



LION INTERNATIONAL BANK S.C.

2014/15 ANNUAL REPORT

KEY TO SUCCESS



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Auditors' Report

(contd)

Serving at Your Door is our Address



Board of Directors



From left to right:

Ato H/Selassie Yehedego; Ato Fessehatsion Arefaine; Ato Rezene Hailu; Ato Wassihun Gebru, **V/Chairperson**; Wro. Tigist Girmay; Ato Berhanu Kebede; Berhanu G/Medhin (PhD); Ato Mekonnen G/Wahid; Ato Beyene Belay; H/Kiros Gesesse (Ambassador).

Sitting at the Middle:

Tassew W/Hana (PhD), **Chairperson**.

The Management Team



Standing at the Back (from left to right):

Ato Akilla Hayelom, **Director- Domestic Banking Services**; Ato Silashi Tigabue, **Director- Finance**; Ato Daniel G/Egzlabher, **Director- Business Development & Corporate Planning**; Ato Tekie Mekuria , **VP- Operations**; Ato Getachew Solomon , **President**; Ato Gebru Meshesha, **VP- Corporate Services**; Ato Shiworkie Belete, **Director- Internal Audit**; Wro. Andinet Haregewaine, **Manager- Legal Services**.

Sitting at the Front (from left to right):

Ato Michael Gezae, **Manager- Human Resources**; Ato Wondwosen Gashaw, **Manager- Property & General Service**; Wro.Tesabie Hadush, **Director**. **Credit**: Ato Eshetu Fanta, **Manager- Engineering** Wro. Eden Tilahun, **Director- International Banking**; Ato Daniel Tekersto, **Director- Risk & Compliance Management**; Ato Solomon Tesfaye, **A/Director - Information Technology Services**.

MESSAGE FROM THE BOARD CHAIRPERSON

On behalf of the Board of Directors and on my own, I am delighted to report the performance of Lion International Bank S.C. (LIB), for the year ended June 30, 2015.

The just ended fiscal year was an intense year for the Board of Directors and the Management. Indeed, in addition to the customary board issues, works to improve the Bank's financial position, maintain conducive and sustainable work environment, and setting strategic directions were high priorities during the year. Concurrently, thanks to consistent board's leadership, management team, hard working staff, and supportive customers and shareholders, the 2015 was a year of significant progress and success for Lion International Bank with much improved resource mobilization, profit and major achievement in gaining public trust.

It is discernible that the global and domestic macroeconomic setting in 2014/15 was moderately conducive for banking activities in most aspects. In this regard, in spite of the stiff competition in many of our markets, for Lion International Bank the 2014/15 fiscal year was considered a year of success.

With respect to financial results, our bank has registered net profits of Birr 151 million, after tax and legal reserve, which exceeded the preceding year's performance by 108 percent. As a result, the earning per share has become Birr 10.63, which increased by 81 percent. The net profit was achieved after the Bank paid

profit tax of Birr 74.8 million to government. As development partner, Lion International Bank has bought NBE bill for 1.24 billion up to June 30, 2015.

The outstanding performance achieved during the fiscal year has made possible to the board and the management to restore shareholders' confidence, customers' trust; and the positive image and goodwill of the Bank.

Beyond financial figures, I am also pleased to report that the FY 2014/15 has been a year of success in adopting strategic milestone for the Bank. In the year under consideration, our Bank has embarked on different projects including setting strategic plan, improving service efficiency, and branding new products to the market. Accordingly, the board has developed and implemented a five-year strategic plan, which serve the bank as a road map to improve service efficiency and the overall capacity to withstand the market competition.

Esteemed Shareholders and Customers,

It is worth mentioning that the board has exerted full commitment to further strengthen institutional base of the Bank to better stretch out for sustainable growth.



Among which, the most noticeable include re-strengthening of Senior Executive Management Team and ensuring its independence in decision making, and enhancing capacities of all departments along with strengthening the risk management and internal control system.

Expansion of accessibility and services was one of the priorities of the board. Basically, we embarked on expansion of branches across various regional states. During the fiscal year, the Bank has opened 29 branches that uplifted the total number of our branches to 89. Unsurprisingly, our bank has got approval from the regulatory body to implement a Mobile and Agent Banking Services followed by the successful completion of pilot test project. The Mobile and Agent Banking Services is a contemporary technology that enables our customers to receive and/or transfer money using their mobiles and our nearby agents. Through the infrastructure we laid down, our customers can now easily have access to our services either in branches or in being wherever they are using their mobile phones. In effect, we have now become 'wherever' banking service provider. Much better said, we are at your disposal anywhere.

Moreover, we are providing our customers a short message notification service regarding their transactions and account balances. Our Bank is also rigorously working on introduction of a full-fledged Automated Teller Machine (ATM) and Point of Sales (POS) services. Trustfully, our bank will commence the full-fledged service during the upcoming fiscal year.

On this occasion, I would like to take this opportunity to extend my sincere gratitude to our customers. The board acknowledges that the Bank's survival relies on you. All our efforts are to maximize your satisfaction and meet your utmost expectations through our efficient and quality banking services.

The board believes that enhanced operational services satisfy customers and increase competitive edge of our Bank. In this regard, IT infrastructure is becoming the major focus of the 2015/16 FY. I assure you that we will continue working on introduction of new improved products and services to attain maximum customers' satisfaction and the inspirational renewed vision of LIB - 'To Be the Leading Bank in Ethiopia by 2035'.

Finally, 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 the Bank's objectives. On behalf of the Board and on my own behalf, I would like to express my heartfelt gratitude to you all. I would also like to thank the National Bank of Ethiopia (NBE), the Financial Intelligence Center (FIC), The Documents Verification and Authentication Office (DARO) who have been on our side in all our moves and I would like to thank them for their collaboration.

Thank you.

A handwritten signature in blue ink, appearing to be 'Tassew Woldehanna'.

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

Growth at a Glance



DIRECTORS' REPORT

The Board of Directors is delighted to present the overview of the Bank's eighth year operational performance (for the fiscal year ended on June 30, 2015) for its shareholders, associates, and patrons on the eleventh Annual General Assembly. The summarized annual report includes the progressive process noted in key banking operations, financial and non-financial aspects. In this year, the Bank has registered a remarkable growth that proved the resilience it possesses to stand against multifaceted challenges.

BREATHING-CAPITAL MANAGEMENT

Lion has long recognized its long-term success is closely connected with its effective breathing-capital management that gave prominence to its most valued resource, its people. People are among the very few sources of continuing competitive advantage. Having such commitment, the Bank has been recruiting the best in the market, cultivating and nurturing its entire workforce and engaged in connecting the right people to where they are most needed.

Team Lion, on its behalf, has once again displayed unprecedented performance that matched the pace of rapidly changing and intensely competitive environment. Upon the thriving expedition made during the year, the size of the permanent staff raised from 816 to 989, which is 21 percent increment. The share of the permanent staff size has now reached 57 percent of the total workforce; while the remaining 43 percent are employees sourced from external agency. Since the experience in the past years proved it to be efficient, the Bank has continued to fill support jobs from external sources mainly Selam Security, which created an opportunity for a total of 735 people.

To continue the drive exhibited in each process in a forward and upward fashion; and sustainably embed the values of the Bank, Lion has continued to invest in development interventions. This year's 29 short-term training programs focused on topics ranging from critical business aspects to compliance issues to leadership matters, involving 826 staff. The Bank has also conducted workshops, awareness creation sessions and induction programs. As part of the intervention package, the assistance on formal education continued to be granted.

Further, the Bank underpinning its commitment to ensure the welfare of its team, has invested in short-term schemes and has once again opened up its doors to enable them to join the owners' circle to address long-term issues. Following the approval of the second five year corporate strategic plan, Lion has reinforced its passion of building for the future in this regard.

REACHING OUT PARTNERS

Over the past couple of years, the Bank has been stretching its horizons to reach out people from different walks of life via physical presence.



- Receive Money
- Send Money
- Save Money
- Pay your Bills

People are no longer compelled to visit the branches of the Bank to be part of the excellent service, since this year marked the elevated convenience through alternative channels.

BRANCH EXPANSION

With distinguished service excellence tailored to support the needs and wants of individuals, families, small businesses, medium and big investments, Lion has opened 29 new branches across the country, raising the total number of branches to 89. The Bank has increased its presence in Addis Ababa, Northern, Oromia and Afar Regions; and opened its first branch in Gambela Region.

Lion, through its physical outlets, shall carry on the culture of creating access and convenience to the public. Thus, several new branches located in city and outlying sites are in the pipeline to commence operation in the year ahead. Some of these branches that shall become operational in the new fiscal year are Abi Adi, Kobo, Adi Gudem, Mikadra, Weldia, Asosa, 24 Akababi, Shala Menafesha, Arbaminch, Assaita, Alamata, and Meki.

MOBILE & AGENT BANKING

Lion's years of endeavor to reach out the unbanked and under-banked citizens via alternative channels has finally paid off when the Bank launched its HelloCash mobile and agent banking service. HelloCash service, bringing the domestic banking industry to a new level, sets its roots in offering the four most critical values for customers, that is unparalleled accessibility, safety

and reliability along with affordable price.

The pilot program of this new service was successfully completed before the year came to an end. Closely following the outcome of the program, National Bank of Ethiopia has given authorization to commercially launch the service as the new fiscal year began.

Within the first few months of the pilot program launch, the Bank has carried out transactions worth Birr 5.6 million with over 180 agents and more than 5,300 customers.

SMS ALERT MESSAGE

Lion's clientele are no longer required to travel to the nearest branch to manage their accounts and investments. The Bank has now connected you, the patrons, to your account information in real-time. The SMS Alert gives you notification upon cash withdrawal or deposit, loan disbursement, clearing cheques, direct debits and checking the balance on account. A customer is already signed up for the service with its existing account or will instantly benefit from it as soon as he/she opens account in the nearest LIB branch.

CARD BANKING

The Bank has opted and waited to invest with EthSwitch since it enables cardholders to access their account through the different banks' electronic payment machines. Lion has completed development work of interfacing with EthSwitch at its end and procurement process of ATMs and POSs. The Bank is ready to launch the service in the next few months of

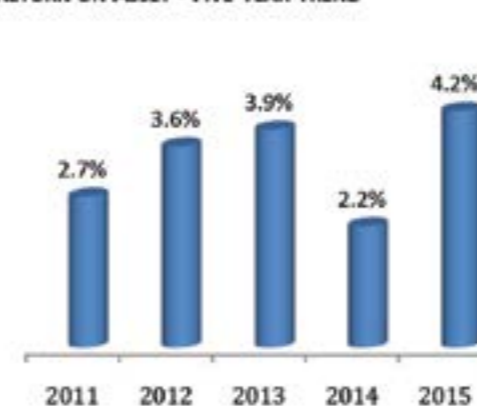
the year ahead as soon as the final approval is granted from the supervisory organ and central body.

FINANCIAL PERFORMANCE

Coming back from the slight setbacks noted in the previous year, Lion International Bank recorded resounding earnings in both revenue and profit. On its seventh straight year in the course of profitability, the Bank yielded the highest ever profit underpinned by holistic efficiency, sound financial caliber and endeavor for long-term growth.

As the year came to an end, the Bank's profit

RETURN ON ASSET - FIVE YEAR TREND



before tax has reached Birr 275.6 million that rose by 117 percent from the previous year pre-tax profit of Birr 127.2 million. The matched growth of the profit after tax and share capital of the Bank has in return increased the earning per share by 80.2 percent from the preceding year standing and resulted a 42 percent (Birr 10.63) EPS.

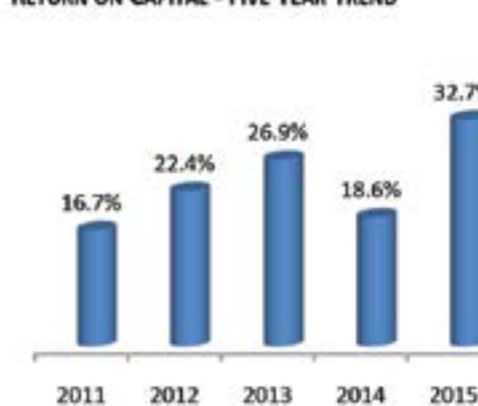
Lion's sound financial performance has based its roots in progressively surging its market share and allocating these resources strategically,

these processes are illustrated on the return on asset (4.2 percent) and return on capital (32.7 percent) that outdone the standing in the past seven years.

REVENUE

Spurred by the ever growing business volumes and careful management of resources to maximize earnings, the total revenue of the Bank has reached an all time high of Birr 663.6 million in the financial year, up by 83 percent from the previous year's Birr 363 million. The notable growth in the total revenue is the attribute of both interest and non-interest income sources.

RETURN ON CAPITAL - FIVE YEAR TREND



The Bank has balanced revenue structure as it is composed of 49 percent of interest income and 51 percent of non-interest income. As the non-interest income is broken down further other income makes up 33 percent of the source, while income from commission follows by 18 percent. Thus, the earning on total asset from non-interest income increased to 5.7 percent from 4.3 percent of the previous year.



The SMS Alert gives you notifications up on :-

- Cash withdrawal and Deposit
- Loan disbursement & Repayment schedule

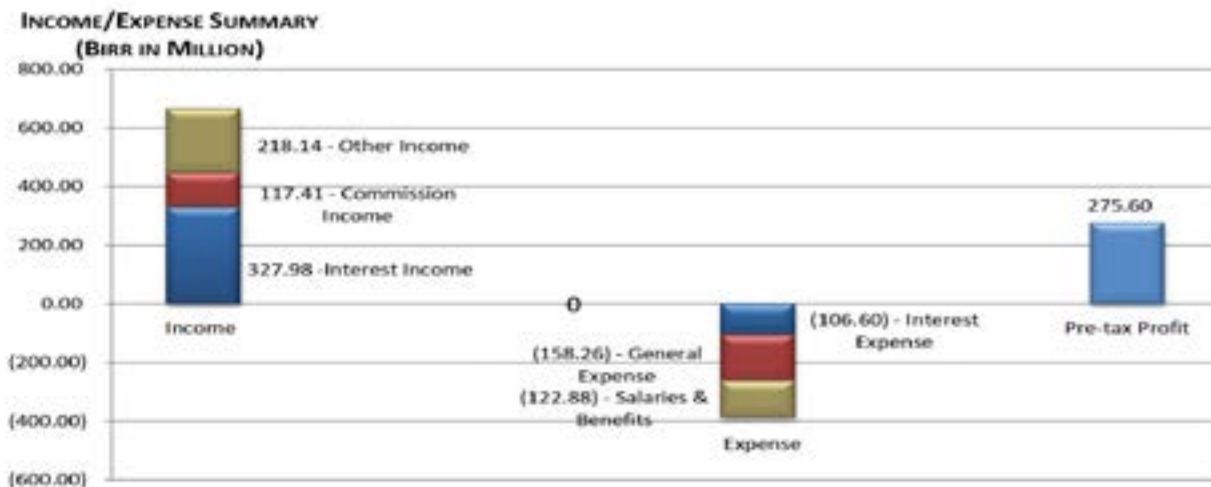
- Direct Debit
- Checking the Balance on Account
- Daily Foreign exchange Rate

EXPENSES

The Bank has invested on financial, physical and human resources, amounting to Birr 387.7 million over the year to earn the above stated revenue.

Efficiency tangled with flexible business response is the guiding principle that has been shaping the investments made from branch expansion to rolling out of new products and services to development work on the human capital and upgrading the IT infrastructure. Following the vast expansion made in both physical and technological aspects, the non-interest expense covers 72.5 percent of the total expense, while the remaining 27.5 percent was spent on interest payments.

The above spending has resulted cost-to-income ratio of 58.5 percent, which favorably declined from the previous year's 65 percent standing. Likewise, the non-interest expense to non-interest income ratio has also come down to 83.6 percent from its 105.2 percent status of the prior year.



BALANCE SHEET

The asset size of the Bank has exhibited a 62 percent increment during the year, rising from the balance of Birr 3.6 billion to Birr 5.9 billion. Its growth is largely linked to the 83.7 percent growth in loans & advances and 72.7 percent in bill purchase. The total NBE bill that the Bank has purchased reached Birr 1.24 billion as the year came to an end. This purchase amounts to over 27.7 percent of the total deposit and 43.7 percent of the total loans & advances of the Bank. The 14 percent liquid asset to total asset ratio reflects that the Bank has generated profit within the acceptable own risk limit and above the minimum requirement of the regulatory body.

The growth of liabilities, in which 88.5 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 liabilities of the Bank stood at Birr 5.04 billion, with 68.7 percent growth from the past year.

The share capital covers 62 percent of the total capital & reserve, which is Birr 822 million. Legal reserve and retained earnings jointly makes up the remaining amount. The capital adequacy ratio of the Bank stood at 15 percent, well above the minimum regulatory requirement of 8 percent, still reflecting the distinguished strength of the Bank in progressively taking up reasonable risks for matched returns.

WEALTH MANAGEMENT

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

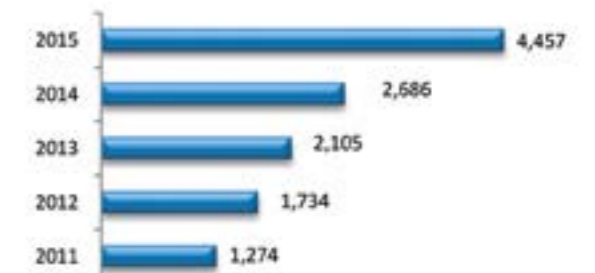
DEPOSIT

The integrated approach of the Bank has been the wheel that boosted Lion's deposit position of Birr 2.69 billion at the end of the earlier year to Birr 4.46 by the end of June 2015. The remarkable Birr 1.77 billion (66 percent) leap in the year is backed by stable source of funds with relatively predictable costs since 89.5 percent of the net mobilization came from saving and demand deposits; while savings hold the upper hand within this category (65.6 percent).

Regarding the total deposit portfolio composition, the Bank has continued to maintain saving deposits as its primary source (58.7 percent), followed by 30.8 percent demand and 10.5 per-

cent fixed time deposits. Matching the pace of the total amount, the customer base widened by 41 percent from the prior year and reached more than 189,200. Accordingly, the average size of the Bank's deposit is about Birr 23,500 per depositor, partially reflecting the stability of the resource.

ANNUAL TREND OF DEPOSIT



INTERNATIONAL BANKING

International banking operations has remained a tough ground to play as the eyes of all set in the prize that shall be gained from the service. Despite this context, Lion has succeeded both in generating 166.4 million U.S. dollars and effectively turning it into the most valuable engine for the overall service. Compared to the previous year's performance, the inflow in the year has nearly doubled.

The partnership signed with three international money transfer agents, which raised the total number of partners to nine, expanding correspondent banks by opening accounts in Bank of Africa and Bank of Beirut, the RMA relations with 49 banks in various countries and emphasis given to finance export businesses have been the principal anchors for the above performance.

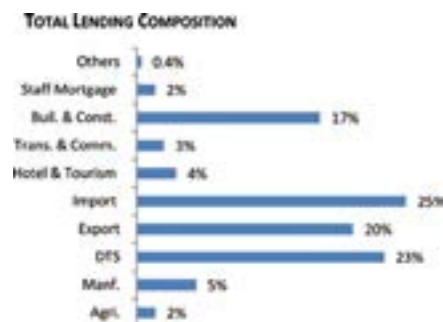


CREDIT MANAGEMENT

Equivalent to the boost in the resources, the total lending of the Bank grew by 83.7 percent and reached Birr 2.83 billion over the year from last year's Birr 1.54 billion balance. Excluding the amount invested for bill purchase, the loan to deposit ratio of the Bank at the end of the year has reached 63.5 percent.

Lion has been in the forefront in terms of credit decision and delivery, while counterbalancing related credit risks. To further enhance this process, the Bank successfully launched the re-organized credit processing center at both Corporate and Northern Region levels.

Sector-wise diversification of loans along with the number of borrowers has continued to show a favorable strategic shift. The Bank has financed from agriculture to construction sectors and from export related to imports in order to maintain a healthy allocation of resources while supporting the demand of eligible customers. Despite the notable growth in the gross lending, the Bank's policy to monitor the credit portfolio by identifying early warning signals and focus to revive defaults has helped it maintain modest non-performing loans ratio of 2.94 percent, much lower than the regulatory maximum limit of 5 percent and that most of peer banks.



RISK MANAGEMENT

Lion International Bank recognizes that the banking business has been experiencing rapid growth and sophistication where banks strive to embrace innovative and state-of-the-art technology driven service delivery atop of availing the conventional banking products to the public, at large. Along comes the inevitable multitude of risks that are inherent in products and services and pose significant threat to safety and soundness of banks unless properly managed—necessitating the need to set a judicious risk management framework that is commensurate with the nature and size of their business. What is more, the role of Board of Directors is instrumental in cultivating the risk management environment in terms of risk oversight, prevalence of appropriate risk culture and setting the overall strategic direction.

Mindful of these facts, the Bank has established independent risk and compliance management function couple of years ago in a bid to play pivotal role in instilling risk aware culture, minimizing the possibility of unwarranted risk and promoting disciplined risk taking behavior while optimizing risk-reward tradeoff across the breadth and width of the Bank. Most importantly, it provides reasonable assurance to the demonstrable achievement of envisaged goals and objectives. As part of this endeavor, the task of the regular identification and mitigation of risks has been adequately supported by effective risk oversight function of the Board as well as Executive Management by setting risk appetite thereby ensuring that the Bank's risks are contained within acceptable level.

Likewise, in consideration of an emergent

demand from the Financial Intelligence Center and National Bank of Ethiopia and other supervisory bodies as well as the international requirements to comply with applicable laws, regulations, and directives; the Bank makes strides to ensure that the overall business operations are pursued in conformity with those stipulations so that the Bank duly prevents the materialization of any compliance risk.

FORWARD

The year 2014/15 was highlighted with an outstanding performance and the potential the Bank could keep on demonstrating. It has been a promising milestone and stimulator for the new fiscal year and years to come.

It has been also an indicator for opportunities and challenges the industry holds; and the effort required to prevail over the competition.

Lion expects to strengthen its effort in the year ahead to maintain the stature it has displayed over the past year, prevail over the competition and

ultimately achieve the targets of 2015/16 fiscal year.

For the new financial year, the Bank has anchored its four-edged corporate objective on the pillars of human capital, technology and resource mobilization, to ensure a competitive advantage and uniqueness that lasts beyond the coming fiscal year.

It has also fashioned the direction of both operational and support functions in line with the picture depicted in the newly approved strategic plan to realize the effective and efficient accomplishment of the financial goals of the year.

As the first year of the new strategic season begins, Lion International Bank marches towards altering its services to become the industry's standard in order to realize its five year strategic intent and long-term vision of becoming 'the Leading Bank in Ethiopia by 2035'.

**The Board of Directors
31st October 2015**



The Year in a Snapshot





AUDITORS' REPORT

LION is the key that helps you reap the fruit of your hard work.



**INDEPENDENT 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 Statement of Financial Position as of 30 June 2015, the Statement of Financial Performance and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with 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.



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amanuel.bahta@yahoo.com

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

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

Unqualified opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Lion International Bank Sh. Co. as of 30 June 2015, and of its financial performances and its cash flows for the year then ended and are prepared in accordance with International Financial Reporting Standards.

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

Addis Ababa
September 23, 2015



Glimpse of Partners



SeletHullingPLC




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Mulugeta Mekonnen Export

LION INTERNATIONAL BANK SH. CO. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

CURRENCY: BIRR

ASSETS	Notes		2014
Cash & balance with banks	2h, 3	814,461,602	922,885,830
Reserve with National Bank of Ethiopia		217,000,000	133,000,000
National Bank of Ethiopia bills	4	1,236,900,000	716,388,000
Foreign bank deposits	5	503,976,412	74,019,955
Loan & advances	2d, 6	2,830,566,767	1,541,166,769
Stock of supplies	7	3,697,300	2,616,068
Other assets	8	160,339,715	161,716,589
Deferred charges	2i, 9	1,608,512	4,000,270
Investment	10	25,399,574	9,059,574
Plant, property & Equipment	2e, 11	65,412,358	48,486,053
Total assets		5,859,362,240	3,613,339,108
LIABILITIES, CAPITAL AND RESERVES			
LIABILITIES			
Deposits from customers	12	4,457,396,806	2,686,984,347
Other liabilities	13	240,913,005	212,207,897
Margin held on letters of credit		264,100,040	55,721,024
Provision for taxation	25	74,830,716	30,605,876
Total liabilities		5,037,240,567	2,985,519,144
CAPITAL AND RESERVES			
Paid up capital	14	509,919,263	446,833,287
Legal reserve	15	141,836,919	91,646,572
Special reserve	16	2,895,579	-
Retained earning	17	167,469,912	89,340,105
Total capital and reserves		822,121,673	627,819,964
Total liabilities, capital and reserves		5,859,362,240	3,613,339,108


Tassew Wihana (Phd)
Chairman, Board of Directors




Getachew Solomon (Ato)
President



**LION INTERNATIONAL BANK SH. CO.
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2015**

INCOME	Notes	CURRENCY: BIRR	
		2015	2014
Interest income	18	326,861,807	209,107,189
Less: Interest Expenses	19	(106,597,782)	(73,953,610)
Net Interest Income		220,264,025	135,153,579
Commission, fees and charges	20	117,412,016	56,124,525
Net gain from dealing in foreign currencies	2g, 21	74,949,356	24,344,704
Other income	22	119,718,016	52,461,219
		312,079,388	132,930,448
Net operating income		532,343,413	268,084,027
Provision for doubtful loans and advances		(27,086,761)	(3,754,063)
Provision for doubtful debts other than loans & advances		(3,295,487)	-
Net interest and other income after provisions for doubtful accounts		501,961,165	264,329,964
OPERATING EXPENSES			
Salaries and benefits		122,879,853	71,330,186
General & administration	23	102,520,455	64,826,210
Directors fee	24	820,000	808,000
Audit fee & expenses		148,754	179,443
Total operating expenses		(226,369,062)	(137,143,839)
NET PROFIT FOR THE YEAR		275,592,103	127,186,125
PROVISION FOR TAXATION	25	(74,830,716)	(30,605,876)
		200,761,387	96,580,249
LEGAL RESERVE	15	(50,190,347)	(24,145,062)
NET PROFIT AFTER TAXATION & LEGAL RESERVE		150,571,040	72,435,187
EARNING PER SHARE OF BIRR 25	26	10.63	5.90



**LION INTERNATIONAL BANK SH. CO.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015**

	CURRENCY: BIRR	
	2015	2014
OPERATING ACTIVITIES		
Net profit for the year	275,592,103	127,186,125
Amortization of deferred charges	2,754,840	2,580,975
Depreciation	9,455,695	5,657,009
Prior year adjustment	(6,044)	(1,238,974)
Return on investment (divided income)	(1,116,000)	(839,340)
Gain on disposal at fixed asset	(3,669)	(1,398,500)
Operating (loss) before working capital changes	286,676,925	131,947,295
Decrease (Increase) in stock of supplies	(1,081,232)	(203,924)
Increase in other assets	(1,918,613)	(73,361,024)
Increase in loans and advances	(1,316,287,670)	(243,963,174)
Provision for doubtful loans and advances	30,382,248	3,754,063
Doubtful accounts written off	(199,088)	-
Increase in deposits from customers	1,770,412,460	581,120,854
Increase in other liabilities	28,705,108	21,064,364
(Decrease) Increase in margin held on letter of credit	208,379,016	(8,458,559)
Profit tax & withholding tax paid	(30,605,876)	(39,300,860)
Dividend paid	(69,539,610)	(81,363,944)
Net cash generated from operating activities	618,246,743	159,287,796
INVESTING ACTIVITIES		
Acquisition of fixed assets	(26,384,960)	(25,122,955)
Increase on deferred charges	(363,081)	(698,217)
Acquisition of NBE bills	(520,512,000)	(193,176,000)
Refund of treasury Bills	-	90,000,000
Proceeds from disposal at fixed assets	6,626	1,398,500
Investment in share	(16,340,000)	-
Return on investment (Dividend received)	1,116,000	839,340
Net cash used in investing activities	(562,477,415)	(126,759,332)
FINANCING ACTIVITIES		
Payments for subscribed shares & capitalization	63,085,976	71,897,348
Net cash generated from financing activities	63,085,976	71,897,348
Net (Decrease)/Increase In Cash And Cash Equivalents	405,532,229	236,373,105
Cash and cash equivalents at beginning of the year	1,129,905,785	893,532,680
Cash and cash equivalents at end of the year	1,535,438,014	1,129,905,785
CASH AND CASH EQUIVALENTS		
Cash on hand	796,281,860	585,640,960
Cash and balances with National Bank of Ethiopia	235,179,742	470,244,870
Cash and balances with foreign banks	503,976,412	74,019,955
	1,535,438,014	1,129,905,785



**LION INTERNATIONAL BANK SH. CO.
STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
FOR THE YEAR ENDED 30 JUNE 2015**

CURRENCY: BIRR

	Paid up Capital	Legal Reserve	Special Reserve	Retained Earnings	Total
Balance as at 30 June 2013	374,935,939	67,501,510	-	99,507,836	541,945,285
Dividend paid	-	-	-	(81,363,944)	(81,363,944)
Contribution to subscribed capital	71,897,348	-	-	-	71,897,348
Net profit for the year	-	-	-	72,435,187	72,435,187
Prior year adjustment	-	-	-	(1,238,974)	(1,238,974)
Transfer to legal reserve	-	24,145,062	-	-	24,145,062
Balance as at 30 June 2014	446,833,287	91,646,572	-	89,340,105	627,819,964
Dividend paid	-	-	-	(69,539,610)	(69,539,610)
Special reserve	-	-	2,895,579	(2,895,579)	-
Contribution to subscribed capital	63,085,976	-	-	-	63,085,976
Net profit for the year	-	-	-	150,571,040	150,571,040
Prior year adjustment	-	-	-	(6,044)	(6,044)
Transfer to legal reserve	-	50,190,347	-	-	50,190,347
Balance as at 30 June 2015	509,919,263	141,836,919	2,895,579	167,469,912	822,121,673



**LION INTERNATIONAL BANK SH. CO.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1. BACKGROUND

Lion International Bank (S.C) was formed in Ethiopia in 02 October 2006 and is registered as a public shareholding company in accordance with Licensing and Supervision of Banking Business Proclamation No. 84/1994 and Commercial Code of Ethiopia 1960.

The Bank's principal activity is commercial banking.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Statement of compliance

The financial statements have been prepared in accordance with 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 date selling exchange rate.



**LION INTERNATIONAL BANK SH. CO.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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 2015**

(iii) De-recognition of financial instruments

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

(iv) Measurement of financial instruments

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

d) Loans and advances

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

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

(i) Pass loans

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



**LION INTERNATIONAL BANK SH. CO.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

(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 2015**

e) Fixed assets

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

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

f) Revenue recognition

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

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

g) Foreign currencies

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

Monetary assets denominated in foreign currencies, which are stated at historical cost, are translated at the selling exchange rates ruling at 30 June 2015. 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 2015**

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.

		<i>CURRENCY: BIRR</i>	
		2014	
3. CASH AND BALANCE WITH BANKS			
Cash on hand	796,281,860	585,640,960	
NBE-payment and settlement and issue account	18,179,742	337,244,870	
	814,461,602	922,885,830	

4. NATIONAL BANK OF ETHIOPIA BILLS

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

5. DEPOSIT WITH FOREIGN BANK

Bank of Africa – Djibouti	14,094,151	-
Bank of Beirut	9,826,212	-
Commerz Bank AG - Frankfurt	480,056,049	74,019,955
	503,976,412	74,019,955

6. 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 one year	1,200,156,319	573,774,838
After but within five years	1,476,521,724	869,314,446
After five years	201,637,565	118,938,654
	2,878,315,608	1,562,027,938
Less: Provision for doubtful debts	(47,748,841)	(20,861,169)
	2,830,566,767	1,541,166,769



**LION INTERNATIONAL BANK SH. CO.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

CURRENCY: BIRR

Analysis by sector

		2014	
Transportation & communication	72,588,278	82,339,021	
Export loans	574,443,493	215,005,205	
Import loans	714,419,273	471,660,727	
Manufacturing & production	157,735,186	51,013,732	
Building construction	491,360,128	260,830,885	
Domestic trade	652,386,259	340,766,340	
Staff emergency & mortgage loan	61,081,081	23,760,618	
Agricultural loan	49,748,581	35,586,452	
Hotel & tourism	104,553,328	81,064,957	
	2,878,315,607	1,562,027,937	
Less: Provision for doubtful debts	47,748,840	(20,861,168)	
	2,830,566,767	1,541,166,769	

Loans and advances, net

7. STOCK OF SUPPLIES

Negotiable instrument	1,041,137	933,835
General supplies	1,314,938	1,357,304
Stock, non supplies	8,582	10,698
Others	507	507
Fixed asset in store	1,332,136	313,724
	3,697,300	2,616,068

8. OTHER ASSETS

Prepayments	60,761,396	33,254,720
Sundry	5,668,908	10,109,302
Accrued income	15,079,441	7,941,066
Other receivables	76,059,808	102,897,010
Acquired property (Note below)	6,493,075	7,941,917
	164,062,628	162,144,015
Less: Provision for doubtful debts	(3,722,913)	(427,426)
	160,339,715	161,716,589

Note

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



**LION INTERNATIONAL BANK SH. CO.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

		CURRENCY: BIRR	
		2014	
9. DEFERRED CHARGES			
Balance at 30 June 2014	16,567,065	15,868,848	
Add: Additions during the year	363,081	698,217	
	<u>16,930,146</u>	<u>16,567,065</u>	
Less: Amortization			
Balance at 30 June 2014	12,566,795	9,985,820	
Current year amortization	<u>2,754,839</u>	<u>2,580,975</u>	
	<u>(15,321,634)</u>	<u>(12,566,795)</u>	
	1,608,512	4,000,270	
10. INVESTMENT			
EthSwitch S.C.	11,370,000	5,030,000	
Lion Insurance Co. S.C.	4,000,000	4,000,000	
SWIFT	29,574	29,574	
Goda Bottle & Glass S.C.	10,000,000	-	
	<u>25,399,574</u>	<u>9,059,574</u>	

The bank had subscribed and paid 160,000 shares of Birr 25 per share, in Lion Insurance Co. The bank had also purchased one share of Birr 29,574 (2,540 Euro) from Society of Worldwide Interbank Financial Telecommunication (SWIFT) and subscribed and paid 11,370 shares of Birr 1000 per share, in Ethswitch S.C.

In addition, the Company had purchased a new 200,000 shares of Birr 50 per share in Goda Bottle & Glass S.C.



**LION INTERNATIONAL BANK SH. CO.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

CURRENCY: BIRR				
11. PLANT, PROPERTY & EQUIPMENT				
COST	BALANCE AT 30 JUNE 2014	ADDITIONS	ADJUSTMENT/ DISPOSAL	BALANCE AT 30 JUNE 2015
Motor vehicles	23,588,260	511,444	-	24,099,704
Furniture and fittings	13,967,673	9,420,694	-	23,388,367
Office & other equipment	13,260,672	9,995,489	-	23,256,161
IT equipments	18,140,762	6,457,333	(14,203)	24,583,892
Building premises	4,500,033	-	-	4,500,033
	<u>73,457,400</u>	<u>26,384,960</u>	<u>(14,203)</u>	<u>99,828,157</u>
DEPRECIATION				
Motor vehicles	9,742,053	3,215,194	-	12,957,247
Furniture and fittings	4,017,047	1,791,580	-	5,808,627
Office & other equipment	3,949,979	1,812,271	-	5,762,250
IT equipments	6,519,666	2,411,649	(11,244)	8,920,071
Building premises	742,602	225,002	-	967,604
	<u>24,971,347</u>	<u>9,455,696</u>	<u>(11,244)</u>	<u>34,415,799</u>
NET BOOK VALUE	48,486,053			65,412,358
12. DEPOSITS FROM CUSTOMERS				
Payable on demand				
Private sector		1,308,826,183		713,679,531
Public enterprises		43,492,941		19,648,713
Non bank financial		12,076,825		36,953,925
Co-operatives & association		8,556,998		5,360,996
Central agreement		1,222,831		-
		<u>1,374,175,778</u>		<u>775,643,165</u>
Saving deposits				
Private sector		2,575,794,640		1,497,184,972
Public enterprise		1,842,365		1,427,057
Non-Bank financial institution		8,112,966		3,324,413
Co-operatives & association		16,457,740		133,221,856
		<u>2,602,207,711</u>		<u>1,635,158,298</u>
Foreign currency deposits		14,321,443		12,868,778
		<u>14,321,443</u>		<u>12,868,778</u>
Time deposits				
Private sector		422,254,118		241,557,581
Non-Bank financial institution		36,937,756		16,043,959
Diaspora deposit		6,500,000		5,000,000
Public enterprise		1,000,000		712,566
		<u>466,691,874</u>		<u>263,314,106</u>
Total deposits from customers		4,457,396,806		2,686,984,347



**LION INTERNATIONAL BANK SH. CO.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

CURRENCY: BIRR

13. OTHER LIABILITIES

	2014	
Cash payment orders	110,422,518	101,274,894
Blocked accounts	8,285,123	14,313,932
Provision for annual leave	7,418,549	5,184,384
Local transfers payable	12,202,632	26,305,181
Exchange commission	20,183,489	7,218,841
Taxes and stamp duty charges	3,176,137	2,267,198
Miscellaneous payable	862,114	2,473,122
Retention payable	-	15,474
Retention on foreign currency	5,860,465	2,330,019
Accruals	45,102,459	11,522,504
Others	1,736,082	2,853,540
Unearned LG Commission	-	243,584
Provident & pension fund	402,792	-
Foreign transaction payable	7,104,837	19,598,022
Temporary customer account	5,633,015	7,239,290
Advance on import bill	12,522,793	9,367,912
	240,913,005	212,207,897

14. PAID UP CAPITAL

Balance at 30 June 2014	446,833,287	374,935,939
Add: Shares paid during the year	63,085,976	71,897,348
	509,919,263	446,833,287

15. LEGAL RESERVE

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

Balance at 30 June 2014	91,646,572	67,501,510
Add: Current year reserve	50,190,347	24,145,062
	141,836,919	91,646,572

16. SPECIAL RESERVE

According to the resolution of the 10th shareholders' general assembly, the assembly has passed a resolution to retain a special reserve from the profit of the year ended 30 June 2014. This reserve is not subject to distribution to the shareholders.



**LION INTERNATIONAL BANK SH. CO.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

CURRENCY: BIRR

17. RETAINED EARNINGS

	2014	
Balance at 30 June 2014	89,340,105	99,507,836
Prior year adjustment	(6,044)	(1,238,974)
Dividend declared	(69,539,610)	(81,363,944)
Transferred special reserve	(2,895,579)	-
Add: Net profit for the year	150,571,040	72,435,187
	167,469,912	89,340,105

18. INTEREST INCOME

Interest on loans and advances	298,231,786	188,073,394
Interest on time deposit	-	1,769,295
Interest on treasury & NBE bills	28,630,021	19,264,500
	326,861,807	209,107,189

19. INTEREST EXPENSES

Fixed deposits	32,130,264	19,143,469
NBE-borrowing	-	880,818
Saving and demand deposits	74,467,518	53,929,323
	106,597,782	73,953,610

20. COMMISSION, FEES AND CHARGES

On letter of credit	52,291,796	19,534,740
On letter of guarantee	57,614,740	28,773,455
On local transfers and transactions	7,505,480	7,816,330
	117,412,016	56,124,525

21. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

Gain on foreign exchange	99,592,021	45,280,485
Loss on foreign exchange	(24,642,665)	(20,935,781)
	74,949,356	24,344,704



**LION INTERNATIONAL BANK SH. CO.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	CURRENCY: BIRR	
22. OTHER INCOME	2014	
Gain on disposal of fixed assets	3,669	1,398,500
Telephone, telegraph and postage charge	2,716,321	2,988,678
Service charge on foreign and local transaction	112,738,053	46,933,182
Others	3,143,973	301,519
Dividend	1,116,000	839,340
	119,718,016	52,461,219
23. GENERAL & ADMINISTRATION EXPENSES		
Depreciation	9,455,695	5,657,010
Inspection & circulation fee	33,312	23,793
Amortization	2,754,839	2,580,975
Office rent	32,992,387	23,195,187
Stationery and printing	4,507,810	3,249,994
Communication	4,953,139	3,598,389
Correspondent charges	121,290	43,743
Advertisement and promotion	7,855,152	4,919,174
Insurance	2,963,832	2,329,834
Repair and maintenance	2,336,976	2,067,804
Fuel and lubricants	676,850	674,203
Traveling & per diem	1,497,262	1,006,628
Electricity and water	535,725	320,355
Subscription and membership fees	198,431	193,614
Wages	12,524,298	7,591,740
Postage expenses	251,599	191,274
License fee	181,523	86,707
Transportation	675,487	541,170
Entertainment	1,177,732	525,444
Inauguration	2,880	-
Cleaning supplies	236,720	178,303
Office supplies	563,124	336,556
Maintenance, support & consultancy fee	3,135,338	2,952,715
Transportation of currencies	9,805,954	1,527,689
Legal fees	7,495	17,186
Stamp duty tax	16,665	9,879
Miscellaneous	1,058,940	1,006,844
Donation	2,000,000	-
	102,520,455	64,826,210



**LION INTERNATIONAL BANK SH. CO.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	CURRENCY: BIRR	
24. DIRECTORS FEE	2014	
Monthly allowance	270,000	258,000
Annual directors fee	550,000	550,000
	820,000	808,000
The annual directors fee represents the maximum limit allowed by the National Bank of Ethiopia on its directive No. SBB/49/2015. However, this fee is subject to approval by the shareholders general assembly.		
25. PROVISION FOR TAXATION		
Net profit before taxation for the year	275,592,103	127,186,125
Add: Non-allowable expense		
Depreciation in accordance with bank's policy	9,455,695	5,657,009
Entertainment	1,177,732	525,444
Penalty	360,000	40,000
Donation	1,000,000	-
Amortization of deferred charge as per bank policy	2,754,840	2,580,975
Provision for doubtful accounts other than loans & advances	3,295,487	-
	18,043,754	8,803,428
Less: Allowable expense & deposit income		
Depreciation in accordance with tax proclamation No. 286/2002	12,993,612	9,335,045
Interest income on deposits as per tax proclamation No. 286/2002 Article 36, sub Article 3 (Note 18)	28,630,021	21,033,796
Dividend income taxed at source	1,116,000	839,340
Amortization of deferred charge as per tax law	1,456,834	1,363,285
Gain on disposal of IT equipment	3,669	1,398,500
	(44,200,136)	(33,969,966)
Taxable profit	249,435,721	102,019,587
Provision for taxation (30%)	74,830,716	30,605,876
Less: Withholding tax	-	-
	74,830,716	30,605,876
26. EARNING PER SHARE		
Earning per share is calculated by dividing net profit after tax but before legal reserve divided by average number of outstanding shares as at 30 June 2015. The weighted average number of outstanding shares as at 30 June 2015 is 18,888,752 (16,362,349 share as at 30 June 2014) shares of Birr 25 par value.		



**LION INTERNATIONAL BANK SH. CO.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

CURRENCY: BIRR

27. 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.

		2014
Contingent liabilities		
Letters of credit (Note (a))	826,910,560	197,608,303
Guarantees issued (Note (b))	1,107,373,344	605,593,735
	1,934,283,904	803,202,038
Contingent liabilities		
Loans and advances approved but not drawn	258,462,749	130,885,330

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 2015**

CURRENCY: BIRR

28. MEMORANDUM ACCOUNTS

		2014
Inward bills for collection-acceptance and sight	54,332,209	44,948,944
Outward bills for collection local and foreign	5,633,015	7,239,290
Interest on Non performing loans	4,504,269	1,853,209

29. RISK MANAGEMENT

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

Credit risk

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

Liquidity risk

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

Foreign exchange risk

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





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