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BOARD OF DIRECTORS



(from Left to Right):

Amb. H.Kiros Gessesse,
Ato H.Selassie Yihdego,
W/ro Tigtst Girmay,
Ato Beyene Belay



(from Left to Right):

Ato Mekonnen G.Wahid,
Ato Berhanu Kebede,
Ato Fessehatsion Arefaine,
Ato Rezene Hailu.



(from Left to Right):

Dr. Berhanu G/Medhin,
Dr. Tasew W.Hanna, Chairperson
Ato Wassihun Gebru, V/Chairperson

THE MANAGEMENT TEAM



At the Floor (from Left to Right):

Ato Eshetu Fanta, Manager – Engineering ; **Ato Gebru Meshesha**, VP – Corporate Services; **Ato Getachew Solomon**, A/President;
Ato Abraham Tilahun, Manager – Branch Operation Coordination; **Wro. Eden Tilahun**, Director – International Banking;

At the Stairs (from Left to Right):

Ato Aklilu Hayelom, Director – Credit; **Ato Michael Gezae**, Manager – Human Resource; **Ato Michael Atsedewoin**, Director – Information Technology Service;
Ato Sileshi Tigabu, Director – Finance; **Ato Daniel Tekeste**, Manager – Risk & Compliance Management , **Ato Shiworkie Belete**, Director – Internal Audit, **Wro. Andinet Haregewoine**,
Manager – Legal Service; **Ato Daniel G/Egziabher**, Director – Business Development & Corporate Planning; **Ato Wondwosen Gashaw**, Manager – Property & General Service;

MESSAGE FROM THE BOARD CHAIRPERSON



On behalf of the Board of Directors and on my own, it is my pleasure to report the performance of Lion International Bank S.C. (LIB), for the year ended June 30, 2014.

The Global and domestic economy in the fiscal year under consideration has witnessed a gradual sign of recovery accompanied with challenges that had direct and indirect impacts on the performance of the banking sector, particularly in stiffening the competition among banks in the areas of resource mobilization and branch expansion activities. In this regard, for LIB, the just ended fiscal year was considered as a year of good progress and challenge as well.

Despite the challenges faced by the domestic economy, our bank has registered profit before tax of Birr 127.2 million. Given the nature of the challenging bank environment the profit attained is commendable, though lower than the previous year's performance.

During the fiscal year, even though resource mobilization had been a difficult task, our bank was able to mobilize total deposit of Birr 2.7 billion, which attained growth of 28 percent over the previous year. The total asset of the Bank reached Birr 3.61 billion, showing an increase of 23 percent over the preceding year. Besides, the capital and reserve of the Bank has reached Birr 627.81 million, increasing by 16 percent from the last

year's status. The paid up capital has also reached Birr 446.83 million.

Moreover, our Bank has managed to disburse loans and advances of Birr 596.2 million which raised the outstanding loan balance to Birr 1.56 billion, registering an increase of 19 percent to the preceding year's performance. The Bank was also successful in maintaining the non-performing loans to total loans ratio (NPLs) at 2.01 percent, which is much below the National Bank of Ethiopia's (NBE) ceiling requirement of 5 percent and the industry average.

Esteemed Shareholders,

The board, during the fiscal year, has exerted its full commitment to lay down institutional bases that serve the bank to stretch out for sustainable growth and better performance. Among the institutional bases laid down by the board, the most noticeable include re-strengthening of Senior Executive Management Team and ensuring its independence of decision making, enhancing capacities of all departments, particularly, the Credit and Internal Audit Departments both in manpower and organizational capacities, and implementing vigorous expansion of branches in all corners of the country. During the fiscal year, the bank has opened 17 branches distributed across various regional states.



Now we have managed to increase our accessibility in Addis Ababa, Tigray, Amhara, Afar, Oromia, SNNP, Dredawa, and Somali regional states through our above 60 branches.

LIB has also been successful to lay down bases to commence an Agent Banking Services as a first mover of the concept and Agent Banking business to the industry. We have finalized preparations and is expecting for approval from the supervisory organ, the National Bank of Ethiopia (NBE). Moreover, in order to offer a full-fledged Automated Teller Machine (ATM) and Point of Sales (POS) services, procurements of ATM and POS terminals from international vendors is underway.

In addition, our bank has increased number of international money transfer service providing agents to eight and we are working to increase the number international correspondent banks to five.

Honored shareholders,

The Board of Directors of LIB recognizes the unparalleled support it receives from you and customers, and the efforts management and staff exert to realize its objectives. I would like to say thank you to you all. As I have tried to mention above, the board along with the management and the entire staff of the Bank has laid down strong foundation that ensure sustainable growth and competitiveness of the Bank. The future is bright and promising; standing united we will realize the vision of the bank to make LIB – A Leading Bank in Ethiopia.

Finally, I like to take this opportunity to convey my heartfelt appreciation to our esteemed customers and shareholders for their increasing and solid confidence, feedbacks and support. Our gratefulness goes to respected stakeholders and the National Bank of Ethiopia for their relentless guidance and expertise supports.

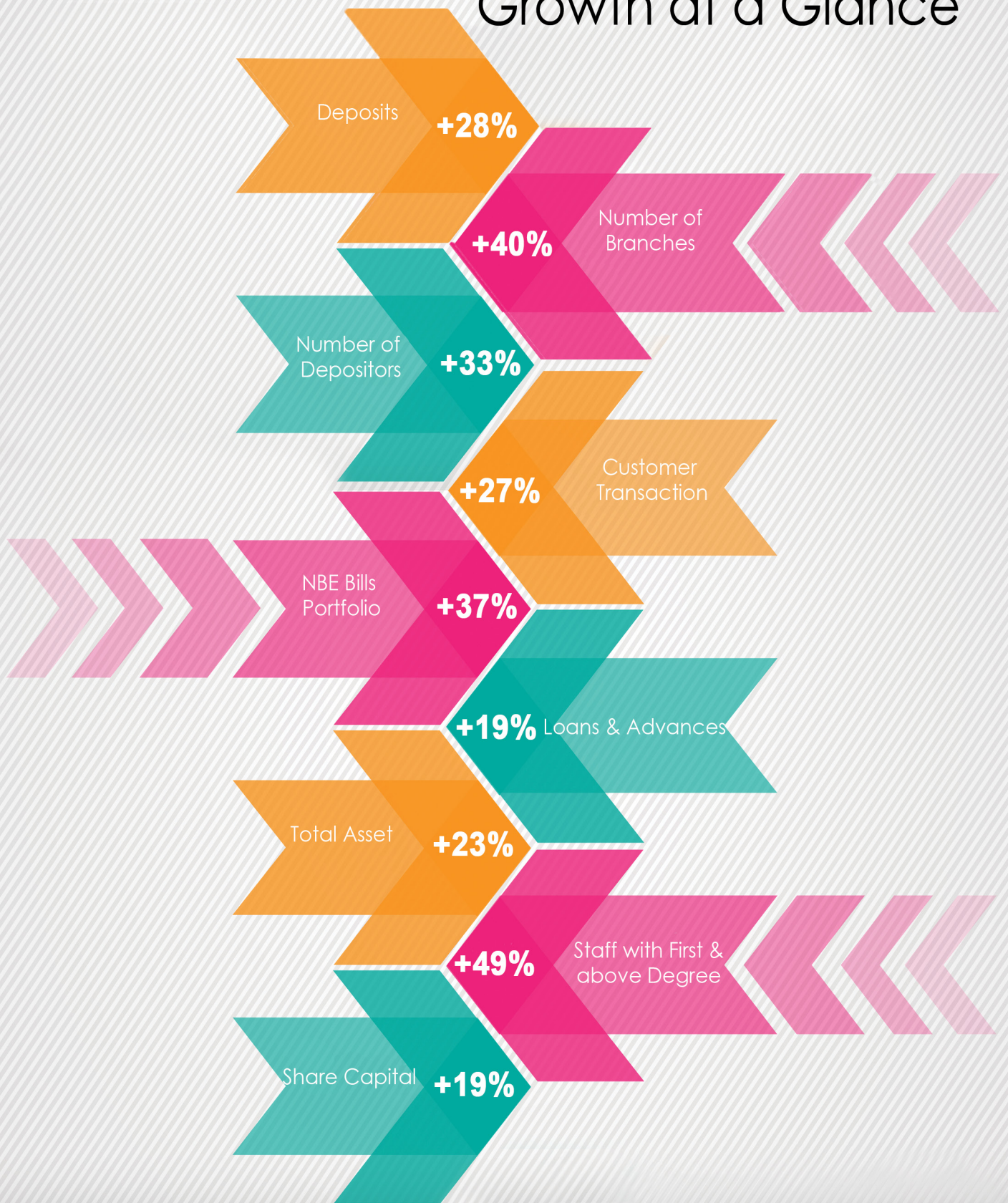
Thank you.



Tasew Woldehanna (PhD)
Chairperson, Board of Directors - LIB



Growth at a Glance





with **US**

Your **Business** tours
the world within **seconds**.



HORYAAL EXPRESS LTD



DIRECTORS' REPORT

The Board of Directors is delighted to present the overview of Lion International Bank's seventh year operational performance (for the fiscal year ended on June 30, 2014) for its shareholders, associates, and patrons on the Tenth Annual General Assembly. The summarized annual report includes the progressive process noted in key banking operations, financial and non-financial performances.

BREATHING ASSET

In matching the pace of rapidly changing and intensely competitive environment, the role of Team LIB has been once again decisive. To maintain the vigor exhibited on this most valued asset, the Bank on its behalf has been cultivating talented people, nurturing the true potential of its entire workforce and conducting strategic staff allocations.

The size of the permanent team members has been raised from 689 to 816, which is 18 percent increase over the fiscal year. The permanent staff size is 59 percent of the total workforce. A total of 570 support jobs are filled from external sources since it was proved to be efficient in the process of operational activities. The team composition has an implication that goes beyond efficiency; Lion is an owner of high expertise. The token of such high expertise could be partly seen in the 54 percent share out of the permanent workforce that holds first and above Degree.

Lion has also continued to invest in development interventions. This year's training programs that involved 480 staff have been focused on issues that range from critical business to compliance to leadership aspects. As part of the intervention package, the Bank has also continued to extend assistance for formal education.

Further, Lion is determined to keep its breathing assets as the engine pieces and particles of the operation for the future as they have been in the past. Thus, it has set a road map of succession in the year that came to an end.

REACHING OUT PARTNERS

Lion has continued to stretch its horizons to reach out people from different walks of life. With eminent service excellence

tailored to support the needs and wants of individuals, families, small businesses, medium and massive investments, it has opened seventeen new branches throughout the corners of the country during the year. LIB has increased its presence in SNNPR by three fold and doubled in Somali and Oromia Regional States. It has also made a proportional expansion in Addis Ababa and in the Regional States of Afar, Amhara and Tigray.

Lion shall carry on with this tradition of creating access and convenience to partners; thus, several city and outlying branches are in the pipeline to commence operation in the upcoming year. Some of these branches that will begin operation in the first few months of the next fiscal year are Megnaga Athlete Derartu, Dubai Tera, Berbere Tera, Jemo, Kazanchis, Kaliti Gumruk, Bishoftu, Gere Senaye, Wenberta, and Jebruk.

To support the physical presence and provide customers with self service options, the Bank has been engaged on the ground work of card banking, SMS banking and other technology supported products. Of these projects, card banking and SMS alert will be materialized in the coming season; whereas, projects like agent and mobile banking shall be operational as soon as the final saying of the supervisory organ is granted.

The Bank has been also fine-tuning the extended service hour package, which was pioneered by LIB and followed by other banks in the market, and one stop shopping since learning and change is the ruling passion of the institution.

FINANCIAL PERFORMANCE

For a sixth straight year, Lion International Bank has remained in course of profitability with growing revenue. Although multiple challenges partially halted the Bank from repeating



similar pace of growth both in revenue and profit, such situation has not affected the Bank's sound financial caliber that has long-term implications.

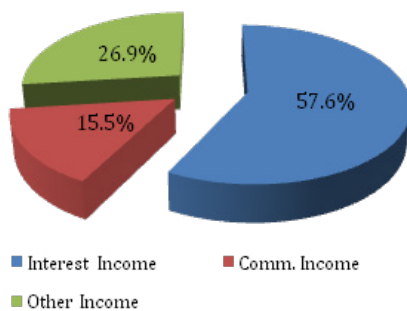
Over the past year, LIB has had earnings before tax of Birr 127.2 million, reflecting the second largest amount following last fiscal year's performance in absolute value facet. Despite the slight decline from the previous year in earnings before tax, the Bank has been engaged in critical concerns, such as expansion, crafting medium and long-term strategies, and frameworks for self service channels that would ensure increased return for the years to come.

REVENUE

The collective endeavors and productive resources of the Bank, which have been subjected to internal and external circumstances, brought total revenue of Birr 362.9 million. This total income has showed a 11 percent growth from the preceding fiscal year's performance.

Interest income has been the primary source of the revenue with 57.6 percent share; while, the combined amount from non-interest income sources represent 42.4 percent of the total revenue.

COMPOSITION OF REVENUE



EXPENSES

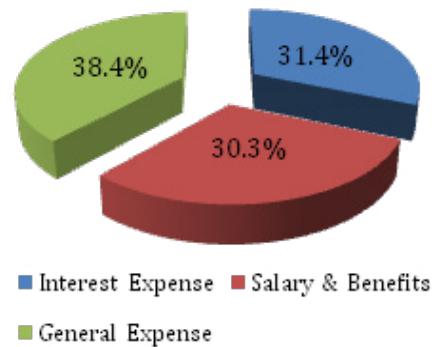
The Bank has invested on human, material, and financial resources, amounting Birr 235.8 million to earn the revenue stated above.

The spending, which is tuned by a philosophy of efficiency coupled with flexible business response, has been supporting

the Bank's strategic move of branch expansion, rolling out the one stop shopping to the remaining branches and upgrading the IT infrastructure among others.

Accordingly, the spending on non-interest components dominates the total expense by 68.6 percent as the expense on interest constitutes 31.4 percent.

COMPOSITION OF EXPENSES



Balance Sheet

The balance sheet of the Bank has exhibited a 23 percent increase from the previous year. The total asset, which is dominated by loans & advances after provision (43 percent), cash & bank balances (26 percent) and NBE Bills (20 percent), has reached Birr 3.6 billion. The 39.74 percent liquid asset to total asset ratio reflects that the Bank has generated the profit within acceptable risk limit.

The growth of the liability side, in which 90 percent of the total amount is resulted from customers' deposits, is the reflection of the notable effort made in fund mobilization. By the end of the year, the total liability of the Bank stood at Birr 2.98 billion.

The share capital consists 71 percent of the capital & reserve part; while legal reserve and retained earnings make-up the remaining amount. At the end of June 2014, the capital adequacy ratio of the Bank has reached 23.5 percent, which is well above the minimum requirement of NBE (8 percent), and also the reflection of the distinguished strength of the Bank in taking up reasonable risks for paralleled returns.





Glimps of Partners



WEALTH MANAGEMENT

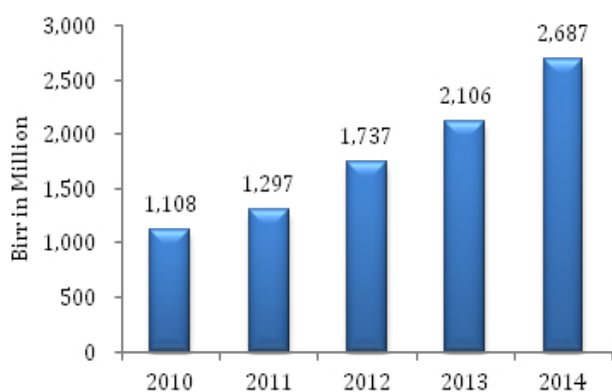
Lion International Bank has been registering consistent growth in all of the three critical banking operations. This sustainable performance is the result of judicious handling in collecting deposits, facilitating loans & advances and availing services attached with foreign funds.

DEPOSIT

The Bank is as always, focused on rendering excellent, sturdy, and responsible service which contribute to the dynamism of the financial industry while addressing the expectation of its patrons. During the year under review, major impetus was given to sustainable collection of resources in order to match the demand of partners. Accordingly, the total deposit has reached Birr 2.7 billion with more than 134,500 customers. The average size of Lion's deposit is about Birr 19,900 per depositor as the customer base widened along with the deposit increment.

The deposit structure continued to confirm that the Bank still has a strategic advantage for more reliable resource as savings hold the principal share of 61 percent, while demand and fixed time deposits follow by 29 percent and 10 percent.

ANNUAL TREND OF DEPOSIT



INTERNATIONAL BANKING

Notwithstanding the challenges, particularly from the global macro-economic context and the competition that came along, the Bank has made an effort to boost its foreign exchange inflow and was able to collect 69 million dollars in the fiscal year. Of the total collection, 37 percent is from exports, 31 percent related to cash purchase, 16 percent from remittance, and 13 percent from incoming transfer, which ultimately constitutes 97 percent of the total amount from operational sources.

To enhance the option of partners, the Bank entered into agency agreement with two international money transfer agents, i.e., Trans-fast and Horyaal, in addition to the already existing six agents.

CREDIT MANAGEMENT

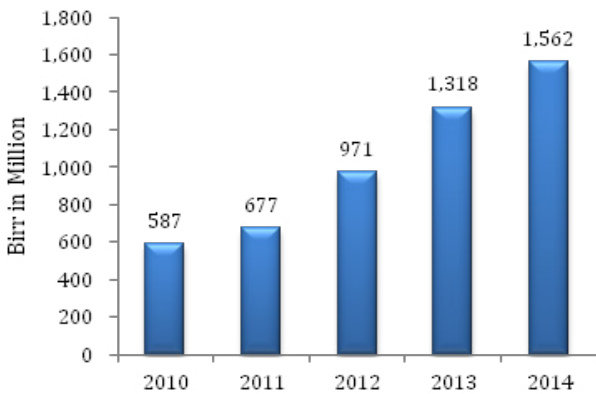
Believing in the dictum "Credit delayed is credit denied" Lion has been in the forefront in terms of credit decisions and delivery, while balancing related credit risks. To maintain this tradition in accordance to the growing market, the Bank has laid foundation to implement improved Credit Processing Center [CPC].

The Bank is also proud to keep the interest of its patrons while discharge its corporate responsibilities in balance by contributing its share in purchasing NBE's bill, which has reached 27 percent of the total deposit at the end of June 2014, while utilizing its maximum lending capacity.

The total lending of the Bank has reached Birr 1.56 billion, which is a 36 percent growth from the previous year. The loan to deposit ratio at the end of the year was 58 percent. Sector-wise diversification of loans along with the number of borrowers has shown a favorable significant shift. The Bank has financed from Agriculture to Construction sectors and from Export related business to Imports in order to maintain a healthy allocation of resources whilst supporting the demand of eligible customers; yet, emphasis was given to export related businesses as they are important sources of foreign currency and other investments.



ANNUAL TREND OF LENDING

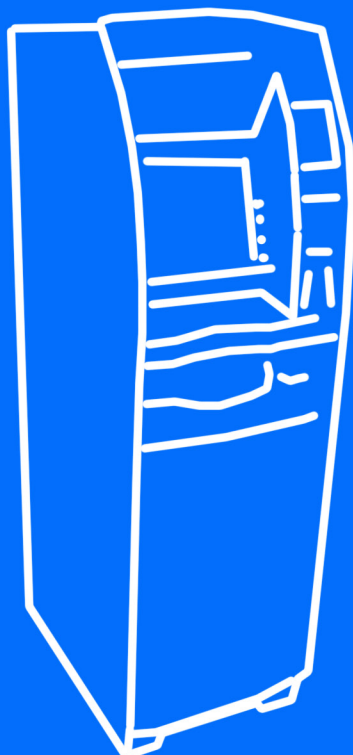


The Bank's policies to monitor the credit portfolio by identifying early warning signals and focus to revive defaults has helped it to maintain low non-performing loans ratio of 2.01 percent. Although there is a slight pick-up from the previous year, it is still much lower than NBE's maximum limit of 5 percent and peer Banks average of 3.9 percent.

RISK MANAGEMENT

In response to inherent and multifaceted banking risks, the changing financial landscape, advancement in and widespread use of information and communications technology, a more effective approach is not only desired, but also is the order of the day. Moreover, in today's world of stern business competition, banks' success has been highly intertwined with the way they manage their risks and how they react and respond to the national and international compliance requirements.

Cognizant of these facts, the Bank's Risk Management function played pivotal role in instilling risk aware culture, optimizing risk-reward tradeoff, minimizing the possibility of taking unwarranted risk and promoting disciplined risk taking behavior with due consideration of risk and return across the Bank. Likewise, ongoing effort is being made to ensure that the Bank complies with all applicable national and international laws, regulations and standards.



Coming



With a view to effectively execute their risk oversight role, the Board of Directors and Executive Management have developed and approved comprehensive risk tolerance limits that dovetail with strategic direction of the Bank.

FORWARD

Looking back to the concluded year, the Bank has taken several turns to absorb the multiple challenges posed along the way. Aside the slight drop of returns, Lion ousted the influence of the challenges with grandeur. It was a year that the Bank proved it could prevail above any challenges.

With this attitude, the Bank is set to launch initiatives that put its might to upgrade its technological front. Lion is committed to invest in technology to close up the gap it has with other

banks and advance to simplify banking for its partners. The Bank will also pursue to reach out more partners by expanding the sphere of its branches and improve the work processes to meet their respective expectation.

With an aim to reward and retain its breathing assets, the Bank will continue introducing programs and trainings that enable the employees to achieve the highest level of job satisfaction and in the process the Bank shall attain its intrinsic endeavor of growing inside out.

No new territory can be occupied without belligerence; no new opportunity can be seized without audacity and prudence. This is the spirit that Lion International Bank carries forward for the new operational year.

THE BOARD OF DIRECTORS
25TH OCTOBER 2014

Soon



SHAREHOLDER'S MEETING



BEST PERFORMERS OF THE YEAR



LION'S AT THE GREAT RUN







AUDITORS' REPORT

LION

is a Bank for the **PEOPLE**

as It strives to **connect its customers to what is important to them**. Customers, no matter who they are or what they own, they have valued place in LIB.







Thank you

OUR ESTEEMED CUSTOMERS FOR CHOOSING US AS YOUR BANK.

OUR STAFF FOR YOUR COMMITMENT.





LION INTERNATIONAL BANK

**2013/14
ANNUAL REPORT**

KEY TO SUCCESS

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