09	June 10
Term loans	57,805.00	24,965,000	352,150,390	359,600,000
Over draft	14,956.00	28,713,000	76,605,200	79,280,000
Merchandise loan	2,577.00	128,790,000	40,852,020	148,290,000
Total	75,338.00	182,468,000	469,607,610	587,170,000

Table 3: Outstanding Loans and Advances by Sector in Birr

S.N.	Economic Sector	2009/10				Share in %
		1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	
1	Agriculture	26,580,805	37,267,640	31,003,323	20,434,035	3.48
2	Building and Construction	26,897,662	33,143,192	30,744,330	28,698,889	4.89
3	Domestic Trade and Service	246,587,330	259,811,269	233,458,021	238,123,237	40.55
4	Export	20,626,248	28,517,947	40,502,515	46,860,559	7.98
5	Import	145,807,320	223,377,644	151,141,978	222,031,315	37.81
6	Manufacturing	36,375,823	34,221,655	31,551,342	22,009,836	3.75
7	Consumer Loans			2,976,456	3,745,953	0.64
8	Emergency Staff Loans	1,373,791	1,501,006	1,483,165	1,615,232	0.28
9	Purchase of Shares			61,784		-
10	Merchandise Loans			61,436,629		-
11	Advance on im/exp bills	6,381,891				-
12	Others	368,968	427,788	107,926	3,647,464	0.62
	Total	510,999,839	618,268,141	584,467,468	587,166,520	100





Chart 3: Composition of Outstanding Loans and Advances Balance



Chart 4: Outstanding Loans and Advances Balance Trend

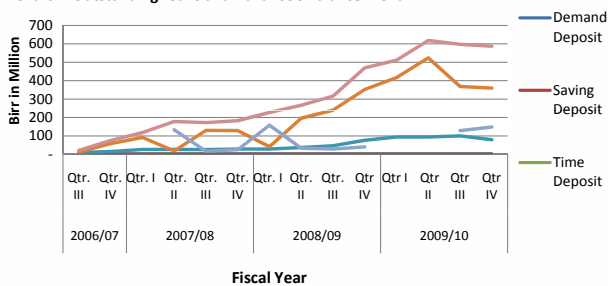
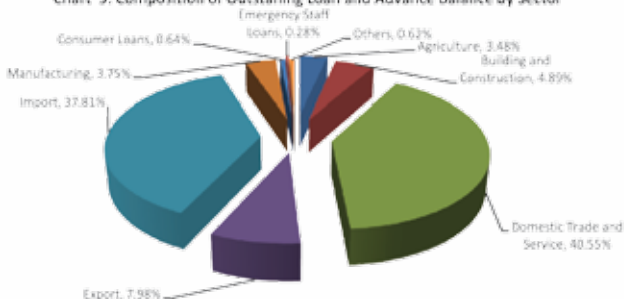


Chart 5: Composition of Outstanding Loan and Advance Balance by Sector



1.1.3 International Banking Department (IBD)

International banking is one of the core lines of banking operation that generated a significant portion of income for the Bank during the 2009/10 FY. The overall international banking activities in the reported period resulted in a better achievement compared with that of the performance of the preceding year. IBD processed 2,087 documents amounting to Birr 1.09 Billion. It exhibited a total sum of Birr 39.19 million which covers about 34.5% of the total revenue of the Bank while its expense was 9.7 percent of the organization. Its net income is also 72.5 percent. IBD activities are rendered

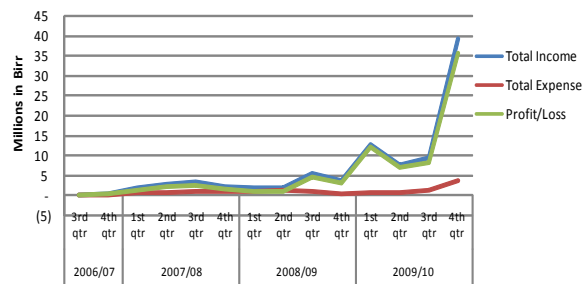
at the Head Office level till now, we should need to expand this service to our other branches as well.

Table 4: Performance of IBD in Birr"000"

Income	June, 07	June, 08	June, 09	June, 10
Interest income	146	1,140	531	614
Commissions income	22	626	980	3,118
Other income	309	7,285	9,680	24,835
Service charge - foreign	10	809	1,520	10,623
Total income	487	9,860	12,711	39,190
Expense				
Salary and Benefit	178	329	499	609
General Expense	88	2,865	3,020	2,899
Total Expense	266	3,194	3,520	3,508
Profit/Loss	221	6,666	9,190	35,681

LIB has established correspondent banking relationships with prime European banks such as Deutsche Bank, CommerzBank, BHF Bank and other 12 leading banks in facilitating its international banking service needs during the fiscal year. The Bank is also live with SWIFT. It also started as Money Transfer Agent for MoneyGram and Western Union.

Chart 6: Income, Expense & Profit Trend of IBD



1.1.4 Branch Network

LIB has increased its branch network from 19 to 24 branches within the fiscal year just ended. Out of which, ten are located in Addis Ababa and the remaining fourteen in different towns of the country. The expansion of branches network shows healthy growth as per the strategic plan.

1.2 Financial Performance

Balance sheet

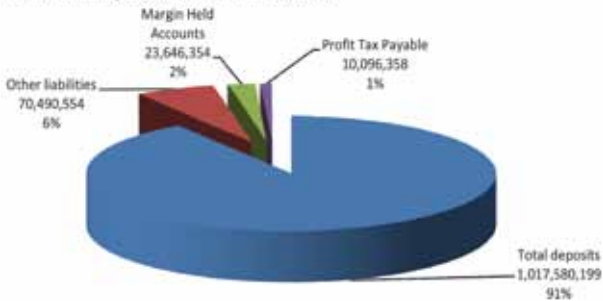
Since LIB's establishment, its assets have reached to Birr 1,364 Billion as at June 30, 2010 which is greater



by Birr 411.5 million of the preceding fiscal year. In this regard, the current asset is Birr 1.333 Billion and the fixed asset is Birr 31.3 million.

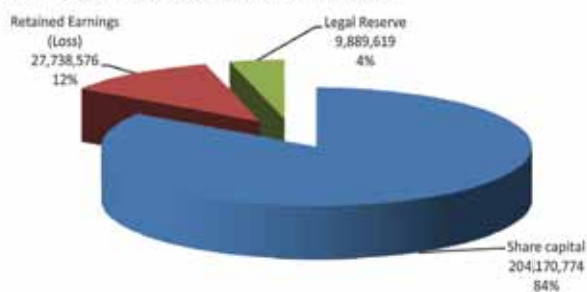
The total liabilities of the Bank grew to Birr 1.018 Billion increasing by Birr 314 million (44.6%) compared with that of the previous balance of Birr 703.6 million, likewise; the paid up capital reached Birr 204.17 million which is Birr 10.47 million (5.4%) greater than the previous fiscal year.

Chart 7: Liability Breakdown as at June 30, 2010



The total Capital and reserve of LIB reached Birr 241.8 million. This has increased by Birr 50 million (26.1%) from the previous fiscal year. The numbers of shareholders have also reached 6,459 as at June 30, 2010.

Chart 8: Capital and Reserve Breakdown as at June 30, 2010



1.2.1. Income structure

The total revenue of LIB for the current fiscal year reached Birr 113.66 million which is greater than the preceding fiscal year by Birr 64.66 million.

Table 5: Income Trend

in Birr

Description	2006/07	2007/08	2008/09	2009/10
Interest income from:				
* Loans & advances	956,527	14,871,751	28,951,212	56,043,680
* Surplus Fund	2,308,277	5,039,867	3,719,572	331,349
Total Interest Income	3,264,804	19,911,618	32,670,784	56,375,029
Commission Income	603,022	2,062,888	5,090,922	11,697,267
Other Income	606,902	8,426,707	13,040,335	34,708,354
Service Charge		1,102,278	1,317,007	10,876,924
Total Revenue	4,474,729	31,503,492	52,119,048	113,657,573

Chart 9: Compositions of LIB's Revenue Generated During 2009/10

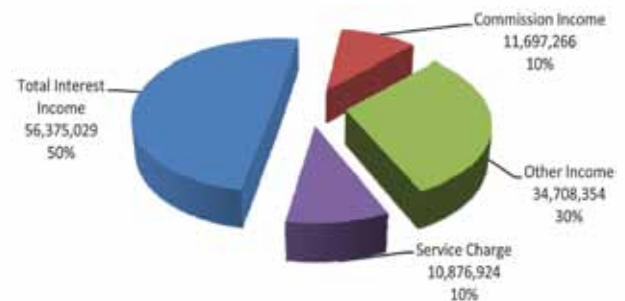
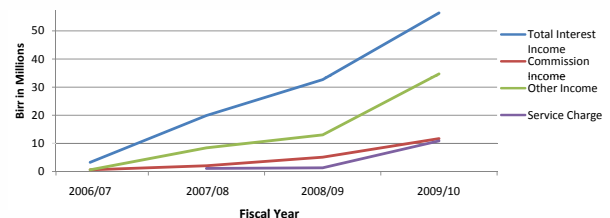


Chart 10: Revenue Generated Trend



1.2.2. Expense structure

Total expense of the Bank for the fiscal year under discussion is Birr 64.66 million which is Birr 16.16 million or 33.3% more than the preceding fiscal year. Such increase resulted from the growth of the Bank's business activities reflected by deposit mobilization, establishment cost, purchase of core banking software and hardware, increased number of employees and corresponding increase in salary and benefits.

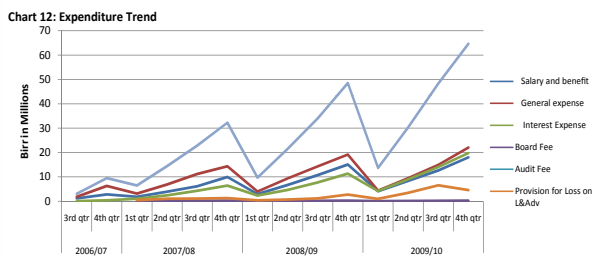
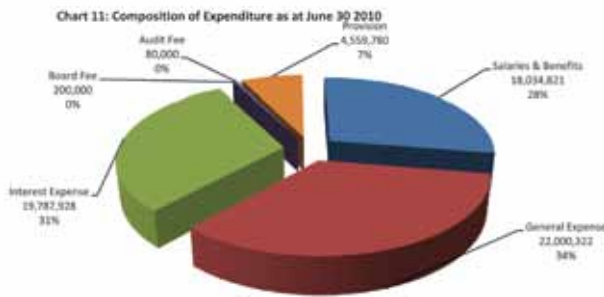
Table 6: Expense Trend

in Birr





EXPENSE	Jun-07	Jun-08	June, 09	June, 10
Salaries & Benefits	2,821,912	9,960,935.37	15,074,748	18,034,821
General Expense	6,268,464	14,321,729	19,107,840	22,000,322
Interest Expense	375,090	6,445,039	11,348,834	19,787,928
Board Fee		222,000	207,800	200,000
Audit Fee		10,350	75,000	80,000
Provision		1,269,619	2,688,980	4,559,780
Total Expense	9,465,466	32,229,672	48,503,201	64,662,850

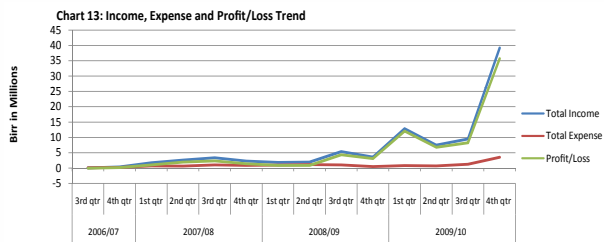


1.2.3. Profit/Loss structure

The Bank has registered a gross profit before tax of Birr 49.65 million at the end of the fiscal year 2009/10, and a net profit after tax of Birr 27.74 million.

Table 7: Profit/Loss Trend in Birr

	Jun-07	Jun-08	Jun-09	Jun-10
Profit/Loss	(4,856,000)	(726,190)	3,615,850	49,654,833



2. PERFORMANCE INDICATORS

2.1 Liquidity Position

The liquidity ratio of the Bank as measured by total liquid assets to net deposit was 57.21 percent as at June 30, 2010. This is well above the statutory requirement of 25%. The liquidity asset relative to its liability stood at 70.1 percent at the end of the fiscal year. However, the capital adequacy stood at 25.16 percent which is well above the minimum regulatory requirement of 8%, however; it is below the peer (of small sized Banks) average of 29.9 percent.

2.2 Reserve requirement

Mandatory reserve requirement of the total deposit was only 15%. The Bank's reserve deposit and payments and settlement account kept at the NBE as at June 30 2010 was Birr 135 million and Birr 98.69 million respectively. The Banks liquidity position was above the required level by Birr 0.8 million.

2.3 Human Resources

The Bank's human resource development strategy aims at hiring experienced and qualified staff enhancing competence by ensuring that people are equipped to participate fully, are able to be productive and creative and to benefit fairly from it and developing a working environment that creates a sense of commitment and belongingness.

Competition for acquiring highly qualified bankers at this time is fierce due to increase in the number of banks and their branches. LIB has been attempting to attract qualified employees and retain the existing ones by offering good opportunities for career and skills development.

As of June 30, 2010, the human resources strength of LIB stood 536. Out of this number, clerical staffs constitute 59% and non clerical staffs constitute 41%, and about 61.38% are male and 38.62% are female. Out of the total staff four are 2nd degrees holders, 128 are 1st degree holders, 185 diploma graduates and the rest 159 are certificate holders and below tenth grade.

Table 8: Staff Composition by Category



Composition of Staff	Total	% share
Clerical	316	58.96
Non clerical	220	41.04
Total	536	100.00

2.4 Internal Control

Essential to the prudent operations of banks, integrity and to promoting stability in the financial system as a whole, internal control is mandatory. It ensures the existence of manuals, procedures, policies and strategies and assists units in meeting their objectives and goals. The Internal Control focuses on:

- Safeguard assets against waste, fraud and inefficiency
- Promote data reliability in accounting and operating
- Adherence to managerial policies, procedures, directives etc
- It actively oversees senior management to ensure their responsibility in creating an ethical culture and implement appropriate fraud deterrence and prevention measures (Operational efficiency)
- Ethics and governance.
- Include overseeing the internal and external activities; integrity of financial reports; the systems of internal controls, risk management and corporate governance.

The Internal Audit Division has the authority to conduct investigations of any suspected dishonest or unethical behavior. To preserve its independence, the Manager of this Division reports directly to the Chairman of the Board on matters dealing with audits and investigations.

Inspectors and auditors make frequent visits to units and conduct audit examinations, inspections, discuss problems and give advises to adhere to the Bank's policies and procedures.

The internal auditors are expected to apply and uphold

the principles of integrity, objectivity and confidentiality as mandated by their profession. They must also refrain from participating in any activity or relationship that may impair their unbiased assessments, and not accept anything that may impair their professional judgment.

2.5 Accounting Policy

The Bank's accounting policy follows

- double entry book keeping system to treat the Bank's asset, liability, capital, income and expense accounts
- The accrual system of accounting
- The existing taxation law on depreciation and amortization, and
- The country's fiscal year i.e. the year starts on the first July and ends on June 30th of each calendar year

2.6 Information Technology

Cognizant to the existing information system problems and in line with the overall framework of establishing a state-of-the-art information technology infrastructure, a decision had earlier been made at various levels to modernize the existing information system of the Bank. And it has long been recognized by the Board of Management and top executives of the Bank.

Accordingly, after a competitive international bidding and a thorough bid evaluation and selection process, Delta Imformatique – a renowned core banking software vendor – was selected as the most evaluated bidder. The existing in house developed system was replaced by an integrated, secured and reliable information system. To this end BOD, management and staff worked tirelessly throughout. LIB has gone live using Delta Bank System, in all city branches, International Banking, Finance and Treasury Departments and some outlying branches where telecom infrastructure is available. Besides, comprehensive physical IT infrastructure has been established to connect all online branches and Head Office units with the central system.

Delta is a complete suite of banking business modules, with a rich set of functionality and features, addressing the Bank's business initiatives and automating core





banking processes as needed to enhance the Bank's business performance. All modules have been parameterized to quickly support the Bank's unique workflow and business requirements.

The implementation and deployment of the Delta – Bank core banking system in the Bank is the basic essential infrastructure to introduce value adding delivery channels which are technology driven products including Internet Banking, SMS Banking, Credit and Debit Cards, etc., to offer a faster, more effective service to the Bank's customers. These delivery channels would differentiate the Bank and enable the Bank to significantly improve its customer service approach to withstand increasing competition. These technology driven products will set the Bank in good stead to achieve its growth objectives across the country. And the new core banking system implemented is believed to support the Bank's aggressive business strategy and act as a business driver for the Bank to achieve its future growth plans and new business initiatives. It will also increase operating efficiencies, service quality, and flexibility in accessing information, improved the Bank's ability to enhance the quality and delivery of existing products.

2.7 Building Effective Management Leadership

The Bank had faced during its take-off period problems in terms of staff development, integrity of leadership and deploying strong management team. As a result, the Bank hasn't put capable management team in place, though the Board of Directors took a bold action to restructure the Bank's management efficiency and effectiveness repeatedly. This has become a challenge to the Bank; however, the current Board is actively working to strengthen the corporate governance of the Bank.

2.8 The Bank's Plan

Based on its five year strategic plan, LIB has drawn up its annual corporate plan for the 2010/11 FY. The plan underpins asset quality enhancement, capacity building, resource mobilization and fee based revenues enhancement as its major priority activities. Accordingly, an action to restructure the Bank's Management is required to make it efficient and effective. It also requires strengthening of staff through introduction

of enhanced benefit packages, new salary scale and training. In addition, the Bank needs to expand its branch network in potential areas, to strengthen its credit risk management system and augment its international banking services.

I thank you,

Berhanu Gebremedhin (PhD),
Board of Directors' Chairperson



LIB - KEY TO SUCCESS!!
የስኬት ዓላማ !!

Lion International Bank is now equipped with Delta CORE Banking Solutions, which is the first in its kind in Ethiopia.

Now You can:

- Easily access your accounts from any branch;
- Use all the services & products of the Bank in fast & satisfactory manner

In the near future:

The built-in Core Banking Infrastructure will provide you:

- SMS;
- ATM and
- Web banking services

LIB is always committed to provide its esteemed customers with advanced technology guided banking services

Tel. +251-116 - 62 60 00/60/50/69 00 Fax: +251-116 - 62 59 99,116 62 71 14/15/16 ☒ 27026/1000

E-mail: anbesabank@ethionet.et Website: www.anbesabank.com



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money world wide !!*

MoneyGram 

The service is now available
at all our branches



Auditors' Report





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Ama - Hai Chartered Certified Accountants & Auditors

Partners

Amanuel Bahta, FCCA (U.K.)

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

AUDITORS' REPORT ON FINANCIAL STATEMENTS OF LION INTERNATIONAL BANK SH. CO.

We have audited the accompanying financial statements of Lion International Bank Sh. Co. which comprise the balance sheet as of 30 June 2010, the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management'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 International Financial Reporting Standards. 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.



TEL.: 251 11 655 24 71/251 11 515 33 08/14
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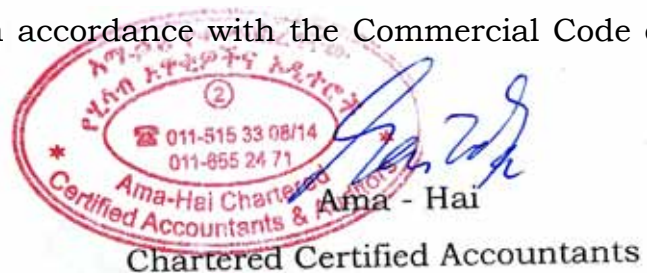
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 propose 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 Sh. Co. as of 30 June 2010, and of its financial performances and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

No report of the Board of directors was made available to us and in consequence we are unable to comment thereon in accordance with the Commercial Code of Ethiopia of 1960.



Addis Ababa
October 08, 2010





LION INTERNATIONAL BANK SH. CO.

BALANCE SHEET


AS AT 30 JUNE 2010

CURRENCY: BIRR

<u>ASSETS</u>	<u>Notes</u>		<u>2009</u>
Cash & balance with banks	2h, 3	339,640,153	274,782,095
Reserve with National Bank of Ethiopia (NBE)		135,000,000	107,000,000
Foreign bank deposits	4	265,874,429	60,932,808
Loan & advances	2d, 5	574,512,343	465,227,199
Stock of supplies	6	3,404,701	2,554,771
Other assets	7	14,151,747	13,205,038
Deferred charges	2i, 8	10,326,857	10,207,330
Investment	9	1,029,573	1,029,573
Fixed assets	2e, 10	19,672,630	17,529,638
Total assets		1,363,612,433	952,468,452
LIABILITIES, CAPITAL AND RESERVES			
<u>LIABILITIES</u>			
Deposits from customers	11	1,017,580,198	703,601,002
Other liabilities	12	70,490,554	36,283,157
Margin held on letters of credit		23,646,354	20,821,519
Profit tax payable	21.2	10,096,358	-
Total liabilities		1,121,813,464	760,705,678
<u>CAPITAL AND RESERVES</u>			
Paid up capital	13	204,170,774	193,693,054
Legal reserve	14	9,889,619	-
Accumulated profit (loss)		27,738,576	(1,930,280)
Total capital and reserves		241,798,969	191,762,774
Total liabilities, capital and reserves		1,363,612,433	952,468,452


Berhane G/Medhin (Phd)
Chairman, Board of Directors




Meresa G/Mariam
A/President



LION INTERNATIONAL BANK SH. CO. INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

INCOME	Notes		CURRENCY: BIRR 2009
Interest income	15	56,375,029	32,698,524
Less: Interest Expenses	16	(19,787,928)	(11,348,833)
Net Interest Income			21,349,691
Commission, fees and charges	17	12,354,951	5,090,921
Net gain from dealing in foreign currencies	2g, 18	28,359,356	7,498,328
Other income	19	13,947,099	3,715,706
Net operating income			16,304,955
Provision for doubtful loans and advances			(2,793,730)
Net interest and other income after provisions for doubtful loans and advances			34,860,916
OPERATING EXPENSES			
Salaries and benefits		18,049,898	14,821,459
General administration expenses	20	18,697,279	16,017,971
Directors fee		200,000	207,800
Audit fee		80,000	75,000
Total operating expenses			(31,122,230)
NET PROFIT FOR THE YEAR			3,738,686
PROVISION FOR TAXATION	21.2		-
			3,738,686
LEGAL RESERVE	14		-
			3,738,686
NET PROFIT/LOSS BROUGHT FORWARD		(1,930,280)	(5,685,268)
PRIOR YEAR ADJUSTMENT	25	-	16,302
			(5,668,966)
NET PROFIT/ LOSS CARRIED FORWARD			(1,930,280)
			27,738,576





LION INTERNATIONAL BANK SH. CO. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2010

CURRENCY: BIRR
2009

OPERATING ACTIVITIES

Net (loss) profit	49,654,833	3,738,686
Amortization of deferred charges	668,533	668,530
Depreciation	3,199,953	2,905,175
Prior year adjustment on fixed assets	-	20,477

Operating (loss) before working capital changes	<u>53,523,319</u>	<u>7,332,868</u>
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(Increase) Decrease in stock of supplies	(849,930)	566,535
Increase in other assets	(946,709)	(6,288,213)
Increase in loans and advances	(113,851,641)	(287,672,670)
Provision for doubtful loans and advances	4,566,497	2,793,729
Increase in deposits from customers	313,979,196	328,372,465
Increase in other liabilities	34,207,397	12,166,780
Increase in margin held on letter of credit	2,824,835	17,039,946

Net cash generated from operating activities	<u>239,929,645</u>	<u>66,978,572</u>
--	--------------------	-------------------

INVESTING ACTIVITIES

Acquisition of fixed assets	(5,342,945)	(4,895,136)
Increase on differed charges	(788,060)	(8,425,964)

Net cash used in investing activities	<u>(6,131,005)</u>	<u>(13,321,100)</u>
---------------------------------------	--------------------	---------------------

FINANCING ACTIVITIES

New shares issued and paid	10,477,720	16,996,154
----------------------------	------------	------------

Net cash generated from financing activities	<u>10,477,720</u>	<u>16,996,154</u>
--	-------------------	-------------------

NET INCREASE IN CASH AND CASH EQUIVALENTS	297,799,679	77,986,494
Cash and cash equivalents at beginning of the period	442,714,903	364,728,409
Cash and cash equivalents at end of the year	<u>740,514,582</u>	<u>442,714,903</u>

CASH AND CASH EQUIVALENTS

Cash on hand	236,158,941	141,736,381
Cash and balances with National Bank of Ethiopia	233,691,741	159,197,134
Cash and Balances with domestic banks	4,789,471	80,848,580
Cash and balances with foreign banks	265,874,429	60,932,808
	<u>740,514,582</u>	<u>442,714,903</u>





LION INTERNATIONAL BANK SH. CO. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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 N^o. 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 2010

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 2010

(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 S.H. CO. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

(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 SH. CO. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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 2010. 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 2010

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, costs incurred during opening new branches and cost of new banking software (Delta Software). This balance is amortized over five years.

CURRENCY: BIRR
2009

3. CASH AND BALANCE WITH BANKS

Cash on hand	236,158,941	141,736,381
Deposits with domestic banks	4,789,471	80,848,580
NBE-payment and settlement account	98,691,741	52,197,134
	<u>339,640,153</u>	<u>274,782,095</u>

4. DEPOSIT WITH FOREIGN BANK

CommerZ Bank AG - Frankfurt	265,874,429	60,932,808
	<u>265,874,429</u>	<u>60,932,808</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	184,054,059	67,003,500
After 12 months but within 24 months	110,857,480	122,636,273
After 24 months	289,081,872	280,501,997
	<u>583,993,411</u>	<u>470,141,770</u>
<u>Less:</u> Provision for doubtful debts	(9,481,068)	(4,914,571)
	<u>574,512,343</u>	<u>465,227,199</u>





LION INTERNATIONAL BANK SH. CO. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CURRENCY: BIRR
2009

Analysis by sector

Export loans	46,869,630	23,791,697
Import loans	162,407,499	117,123,678
Manufacturing & production	22,007,425	35,310,130
Building construction	28,661,738	25,802,327
Domestic trade	238,355,562	196,461,449
Staff (others)	1,646,326	1,596,725
Agricultural loan	20,438,570	29,021,554
Merchandise loan	59,859,774	41,034,210
Automobile loan	2,743,980	-
Hotel & tourism	1,002,907	-
	583,993,411	470,141,770
<u>Less: Provision for doubtful debts</u>	<u>(9,481,068)</u>	<u>(4,914,571)</u>
Loans and advances, net	574,512,343	465,227,199

6. STOCK OF SUPPLIES

Negotiable instrument	2,276,195	2,292,560
General supplies	639,697	196,997
Stock, non supplies	14,253	50,283
Others	507	14,931
Fixed asset in store	474,049	-
	3,404,701	2,554,771

7. OTHER ASSETS

Prepayments	3,629,999	2,497,011
Sundry	5,927,977	487,883
Payments and deposits	-	10,460
Accrued income	10,206	821,322
Stock shortage	15,409	15,412
Travelers cheque	-	91,284
ODP purchased	4,568,156	9,281,666
	14,151,747	13,205,038





LION INTERNATIONAL BANK SH. CO. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CURRENCY: BIRR
2009

8. DEFERRED CHARGES

Balance at 30 June 2009	11,780,875	3,354,911
<u>Add:</u> Additions during the year (Delta Software)	788,060	8,425,964
	12,568,935	11,780,875
<u>Less:</u> Amortization		
Opening balance	1,573,545	905,015
Current year	668,533	668,530
	(2,242,078)	(1,573,545)
	<u>10,326,857</u>	<u>10,207,330</u>

9. INVESTMENT

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

The bank had subscribed 160,000 shares of Birr 25 per share, in Lion Insurance Co. 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 30 JUNE 2009</u>	<u>ADDITIONS</u>	<u>ADJUSTMENT DISPOSAL</u>	<u>BALANCE AT 30 JUNE 2010</u>
Motor vehicles	8,631,843	51,829	-	8,683,672
Furniture and fittings	3,287,407	525,502	-	3,812,909
Office & other equipment	3,352,657	1,311,613	-	4,664,270
IT equipments	7,222,319	1,014,922	-	8,237,241
Construction in progress	1,080,000	4,574	(70,229)	1,014,345
Purchase premise	-	2,504,734	-	2,504,734
	<u>23,574,226</u>	<u>5,413,174</u>	<u>(70,229)</u>	<u>28,917,171</u>
<u>DEPRECIATION</u>				
Motor vehicles	3,935,364	1,735,008	-	5,670,372
Furniture and fittings	622,915	341,783	-	964,698
Office & other equipment	495,578	363,738	-	859,316
IT equipments	990,731	759,424	-	1,750,155
	<u>6,044,588</u>	<u>3,199,953</u>	<u>-</u>	<u>9,244,541</u>
NET BOOK VALUE	<u>17,529,638</u>			<u>19,672,630</u>





LION INTERNATIONAL BANK SH. CO. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CURRENCY: BIRR
2009

11. DEPOSITS FROM CUSTOMERS

Payable on demand		
Private sector	362,295,669	275,902,106
Public enterprises	229,313	922,391
Non bank financial	7,362,636	1,780,859
Co-operatives & association	17,639,343	26,116,080
	<u>387,526,961</u>	<u>304,721,436</u>
Saving deposits		
Private sector	501,892,440	340,344,450
Public enterprise	6,633	-
Non-Bank financial institution	7,145,406	-
Co-operatives & association	16,421,072	6,999,619
	<u>525,465,551</u>	<u>347,344,069</u>
Foreign currency deposits	3,832,416	1,173,382
	<u>3,832,416</u>	<u>1,173,382</u>
Term deposits		
Private sector	67,373,260	50,362,115
Non-Bank financial institution	33,382,010	-
	<u>100,755,270</u>	<u>50,362,115</u>
Total deposits from customers	<u>1,017,580,198</u>	<u>703,601,002</u>

12. OTHER LIABILITIES

Cash payment orders	27,073,174	18,188,046
Blocked accounts	15,961,778	4,128,102
Provision for annual leave	828,066	623,855
Local transfers payable	13,379,676	5,655,164
Exchange commission	2,320,753	1,335,933
Taxes and stamp duty charges	367,732	1,223,075
BT digital advert	-	114,326
Miscellaneous payable	655,324	584,084
Retention payable	4,458,036	1,372,446
Accruals	5,013,828	2,032,437
Others	432,187	1,025,689
	<u>70,490,554</u>	<u>36,283,157</u>





LION INTERNATIONAL BANK SH. CO. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CURRENCY: BIRR

13. PAID UP CAPITAL

2009

Balance at 30 June 2009	193,693,054	176,696,900
Add: Shares paid during the year	10,477,720	16,996,154
	<u>204,170,774</u>	<u>193,693,054</u>

14. 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.

15. INTEREST INCOME

Interest on loans and advances	56,043,680	28,951,212
Interest on deposits	331,349	3,747,312
	<u>56,375,029</u>	<u>32,698,524</u>

16. INTEREST EXPENSES

Fixed deposits	5,179,522	2,556,789
Saving and demand deposits	14,608,406	8,792,044
	<u>19,787,928</u>	<u>11,348,833</u>

17. COMMISSION, FEES AND CHARGES

On letter of credit	3,055,770	886,544
On letter of guarantee	4,521,131	1,168,105
On local transfers and transactions	4,778,050	3,036,272
	<u>12,354,951</u>	<u>5,090,921</u>

18. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

Gain on foreign exchange	31,640,260	10,644,789
Loss on foreign exchange	(3,280,904)	(3,146,461)
	<u>28,359,356</u>	<u>7,498,328</u>





LION INTERNATIONAL BANK SH. CO. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CURRENCY: BIRR

19. OTHER INCOME

Telephone & telegraph charge	2,195,867
Service charge on L/C, IBC & TT	10,624,853
Others	1,126,379
	<u>13,947,099</u>

20. GENERAL EXPENSES

		<u>2009</u>
Deprecation	3,199,953	2,905,175
Inspection & circulation fee	11,251	3,000
Amortization	668,533	669,699
Office rent	6,550,596	5,862,611
Stationery and printing	1,242,533	1,328,449
Communication	2,359,590	1,696,961
Correspondent charges	64,285	52,931
Advertisement and promotion	842,297	917,277
Insurance	400,538	651,013
Repair and maintenance	542,755	396,811
Fuel and lubricants	1,015,069	227,625
Loss on foreign exchange	3,417	34,611
Traveling	226,944	124,316
Electricity and water	175,936	179,605
Subscription and membership fees	84,786	86,987
Wages	97,882	45,044
Postage expenses	32,393	21,533
License fee	68,406	23,399
Transportation	750,854	164,371
Entertainment	76,323	115,735
Inauguration	9,825	14,236
Cleaning supplies	41,361	28,882
Tax expenses on interest income	16,274	174,974
Donation & contribution	32,000	70,000
Supplies	38,163	37,845
Others	145,315	184,881
	<u>18,697,279</u>	<u>16,017,971</u>





LION INTERNATIONAL BANK SH. CO. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CURRENCY: BIRR

21. LOSS CARRIED FORWARD FOR TAXATION

21.1 Income Tax Proclamation 286/2002 Article 28 allows carry forward of losses for years commencing 1 July 2002. According to the Proclamation, if the determination of taxable profit results in a loss in a tax period, the loss may be set off against taxable income in the next three period, earlier losses being set off before later losses. A net operating loss may be carried forward and deducted only for two periods of three years, i.e., a maximum of six years.

According to Council of Ministers Regulation 164/2009 to provide for the Amendment of the Income Tax Proclamation, the Tax Authority must audit the books of accounts showing loss until the declaration period of the next year. The loss can be carried forward if the tax payer has submitted book of accounts showing loss audited by external auditors and Tax Authority fails to verify the same. However, the Tax Authority can any time carry out an investigation and made an adjustment on the loss carry forward.

21.2 Taxable profit for the year (21.6)	48,983,382
<u>Less:</u> Loss for year 2007 available for set off up to 30 June 2010 (21.3)	(7,638,240)
<u>Less:</u> Loss for year 2008 available for set off up to 30 June 2011 (21.4)	(6,857,372)
<u>Less:</u> Loss for year 2009 available for set off up to 30 June 2012 (21.5)	(833,244)
Profit subject to taxation	<u>33,654,526</u>
30% Provision for taxation for the year	<u>10,096,358</u>
21.3 Net loss for the year 2007	(4,855,937)
<u>Add:</u> Non-allowable expense	
Depreciation in accordance with banks policy	753,283
Entertainment	9,865
	<u>(4,092,789)</u>
<u>Less:</u> Allowable expense & deposit income	
Depreciation in accordance with tax proclamation N ^o . 286/2002	(1,237,174)
Interest income on deposits as per tax proclamation N ^o . 286/2002 Article 36, sub Article 3	(2,308,277)
Profit (loss) for taxation	<u>(7,638,240)</u>
Loss carried forward for set off	<u>(7,638,240)</u>





LION INTERNATIONAL BANK SH. CO. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CURRENCY: BIRR
2009

21.4 Net loss for the year 2008	(829,331)	(4,855,937)
<u>Add:</u> Non-allowable expense		
Depreciation in accordance with banks policy	2,413,494	753,283
Entertainment	43,116	9,865
	1,627,279	(4,092,789)
<u>Less:</u> Allowable expense & deposit income		
Depreciation in accordance with tax proclamation N ^o . 286/2002	(3,450,147)	(1,237,174)
Interest income on deposits as per tax proclamation N ^o . 286/2002 Article 36, sub Article 3	(5,034,504)	(2,308,277)
Loss carried forward for set off	(6,857,372)	(7,638,240)
21.5 Net profit (loss) for year 2009	3,738,686	(829,331)
<u>Add:</u> Non-allowable expense		
Depreciation in accordance with banks policy	2,905,175	2,413,494
Entertainment	115,735	43,116
Donation	20,000	-
	6,779,596	1,627,279
<u>Less:</u> Allowable expense & deposit income		
Depreciation in accordance with tax proclamation N ^o . 286/2002	(3,865,528)	(3,450,147)
Interest income on deposits as per tax proclamation N ^o . 286/2002 Article 36, sub Article 3 (Note 14)	(3,747,312)	(5,034,504)
Loss carried forward for set off	(833,244)	(6,857,372)





LION INTERNATIONAL BANK SH. CO. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CURRENCY: BIRR
2009

21.6 Net profit (loss) before taxation for the year 2010	49,654,833	3,738,686
<u>Add:</u> Non-allowable expense		
Depreciation in accordance with bank's policy	3,199,953	2,905,175
Entertainment	76,323	115,735
Donation	32,000	20,000
	<u>3,308,276</u>	<u>3,040,910</u>
	52,963,109	6,779,596
<u>Less:</u> Allowable expense & deposit income		
Depreciation in accordance with tax proclamation N ^o . 286/2002	(3,648,378)	(3,865,528)
Interest income on deposits as per tax proclamation N ^o . 286/2002 Article 36, sub Article 3 (Note 14)	<u>(331,349)</u>	<u>(3,747,312)</u>
	(3,979,727)	7,612,840
Taxable profit	<u>48,983,382</u>	<u>(833,244)</u>





LION INTERNATIONAL BANK SH. CO. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CURRENCY: BIRR

22. 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.

		2009
Contingent liabilities		
Letters of credit (Note (a))	424,077,750	50,437,668
Guarantees issued (Note (b))	219,598,362	67,276,358
	<u>643,676,112</u>	<u>117,714,026</u>
Contingent liabilities		
Undrawn loans and advances approved but not drawn	26,638,012	14,600,000

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 2010

CURRENCY: BIRR

23. 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 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.

24. MEMORANDUM ACCOUNTS

2009

Inward bills for collection-acceptance and sight	5,887,157	929,864
Outward bills for collection loans and foreign	-	704,358

25. PRIOR YEAR ADJUSTMENT

Over depreciation in previous year	-	17,900
<u>Less:</u> Duplication of income in last year & this year	-	2,157
Duplication of expense in last year & this year	-	(559)
	-	(1,598)
	-	16,302



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LION INTERNATIONAL BANK S.C.

HEAD OFFICE AND BRANCH ADDRESSES

HEAD OFFICE

Department	Telephone	Fax	P.O.Box
Vice President-Operation	011-6 62 71 13	011-6 62 59 99	27026/1000
Vice President-Support	011-6 62 71 12		27026/1000
Board Secretary	011-6 62 70 00		27026/1000
Legal	011-6 62 62 86		27026/1000
Operator	011-6 62 60 00/50/ 60 011-6 62 69 00		27026/1000
DEPARTMENTS/DIVISIONS			
Credit & Risk Management Department	011-6 62 60 99	011-6 62 71 15	27026/1000
Finance Department	011-6 62 89 92		27026/1000
International Banking Department	011-6 62 82 82	011-6 62 71 14	27026/1000
Information Technology Department	011-6 62 69 69		27026/1000
Marketing, Planning & Research Department	011-6 62 71 20		27026/1000
HR & Central Service Department	011-6 62 89 95	011-6 62 59 99	27026/1000
Branch Follow-up, Coordination & Operational Risk Mgt Div.	011- 6 62 62 84		27026/1000
Internal Audit	011-6 62 62 86		27026/1000

BRANCHES

City Branches	Telephone	Fax	P.O.Box
ARADA	011-1 56 97 40/41	011-1 57 33 64	27026/1000
ATHELET HAILE G/SELASSIE	011-6 63 12 15/21/56	011-6 63 12 18	27026/1000
GOFA	011-4 67 36 51/52	011-4 67 36 50	27026/1000
GOTERA	011-4 67 15 50/51/52	011-4 67 15 57	27026/1000
MERKATO	011-2 78 70 48/49	011-2 78 70 46	27026/1000
MESALLEMIA	011-2 78 37 97/99	011-2 78 83 81	27026/1000
RAGUEAL	011-2 13 46 44/46	011-2 13 46 00	27026/1000
SENGATERA	011-8 50 39 63/64/65		27026/1000
TEKELEHAIMANOT	011-2 75 85 26/28/29	011-2 75 86 38	27026/1000
YEKA	011-6 62 71 18/19/21	011-6 62 59 99	27026/1000

OUTLYING BRANCHES

ADAMA	022-1 11 68 88/90	022-1 11 75 56	1277
ADIGRAT	034-4 45 50 33/34	034-4 45 50 35	428
AXUM	034-7 75 20 26/27/28	034-7 75 20 29	233
ENTICHO	034-4 49 06 39/05 69	034-4 49 05 70	121
GONDER	058-1 12 24 75/20 42	058-1 12 21 15	1149
HAWASSA	046-2 21 30 81/82	046-2 20 07 67	238
HUMERA	034-4 48 17 47	034-4 48 17 48	101
MEKELLE	034-4 41 93 60/61/62/63	034-4 41 93 65	295
MEKELLE MARKET	034-4 40 85 87/88	034-4 40 85 86	295
MEKHONI	034-4 64 05 10/11	034-6 64 00 39	87
METEMA YOHANNES	058-2 31 15 87/88	058- 2 31 15 89	-
SEMERA	033-6 66 02 29/30	033-6 66 02 24	150
SHERARO	034-5 50 05 04/74	034-5 50 03 44	Post Office
SHIRE-ENDASELASSIE	034-4 44 16 44/60	034-4 44 16 61	22



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