



# LION INTERNATIONAL BANK S.C.

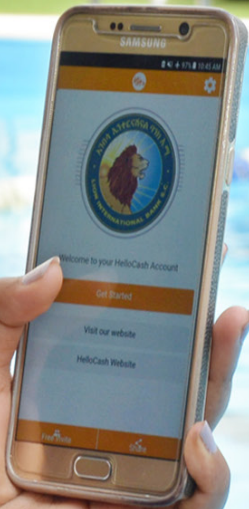
## Annual Report 2016/17



key to success

Annual Report 2016/17





# What's INSIDE

- 02** Board of Directors
- 03** Management Team
- 04** Growth at a Glance
- 05** Message From the Chairperson
- 07** Directors' Report
- 16** Auditors' Report
- 43** Events

**Board of Directors**



**Standing at the Back (from Left to Right):**

Tsegaberhan Mekonen (PhD); Ato Rezene Hailu; Ato Yirga Tadesse,V/Chairperson; Guush Berhane (PhD); Ato Haile Berthe.

**Sitting at the Front (from Left to Right):**

Wro. Meaza Alemayehu; Hailekiros Gessesse (Ambassador); Tassew Woldehanna (Professor), Chairperson; Ato Beyene Belay; Wro. Nigist W/Selassie.  
Member who is not in the picture: Dr.Teweldeberhan Hailu.

## The Management Team



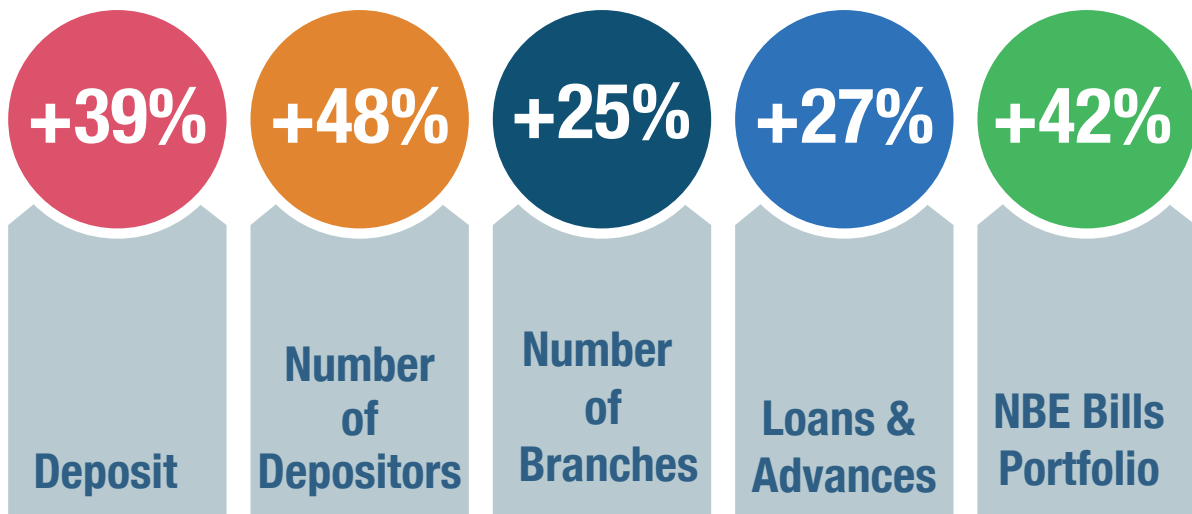
### **Standing at the Back( from Left to Right):**

Ato Solomon Tesfaye, A/Director-Information Technology Services; Ato Hailay Haftu, Director-Business Development & Corporate Planning; Ato Tekie Mekuria, VP-Operations; Ato Getachew Solomon, President; Ato Gebru Meshesha, VP- Corporate Service; Ato Sileshi Tigabu, Director -Finance; Ato Wondwosen Gashaw, Manager-Property & General Service; Wro. Feven Biniam, Manager-Legal Service.

### **Sitting at the front ( from Left to Right):**

Ato Daniel G/Egziabher, Director -Risk & compliance Management; Wro. Tsebele Hadush, Director-Credit; Ato Akillu Hayelom, Director-Domestic Banking Service; Ato Eshetu Fanta, Manager -Engineering; Ato Shiworkie Belete, Director-Internal Audit; Ato Daniel Tekeste, Director-International Banking; Ato Michael Gezae, Manager-Human Resources.

# Growth at a Glance





“ Successes in the just ended fiscal year did not however come without challenges. ”

## Message from the Board Chairperson

On behalf of the Board of Directors and myself, it is my pleasure to present the annual performance report of Lion International Bank S.C. (LIB) for the year ended June 30, 2017. The report aims to provide some key highlights of the achievements made and challenges faced during the just ended fiscal year. I am happy to share with you that despite the significant challenges faced, the just ended year was another successful year for LIB. As in the recent past, this year's achievements are also attributable to the synergistic efforts of the bank's strong corporate leadership, effective management at different levels, and the relentless efforts of its industrious employees. This is of course impossible without the enormous support and solid business relationships that the bank has established with its esteemed customers. As always, we at LIB highly regard and recognize the continued business relationships and confidence we received this year from our valued customers.

Here are some of the success milestones at LIB. We have been able to mobilize Birr 2.4 billion during the fiscal year, raising our outstanding total deposits to Birr 8.77 billion, implying a growth rate of 39 percent from the previous year. Total asset of the Bank has grown to Birr 10.98 billion, an increase by 35 percent over the preceding year; while total liability stood at 9.53 billion. Besides, the capital and reserve of the Bank has reached Birr 1.45 billion, increasing by 32 percent from where it was in the year before. The paid-up capital has also reached Birr 938 million, witnessing a growth of 46% as compared to the same period in the year before. Moreover, during the reporting period, our Bank has managed to disburse loans and advances of Birr 2.66 billion which raised the total outstanding loan balance to Birr 5.60 billion, registering 28 percent increase as compared to the preceding year's performance. The Bank has been able to maintain the non-performing loans to total loans ratio (NPLs) at 3.37 percent, which is below the industry average for the year and the National Bank of Ethiopia's (NBE) 5 percent requirement. These achievements made the bank to register a profit of Birr 351 million before tax, earnings per share of Birr 7.7. These milestones are consistent with the bank's performance in the preceding year.

Successes in the just ended fiscal year did not however come without challenges. First, keeping up with previous successes on foreign currency earnings was among the first, which affected our bank's international operations. Second, there has been a strong competition among banks for savings mobilization. Strategic decisions were made to redress these challenges and manage the potential gaps that would otherwise have occurred. The board gave strategic directions so that concerted efforts are made to mobilizing local deposits through among others aggressive investments and expansion in additional branches as well as enhance accessibility of existing ones for depositors. These decisions have helped the bank achieve its goals described earlier.

In line with this, we have taken steps to strengthen our bank's institutional capabilities. Recognizing the need to make our progress more resilient in the years to come and achieve our strategic goals, we have made key strategic investments in information technology and human capital development. This included investments in upgrading our core banking solutions to a state of the art primary data center, which enables the bank to provide fast and reliable services. Moreover, the core banking solutions provide a platform to supply full-fledged alternative services, including mobile and internet banking, agent banking, card banking, and other automated banking services. We have also enhanced our corporate governance, risk management frameworks, and internal control systems to ensure ongoing compliance with regulatory requirements and internal policies and procedures.

As I have mentioned in my last year report, LIB's long-term success is to build on a firm foundation of excellence in corporate governance, including a well-developed culture of prudent risk management, accountability and integrity. The board has worked closely with the management team, as well as our regulators and supervisors, to ensure we remain on the leading edge of these developments. We have made significant investments in risk management and compliance that make the bank stronger and more resilient.

With all the concerted efforts and coordinated moves of the board, the management and the employees of the bank, I am confident that, the next fiscal year is going to be one of another success for the bank, our shareholders, and our esteemed customers. The board will continue to have great confidence in the long-term success of the bank. More than ever, the bank is prepared to raise its customer base, level up the services provided, and march towards achieving our bigger goal as set out in our strategic plan.

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 efficient and quality banking services. The board also recognizes the unparalleled support provided by the management, the staff, and stakeholders. I would like to express my heartfelt gratitude to you all. I would also like to thank the National Bank of Ethiopia (NBE) and the Financial Intelligence Center (FIC) who have been supportive in all our moves and I would like to thank them for their fruitful engagements and collaborations.

Thank you.



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



# DIRECTORS' REPORT

The Board of Directors is delighted to present the overview of the Bank's tenth year operational performance (for the fiscal year ended on June 30, 2017) to its shareholders, partners and associates on the Thirteenth Annual General Assembly. The annual report includes summary of major progress noted in key banking operations, financial and non-financial aspects. Once again the bank has remained resilient amid the multifaceted challenges and prompts a better prospect for the year to come.

# Breathing Capital Management

Following the annual employee satisfaction survey conducted on several national institutions by Deloitte, a multinational professional services company based in New York City, Lion International Bank has won “Best Company to Work For” award for the year 2016. This award once again has confirmed that the bank has been consistent in creating fulfilling environment for its employees. At the wake of this result, Lion reaffirmed its pledge to surpass the expectation of its employees by making the office a great place to work than it already is.

In the making of Lion, no one shall be left behind; the bank is intended to bring everyone to the harmony that matches its rhythm. Hence, it has been grooming its team by financing formal education, from the non-clerical staff who aspires for clerical jobs to those who are striving to advance their career by attending graduate classes. It has also been engaged in nurturing the development of its team via 40 short-term skill upgrading training programs. This year 1,746 employees participated on these programs focused on topics ranging from critical operational aspects to the contemporary digital financing to issues that determine the next strategic move of the bank such as system security, leadership, service excellence and compliance. To effectively bring the new recruits onboard with the rest of team lion, workshops, induction and awareness creation sessions have been successfully undertaken.

Team Lion, on its behalf, is invaluable asset and the biggest driver of the bank’s sustained commendable performance. The bank has a team of committed, self-motivated and empathic workforce, who strive to exceed customers’ expectations.

Upon the thriving expedition made during the year, the size of the permanent staff raised from 1,284 to 1,518, which is 18 percent increment. The share of the permanent staff size is 52 percent of the total workforce; while employees sourced from external agencies make up 48 percent of the total. Since the experience in the past years proved it to be efficient, the bank has continued to fill support jobs from external sources, mainly Agar Security Service P.L.C. and Walta Security and Commission Service P.L.C., which has created opportunity for a total of 1,390 people.

The combination of young and experienced personnel brought the average age of Team Lion to 31 years that matches the changing demography of the country. Lion, as an equal opportunity employer, has also been taking deliberate steps to bring gender parity at different capacities, without compromising the quality, in order to gain the most out of the diversity that comes along.

# Reaching Out PARTNERS

Lion endeavors in serving its clients that got acquainted over the years with delight, respect, excellence, Loyalty and alternate choices. This is the culture that tunes the overall rhythm of reaching out communities, it has yet to reach.

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

## Branch Expansion

With distinguished services, tailored to support the needs and wants of individuals, families, small businesses, and medium and big investments, Lion has opened 30 new branches across the country, raising the total number to 150. The Bank has increased its presence in Addis Ababa, Tigray, Oromia, Amhara, SNNPR, Afar, Somali, and Dire Dawa; and opened its first branch in Harari Region.

Lion, through its physical outlets, shall carry on the endeavor of creating access and convenience to the public. Thus, 19 new branches located in outlying sites have become operational in the new fiscal year so far, these are: Hawelti, Soloda, Kedamay Weyane, Adigrat Menharia, Chila, Asela, Arsi Negelle, Bule Hora, Konso, Jinka, Baeker, Midre Hayelom, Sekota, Debre Tabor, Finote Selam, Enjibara, Tulu Dimtu, Alem Gena and Arada Ghiorgis.

In addition, at least 19 branches shall also commence operation before the end of this new fiscal year; and some of them are Jima, Welkite, Butagera, Debre Birhan, Abakoran, Kemissie, Shewa Robit, Bati, Debre Markos, Kalamino, Enqulal Fabrica, Salite Mihret, Yeka Abado, Lideta, and Dearo Mekele.

## Mobile and Agent Banking

The past two years with Lion's Hellocash mobile and agent banking services has brought a new dynamism to the market since banking without physical presence and closing time, safety with no need to carry cash, and reliability equivalent to branches at an affordable price have become reality for all, not just for the few elites.

Since the commercial launch of the service, the bank has been expanding the package it offers for the customers. Other than the obvious and basic features of deposit, withdrawal, money transfer and mobile phone top-ups, the customers can also effect payment for their Ethiopian Airlines, Selam Bus and Edna-Mall Cinema tickets. Meanwhile, the roll-out access for bill payment is on the pipeline.

In this regard the best is yet to come, since the bank is breaking new grounds by integrating this platform with the retail banking. The integration, which is now on the pilot stage, shall activate transfer between the two accounts and full-fledged mobile banking.

In the concluded fiscal year, the total number of agents counted more than 1,400 with over 74,000 customers of the service. Together they have made Birr 69 million worth transaction during the year.

## Card Banking

It has been more than a year since the commercial launch of card banking. The bank has deployed ATM machines in both city and outlying locations that have been effectively serving the public. More than 11,000 cards were distributed to our customers.

Lion Card holders can withdraw money, check their balance, and transfer fund from one account to another via Lion and other ETHSwitch member banks' ATMs 24/7.

## Banking Transaction Notification System

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

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

With this clients have one more choice to manage their accounts and investments without being physically present at branch offices.

## E-Banking

The bank has been diligently working to exceed the expectation of customers and enhance their convenience by deploying technology-based delivery channels, mobile and internet banking.

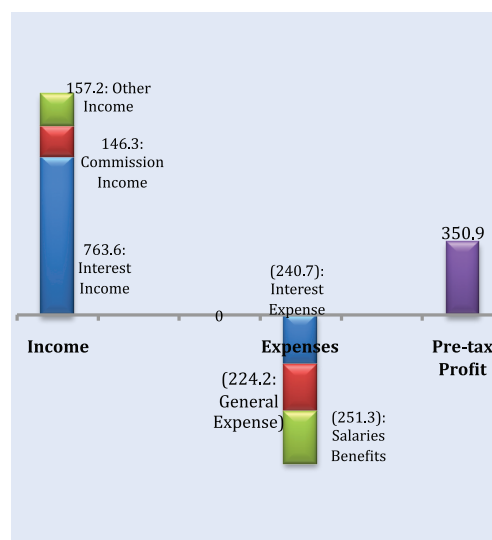
Primary activities are underway for the pre-launching project of the internet banking service. As for the mobile banking, the process of integrating the retail banking and hellocash is on pilot test, which is to be operational in the new fiscal year.

# Financial Performance

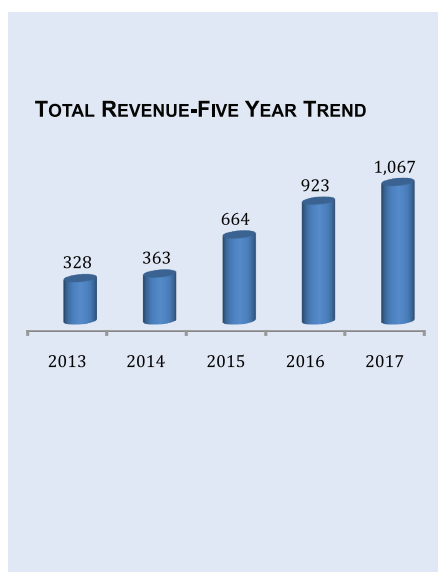
For ninth straight year, Lion International Bank has remained in course of profitability with a growing trend. Although multiple challenges partially halted the Bank from repeating similar pace of growth both in return on asset and capital, such situation has not affected the bank's sound financial caliber that has long-term implications.

As the year came to an end, the bank's profit before tax has reached Birr 351 million, registered the highest ever profit with a slight increment from the previous year pre-tax profit of Birr 350 million.

The overall turnout of the profit after tax, which increased by 2.6 percent from the previous year, and the share capital that registered a 46 percent growth from the prior year, resulted a 33 percent Earnings per share.



## Revenue



Efficient management of the available resources has been the driving principle of the bank for the past consecutive years. At the end of the fiscal year, the total revenue of the bank has reached an all time high of Birr 1.07 billion, up by 16 percent from the previous year standing of Birr 923 million. The increase in total revenue is attributed to interest and commission income.

To remain resilient and absorb the impact of the multiple external challenges occurred during the year and keep the growth in motion, the bank kept tapping and gaining its prime earning from interest income, which is 72 percent of the total amount, while the remaining 28 percent came from non-interest income sources.

Further breaking down the non-interest income, other income is 52 percent, while income from commission is 48 percent of this segment.

## Expenses



The bank has invested on financial, physical and human resources, amounting Birr 716 million over the year to earn the above stated revenue.

Efficiency tangled with flexible business response is the guiding principle that has been shaping the investments made from branch expansion to rolling out of new products and services to development work on the human capital and upgrading the IT infrastructure. Following the vast expansion made in both physical and technological aspects, the non-interest expenses cover 66 percent of the total, while the remaining 34 percent was spent on interest payments.

## Balance Sheet

The balance sheet of the bank has exhibited a 35 percent increment during the year, rising from Birr 8 billion to Birr 11 billion. The outstanding balance of loans and advances accounts for 50 percent of the total asset structure; while NBE bill is 22 percent of the total. The total outstanding balance of the bank's NBE bills has reached Birr 2.4 billion from the previous year standing of Birr 1.7 billion. This total amount is 27 of the total deposits and 44 percent of the total loans & advances of the bank. The 30 percent liquid asset to current liability indicates that the bank has been better in converting the cash from various sources into return, and thus resilient enough to meet its obligations.

The growth of liabilities, in which 92 percent of the total amount is resulted from customers' deposits, is the reflection of the notable efforts exerted in fund mobilization. By the end of the year, the total liabilities of the bank stood at Birr 9.5 billion, with 35 percent growth from the previous year.

The share capital covers 65 percent of the total capital & reserve, which is Birr 1.4 billion. Legal reserve and retained earnings jointly made up the remaining amount. The capital adequacy ratio of the bank stood at 16 percent, well above the minimum regulatory requirement of 8 percent, still reflecting the notable strength of the Bank in progressively taking up reasonable risks for matched returns.

# Wealth Management

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

## Deposit

The integrated approach of the bank has been the wheel that boosted Lion’s deposit position of Birr 6.33 billion in the previous year to Birr 8.77 by the end of June 2017. The remarkable Birr 2.4 billion (39 percent) leap in the year is backed by stable source of funds with relatively predictable costs since 89 percent of the net mobilization came from saving and demand deposits; while savings hold the upper hand (77 percent) within this category.

Matching the pace of the total amount, the customer base widened by 48 percent from the prior year and reached more than 408,000. Accordingly, the average size of the bank’s deposits is about Birr 21,500 per depositor, one more indication that reflects the stable structure of the resource.



## International Banking

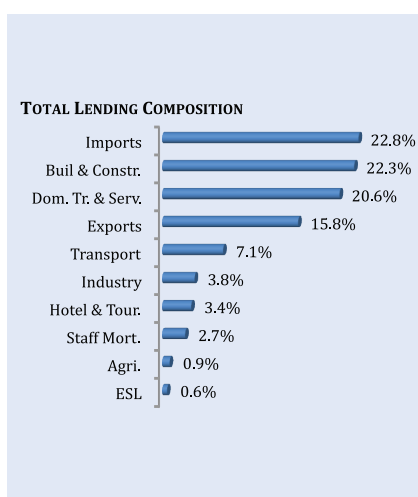
Shaped by the course of the global circumstances and the focus to make the most out of the available resource in the local context, international banking operations have continued to be a tough and competitive ground. Notwithstanding the challenges coming from these, Lion has been able to generate 103 million U.S. dollars during the concluded fiscal year. The emphasis that was given for the export has paid off as it generated 73 percent of the stated total foreign currency.

Lion is finalizing partnership process with three money transfer agents, which shall increase the money transfer options from eight to eleven. Simultaneously, the number of correspondent banks has reached seven and the bank is negotiating to finalize contractual agreements with other respected financial institutions around the world.

The aggregate of the above factors and the Relationship Management Application (RMA) Lion has with 69 banks, has been stimulating and will continue to do so in the process of mobilizing foreign currency.

## Credit Management

Equivalent to the boost in the resources, the total lending of the bank grew by 27 percent and reached Birr 5.5 billion over the year from the preceding year’s Birr 4.3 billion outstanding 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 percent.



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

The bank has financed from agriculture to industry sectors and from export/import related to domestic trade and service 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, much lower than the regulatory maximum limit of 5 percent and most of the peers.

## RISK MANAGEMNT

Risk Management is at the heart of Lion International bank's operation and it endeavors constantly to improve its risk management framework. The bank's risk governance and risk appetite is implemented through policies approved by the Board of Directors. Lion International Bank aims for informed decision making and strong risk awareness throughout the bank. Risk management function strives to constantly improve its activities by virtue of its expertise and thereby increasing the value of the services and products provided by the bank. In line with that the bank seeks to promote a strong risk management culture throughout the organization and every employee is expected to exhibit behaviors that support this.

At the budget year-end 2016/17, the bank was in compliance with its defined risk appetite. All regulatory requirements were fulfilled in conformity with those stipulations to protect the bank, and conventional risk measures show that the risk inherent in the bank's operations is well managed. Overall, since the bank is entrusted with the responsibility of overseeing the risk and compliance management endeavor, it has been playing its role in proactively managing current and potential risks thereby ensuring the bank's risk exposures are contained within the acceptable level.

## WAY FORWARD

Looking back to the concluded year, the bank has made vital strategic moves 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 and determination, the bank is set to launch initiatives that shall put it into new heights. From technology based delivery channels to introducing new products that would serve different target groups to creating the right blend between customer intimacy and operational excellence are among the targets that shall be chartered.

By doing so, the Board of Directors, Management and the entire team shall strive to achieve the third year strategic goals, which shall foster, along with the previous years, the path to achieve the intent of the strategic season.

**THE BOARD OF DIRECTORS**  
**21<sup>st</sup> October 2017**

# International Remittance







# Auditors' REPORT

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

We have audited the accompanying financial statements of Lion International Bank S. C. which comprise the Statement of Financial Position as of 30 June 2017, the Statement of Profit & Loss and other Comprehensive Income and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Director's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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



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

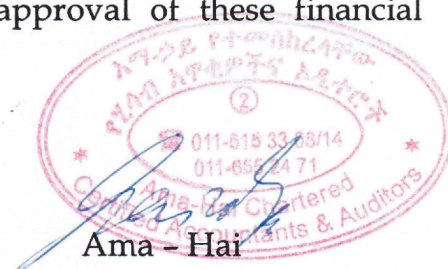
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Unqualified opinion**

In our opinion the financial statements present fairly, in all material respects, the financial position of Lion International Bank S. C. as of 30 June 2017, and of its financial performances and its cash flows for the year then ended and are prepared in accordance with Applicable laws and Accounting Policies of the Bank.

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

Addis Ababa  
September 30, 2017



Ama - Hai  
Chartered Certified Accountants

**LION INTERNATIONAL BANK S. C.  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**


CURRENCY: BIRR

<u>ASSETS</u>	<u>Notes</u>		<u>2016</u>
Cash & Cash Equivalents	2.2, 3	2,230,322,695	1,515,811,944
Reserve with National Bank of Ethiopia		441,000,000	318,000,000
National Bank of Ethiopia bills	4	2,386,995,000	1,679,129,000
Loan & advances	5	5,485,675,118	4,303,387,848
Stock of supplies	6	7,815,484	7,605,338
Other assets	7	262,770,651	173,872,868
Deferred charges	8	20,257,028	3,798,708
Investment in equity shares	9	25,732,624	25,732,624
Property, Plant & Equipment	10	111,608,209	91,893,314
Leasehold land	11	3,752,000	-
<b>Total Assets</b>		<b>10,975,928,809</b>	<b>8,119,231,644</b>
<b>LIABILITIES, CAPITAL AND RESERVES</b>			
<u>LIABILITIES</u>			
Deposits from customers	12	8,774,856,283	6,333,564,240
Other liabilities	13	409,107,710	431,042,472
Margin held on letters of credit		257,724,375	196,638,844
Provision for taxation	26	82,467,347	88,126,516
Lease payable		2,889,304	-
<b>Total liabilities</b>		<b>9,527,045,019</b>	<b>7,049,372,072</b>
<u>CAPITAL AND RESERVES</u>			
Paid up capital	14	938,230,347	642,489,634
Legal reserve	15	274,336,653	207,222,251
Special reserve	16	12,029,335	7,092,821
Share premium	17	6,049,770	-
Retained earning	18	218,237,686	213,054,866
<b>Total capital and reserves</b>		<b>1,448,883,791</b>	<b>1,069,859,572</b>
<b>Total liabilities, capital and reserves</b>		<b>10,975,928,809</b>	<b>8,119,231,644</b>

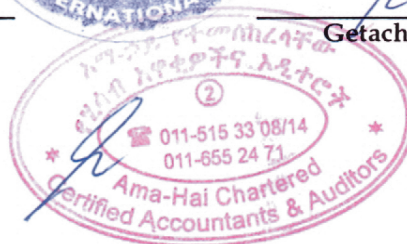
The Financial Statements on page 3 to 6 were approved & authorized for issue by the board of directors on September 30, 2017 and were signed on its behalf by:



**Tasew W/hana (Professor)  
Chairman, Board of Directors**

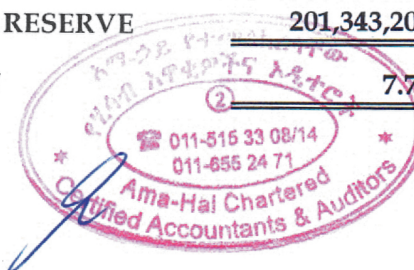
**Getachew Solomon (Ato)  
President**



LION INTERNATIONAL BANK S. C.  
 STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 30 JUNE 2017

CURRENCY: BIRR

INCOME	Notes		2016
Interest Income	19	763,607,998	527,201,904
<u>Less: Interest Expenses</u>	20	<u>(240,712,054)</u>	<u>(169,608,626)</u>
<b>Net Interest Income</b>		522,895,944	357,593,278
Commission, Fees And Charges	21	146,292,681	117,828,141
Net Gain From Dealing In Foreign Currencies	22	51,114,227	110,572,324
Other Income	23	<u>81,661,874</u>	<u>139,198,029</u>
		279,068,782	367,598,494
<b>Net Operating Income</b>		801,964,726	725,191,772
Impairment loss on loans and advances		<u>(26,275,535)</u>	<u>(38,565,616)</u>
Net interest and other income after impairment loss on loans & advances		775,689,191	686,626,156
<b><u>OPERATING EXPENSES</u></b>			
Salaries And Benefits		251,297,609	200,231,613
General & Administration	24	171,036,650	135,379,078
Directors & Nomination committee fee	25	2,042,333	1,048,667
Audit Fee & Expenses		<u>387,646</u>	<u>298,954</u>
<b>Total Operating Expenses</b>		<u>(424,764,238)</u>	<u>(336,958,312)</u>
<b>NET PROFIT BEFORE TAXATION</b>		350,924,953	349,667,844
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
		350,924,953	349,667,844
<b>PROVISION FOR TAXATION</b>	26	<u>(82,467,347)</u>	<u>(88,126,516)</u>
<b>NET PROFIT AFTER TAXATION</b>		268,457,606	261,541,328
<b>LEGAL RESERVE</b>	15	<u>(67,114,402)</u>	<u>(65,385,332)</u>
<b>NET PROFIT AFTER TAXATION &amp; LEGAL RESERVE</b>		<u>201,343,205</u>	<u>196,155,996</u>
<b>EARNING PER SHARE OF BIRR 25</b>	27	<u>7.79</u>	<u>12</u>



LION INTERNATIONAL BANK S. C.  
STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED 30 JUNE 2017

CURRENCY: BIRR

OPERATING ACTIVITIES		2016
Net profit before taxation	350,924,953	349,667,844
Amortization of deferred charges	1,094,458	230,603
Depreciation	20,456,829	13,897,795
Prior year adjustment	(4,222)	7,355
Return on investment (divided income)	-	(933,305)
<b>Operating (loss) before working capital changes</b>	<b>372,472,018</b>	<b>362,870,292</b>
Increase/ (Decrease) in stock of supplies	(210,146)	(3,908,038)
Increase in other assets	(88,897,783)	(11,787,143)
Increase in loans and advances	(1,208,562,805)	(1,511,386,698)
Doubtful debts other than loans written back	-	(1,746,010)
Provision for doubtful loans and advances	26,275,535	38,565,616
Increase in deposits from customers	2,441,292,043	1,876,167,434
Decrease in other liabilities	(21,934,762)	190,129,467
Increase in lease payable	2,889,304	-
(Decrease) Increase in margin held on letter of credit	61,085,531	(67,461,198)
Profit tax & withholding tax paid	(88,126,516)	(74,830,716)
Dividend paid	(77,633,348)	(63,774,682)
<b>Net cash generated from operating activities</b>	<b>1,046,177,053</b>	<b>369,968,032</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of fixed assets	(40,171,724)	(40,378,750)
Increase on differed charges	(17,552,778)	(2,420,799)
Acquisition of NBE bills	(707,866,000)	(442,229,000)
Increase in NBE reserve	(123,000,000)	(101,000,000)
Investment in share	-	(333,050)
Return on investment (Dividend received)	-	933,305
Land lease	(3,752,000)	-
Premium paid in capital	6,049,770	-
<b>Net cash used in investing activities</b>	<b>(886,292,732)</b>	<b>(585,428,294)</b>
<b>FINANCING ACTIVITIES</b>		
Payments for subscribed shares & capitalization	182,154,412	49,963,900
<b>Net cash generated from financing activities</b>	<b>182,154,412</b>	<b>49,963,900</b>
<b>Net (Decrease)/Increase In Cash And Cash Equivalents</b>	<b>714,510,751</b>	<b>197,373,930</b>
Cash and cash equivalents at beginning of the year	1,515,811,944	1,318,438,014
<b>Cash and cash equivalents at end of the year</b>	<b>2,230,322,695</b>	<b>1,515,811,944</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash on hand	809,295,222	660,958,643
Cash and balances with National Bank of Ethiopia	595,982,741	435,804,057
Cash and balances with foreign banks	260,771,283	219,049,244
Cash and balances with domestic banks	564,273,449	200,000,000
	<b>2,230,322,695</b>	<b>1,515,811,944</b>



LION INTERNATIONAL BANK S. C.  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017

CURRENCY: BIRR

	Paid up Capital	Legal Reserve	Special Reserve	Retained Earnings	Share Premium	Total
Balance as at 30 June 2015	509,919,263	141,836,919	2,895,579	167,469,912	-	822,121,673
Dividend declared	-	-	-	(146,387,828)	-	(146,387,828)
Special reserve	-	-	4,183,212	(4,183,212)	-	-
Contribution to subscribed capital	132,577,046	-	-	-	-	132,577,046
Net profit for the year	-	-	-	196,155,994	-	196,155,994
Prior year adjustment	(6,675)	-	14,030	-	-	7,355
Transfer to legal reserve	-	65,385,332	-	-	-	65,385,332
Balance as at 30 June 2016	642,489,634	207,222,251	7,092,821	213,054,866	-	1,069,859,572
Dividend declared	-	-	-	(191,224,391)	-	(191,224,391)
Special reserve	-	-	4,935,994	(4,935,994)	-	-
Contribution to subscribed capital	295,745,455	-	-	-	-	295,745,455
Share premium	-	-	-	-	6,049,770	6,049,770
Net profit for the year	-	-	-	201,343,205	-	201,343,205
Prior year adjustment	(4,742)	-	520	-	-	(4,222)
Transfer to legal reserve	-	67,114,402	-	-	-	67,114,402
Balance as at 30 June 2017	938,230,347	274,336,653	12,029,335	218,237,686	6,049,770	1,448,883,791



**LION INTERNATIONAL BANK S. C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**1 BACKGROUND OF THE REPORTING ENTITY**

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

The Bank's principal activity is commercial banking.

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

**2 SIGNIFICANT ACCOUNTING POLICIES**

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

a) *Statement of compliance*

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

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

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

The financial statements are presented in Ethiopian Birr.





**LION INTERNATIONAL BANK S. C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**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.

**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, leasehold land, deferred charges, prepayment, acquired property & 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.



**LION INTERNATIONAL BANK S. C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**(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.

**(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.

**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:



**LION INTERNATIONAL BANK S. C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**(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.

**(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 Status</u>	<u>Extent of Provision Required</u>
1. Pass loans	1% of outstanding loan balances
2. Special mention	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 (Note)
5. Loss loans	100% of the net loan balance (Note)



**LION INTERNATIONAL BANK S. C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**Note**

Net loan balance is outstanding loan balance less net Recoverable Value of collaterals as provided by the National Bank of Ethiopia for the industry. When a loan is deemed uncollectible, it is written out against the related provision for impairment. Subsequently recoveries are credited to the provision for loan impairment in the Statement of Financial Performance.

**e) *Property, Plant & Equipment***

Property, Plant & Equipment 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 & 20

**f) *Revenue recognition***

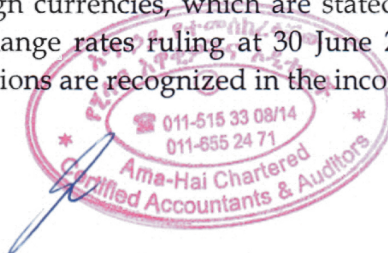
Interest income and expense in the income statement are recognized on accrual basis.

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 selling exchange rates ruling at 30 June 2017. Foreign exchange differences arising on translations are recognized in the income statement.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**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.

**i) Deferred charges**

These are the cost of new banking software (Sopra Amplitude V10.1 & Other operational bank Softwares) and will be amortized on straight line bases over five years.



LION INTERNATIONAL BANK S. C.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2017

CURRENCY: BIRR

3 CASH AND CASH EQUIVALENTS

		2016
Cash & balance with banks (Note 3.1)	1,405,277,963	1,096,762,700
Deposit with foreign banks (Note 3.2)	260,771,283	219,049,244
Deposit with domestic banks (Note 3.3)	564,273,449	200,000,000
	<b>2,230,322,695</b>	<b>1,515,811,944</b>

3.1 Cash and balance with banks

Cash on hand (Local & Foreign currency)	809,295,222	660,958,643
NBE-payment and settlement and issue account	595,982,741	435,804,057
	<b>1,405,277,963</b>	<b>1,096,762,700</b>

3.2 Deposit with foreign bank

CAC International Bank - US	10,464,204	-
Bank of Africa - Djibouti	3,003	7,957,483
Bank of Beirut	4,313,992	6,209,031
CommerZ Bank AG - Frankfurt	135,941,994	172,408,577
Bank of China - Beijing	110,048,090	32,474,153
	<b>260,771,283</b>	<b>219,049,244</b>

3.3 Deposit with domestic banks

Bank Abyssinia S.C.	100,000,000	-
United Bank S.C.	200,000,000	-
Abay Bank S.C.	-	50,000,000
Enat Bank S.C.	108,548,774	100,000,000
Bunna International Bank S.C.	155,724,675	50,000,000
	<b>564,273,449</b>	<b>200,000,000</b>

4 NATIONAL BANK OF ETHIOPIA BILLS

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

Balance at 30 June 2016	1,679,129,000	1,236,900,000
<b>Add:</b> Additional bills acquired	889,440,000	607,172,000
	2,568,569,000	1,844,072,000
<b>Less:</b> Bill matured & repaid back	(181,574,000)	(164,943,000)
	<b>2,386,995,000</b>	<b>1,679,129,000</b>



LION INTERNATIONAL BANK S. C.  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

CURRENCY: BIRR

**5 LOANS AND ADVANCES**

**Analysis by period of maturity**

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

	<b>2016</b>	
Loans and advances due:		
Within one year	2,250,060,151	1,767,266,440
After but within five years	2,939,253,104	2,291,782,536
After five years	408,951,855	330,653,329
	<u>5,598,265,110</u>	<u>4,389,702,305</u>
<b>Less: Provision for doubtful debts</b>	<b>(112,589,992)</b>	<b>(86,314,457)</b>
	<b><u>5,485,675,118</u></b>	<b><u>4,303,387,848</u></b>

**Analysis by sector**

Communication	396,140,491	290,597,660
Export	884,121,940	828,902,954
Import	1,277,931,182	994,480,487
Manufacturing & Production	213,321,255	249,405,588
Building & Construction	1,247,101,268	837,330,815
Domestic Trade & Services	1,152,954,403	869,370,301
Staff emergency & Mortgage loan	226,852,871	141,919,912
Agriculture	48,870,973	59,542,211
Hotel & Tourism	150,970,727	118,152,377
	<u>5,598,265,110</u>	<u>4,389,702,305</u>
<b>Less: Impairment loss on loans &amp; advances</b>	<b>(112,589,992)</b>	<b>(86,314,457)</b>
	<b><u>5,485,675,118</u></b>	<b><u>4,303,387,848</u></b>

**6 STOCK OF SUPPLIES**

Negotiable instrument	1,291,657	566,796
General supplies	2,685,879	2,494,911
Stock, non supplies	-	9,165
Others	202,281	-
Fixed asset in store	3,635,667	4,534,466
	<u>7,815,484</u>	<u>7,605,338</u>



LION INTERNATIONAL BANK S. C.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2017

CURRENCY: BIRR

7 OTHER ASSETS

		2016
Share for resale	5,028,845	-
Prepayments	115,617,150	94,894,994
Sundry	28,969,159	11,439,912
Accrued income	44,759,163	27,528,919
Other receivables	63,538,235	40,746,124
Acquired property (Note below)	6,832,617	1,239,822
	<u>264,745,169</u>	<u>175,849,771</u>
<u>Less: Provision for doubtful debts</u>	<u>(1,974,518)</u>	<u>(1,976,903)</u>
	<u><b>262,770,651</b></u>	<u><b>173,872,868</b></u>

Note

Acquired properties represent properties that have been held as loan collateral, and acquired by the bank in accordance to a proclamation N°. 97/1998.

8 DEFERRED CHARGES

Balance at 30 June 2016	19,350,945	16,930,146
<u>Add: Additions during the year</u>	<u>17,552,778</u>	<u>2,420,799</u>
	36,903,723	19,350,945
<u>Less: Amortization</u>		
Balance at 30 June 2016	15,552,237	15,321,634
Current year amortization	<u>1,094,458</u>	<u>230,603</u>
	<u>(16,646,695)</u>	<u>(15,552,237)</u>
	<u><b>20,257,028</b></u>	<u><b>3,798,708</b></u>

9 INVESTMENT IN EQUITY SHARES

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

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





LION INTERNATIONAL BANK S. C.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2017

CURRENCY: BIRR

10 PROPERTY, PLANT & EQUIPMENT

<u>COST</u>	BALANCE AT		ADJUSTMENT/	BALANCE AT
	30 JUNE 2016	ADDITIONS	DISPOSAL	30 JUNE 2017
Motor vehicles	37,948,827	-	(37,992)	37,910,835
Furniture and fittings	32,173,004	9,866,020	-	42,039,024
Office & other equipment	33,186,526	8,985,800	-	42,172,326
IT equipments	32,398,518	21,323,524	-	53,722,042
Building & premises	4,500,033	-	-	4,500,033
Construction in progress	-	34,372	-	34,372
	<u>140,206,908</u>	<u>40,209,716</u>	<u>(37,992)</u>	<u>180,378,632</u>
 <u>DEPRECIATION</u>				
Motor vehicles	17,432,897	5,887,369	(37,992)	23,282,274
Furniture and fittings	8,523,686	3,665,560	(132)	12,189,114
Office & other equipment	8,470,444	3,723,852	(248)	12,194,048
IT equipments	12,693,962	6,993,419	-	19,687,381
Building & premises	1,192,605	225,001	-	1,417,606
	<u>48,313,594</u>	<u>20,495,201</u>	<u>(38,372)</u>	<u>68,770,423</u>
 <b>NET BOOK VALUE</b>	 <u><u>91,893,314</u></u>			 <u><u>111,608,209</u></u>

11 LEASEHOLD LAND

The bank has obtained a leasehold land of 2000M2 from Tigray Land Administration Office dated 27/12/2007 E.C. with a land lease value of Birr 3,752,000 & lease period of 70 years. From the total value, 20% was paid in advance amounting Birr 750,400 & the balance is held as lease payable.



LION INTERNATIONAL BANK S. C.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2017

CURRENCY: BIRR

12 DEPOSITS FROM CUSTOMERS

2016

*Payable on demand*

Private sector	1,769,964,712	1,658,931,693
Public enterprises	6,941,032	33,445,231
Non bank financial	14,707,893	49,286,773
Co-operatives & Associations	6,034,380	3,935,912
Government organizations	359,851	1,087,589
	<b>1,798,007,868</b>	<b>1,746,687,198</b>

*Saving deposits*

Private sector	5,923,182,741	4,029,859,595
Public enterprise	669,012	752,395
Non-Bank financial institution	913,755	2,166,780
Co-operatives & Associations	13,484,127	20,644,444
Government organizations	31,497	1,418
	<b>5,938,281,132</b>	<b>4,053,424,632</b>

Foreign currency deposits

	40,419,474	10,425,104
	<b>40,419,474</b>	<b>10,425,104</b>

*Time deposits*

Private sector	924,587,222	502,527,306
Non-Bank financial institution	67,060,587	12,500,000
Diaspora deposit	-	7,000,000
Public enterprise	1,000,000	1,000,000
Co-operative & association	5,500,000	-
	<b>998,147,809</b>	<b>523,027,306</b>

**Total deposits from customers**

	<b>8,774,856,283</b>	<b>6,333,564,240</b>
--	----------------------	----------------------



LION INTERNATIONAL BANK S. C.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2017

CURRENCY: BIRR  
 2016

13 OTHER LIABILITIES

Cash payment orders	149,652,160	169,701,244
Blocked accounts	52,388,931	56,657,271
Provision for annual leave	14,844,031	10,964,687
Local transfers payable	2,599,358	4,889,673
Exchange commission	13,713,212	14,252,189
Taxes and stamp duty charges	4,548,965	5,111,502
Miscellaneous payable	2,853,743	45,046,214
Retention on local transaction	-	15,474
Retention on foreign currency	9,499,511	11,907,823
Accruals	73,110,308	57,887,745
Others	2,291,391	1,449,444
Dividened payable	63,590,536	31,840,198
Provident & pension fund	879,828	669,829
Foreign transaction payable	2,578,658	4,074,439
Temporary customer account	9,451,360	8,041,568
Advance on import bill	6,990,443	8,533,172
Share premium-NBE	115,275	-
	<b>409,107,710</b>	<b>431,042,472</b>

14 PAID UP CAPITAL

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

Balance at 30 June 2016	642,489,634	509,919,263
<u>Add:</u> Shares paid during the year	182,154,412	49,963,900
Dividend capitalized	113,591,043	82,613,146
<u>Less:</u> Adjustment	(4,742)	(6,675)
	<b>938,230,347</b>	<b>642,489,634</b>

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 2016	207,222,251	141,836,919
<u>Add:</u> Current year reserve	67,114,402	65,385,332
	<b>274,336,653</b>	<b>207,222,251</b>



LION INTERNATIONAL BANK S. C.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2017

CURRENCY: BIRR

16 SPECIAL RESERVE

According to the resolution of the shareholders' general assembly, the assembly has passed a resolution to retain a special reserve from the profits of respective years.

Balance at 30 June 2016	7,092,821
<b>Add:</b> Transfer from retained earnings	4,935,994
Prior year adjustment	520
	<u><u>12,029,335</u></u>

17 SHARE PREMIUM

It represents amount collected from share subscribers being over and above the par value of the shares. This is 20% above the par value i.e. Birr 25 per share.

18 RETAINED EARNINGS

		<u>2016</u>
Balance at 30 June 2016	213,054,866	167,469,912
Prior year adjustment	-	14,030
Dividend declared	(191,224,391)	(146,387,828)
Transferred special reserve	(4,935,994)	(4,197,242)
<b>Add:</b> Net profit for the year	201,343,205	196,155,994
	<u><u>218,237,686</u></u>	<u><u>213,054,866</u></u>

19 INTEREST INCOME ON:-

Loans and advances	678,998,892	478,627,897
Time deposit with domestics banks	23,567,264	4,175,068
NBE bills held to maturity	60,974,274	44,386,656
Deposit with foreign banks	67,568	12,283
	<u><u>763,607,998</u></u>	<u><u>527,201,904</u></u>

20 INTEREST EXPENSES ON:-

Fixed deposits	67,261,123	50,006,597
NBE-borrowing	-	899,235
Saving deposits	173,264,251	118,596,607
Demand deposits	186,680	106,187
	<u><u>240,712,054</u></u>	<u><u>169,608,626</u></u>

21 COMMISSION, FEES AND CHARGES ON:-

Letter of credit	37,692,131	55,443,713
Letter of guarantee - Issued	103,840,197	56,255,100
Transfers and other transactions	4,760,353	6,129,328
	<u><u>146,292,681</u></u>	<u><u>117,828,141</u></u>



LION INTERNATIONAL BANK S. C.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2017

CURRENCY: BIRR

22 NET GAIN FROM DEALING IN FOREIGN CURRENCIES

2016

Gain on foreign exchange	75,536,590	139,073,081
Loss on foreign exchange	(24,422,363)	(28,500,757)
	<b>51,114,227</b>	<b>110,572,324</b>

23 OTHER INCOME

Provision for doubtful debts other than loans & advance written back	-	1,743,095
Telephone, telegraph and postage charge	1,404,355	2,095,855
Service charge on foreign and local transaction	79,414,278	133,495,724
Others	843,241	930,050
Dividend	-	933,305
	<b>81,661,874</b>	<b>139,198,029</b>



**LION INTERNATIONAL BANK S. C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

CURRENCY: BIRR

**24 GENERAL & ADMINISTRATION EXPENSES**

**2016**

Deprecation	20,495,201	13,897,796
Inspection & circulation fee	72,660	45,896
Amortization	1,094,457	230,603
Office rent	58,554,025	45,818,679
Stationery and printing	5,984,488	4,975,732
Communication	7,838,882	6,778,406
Correspondent charges	1,485,493	637,409
Advertisement and promotion	10,893,321	11,326,193
Insurance	3,438,365	3,099,278
Repair and maintenance	3,768,510	3,214,223
Fuel and lubricants	624,375	588,492
Traveling & per diem	3,277,295	3,320,236
Electricity and water	754,075	557,816
Subscription and membership fees	314,385	446,941
Wages	33,043,458	23,709,610
Postage expenses	322,186	274,307
License fee	341,395	480,125
Transportation	649,060	677,236
Legal expense	2,342	1,743,095
Entertainment	3,376,252	1,014,225
Inauguration	197,228	2,273
Cleaning supplies	387,513	314,844
Office supplies	877,788	900,348
Maintenance, support & consultancy fee	3,519,132	4,861,210
Transportation of currencies	3,835,416	4,889,624
Legal fees	-	321,597
Stamp duty tax	19,752	19,943
Miscellaneous	1,165,919	1,012,941
Donation	4,344,300	150,000
Penalty	143,039	70,000
Issuers fee on ATM	31,649	-
Administration of acquired property	5,350	-
Service charge	179,339	-
	<b>171,036,650</b>	<b>135,379,078</b>



**LION INTERNATIONAL BANK S. C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

CURRENCY: BIRR

**25 DIRECTORS & NOMINATION COMMITTEE FEE**

2016

Monthly allowance	509,000	272,000
Annual directors fee	1,508,333	596,667
Nomination committee allowance	25,000	180,000
	<b>2,042,333</b>	<b>1,048,667</b>

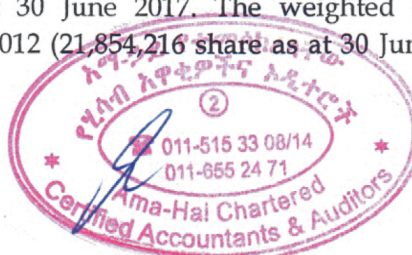
The annual directors fee represents the maximum limit allowed by the National Bank of Ethiopia on its directive No. SBB/49/2011. However, this fee is subject to approval by the shareholders general assembly.

**26 PROVISION FOR TAXATION**

Net profit before taxation for the year	350,924,953	349,667,844
<b>Add:</b> Non-allowable expense		
Deprecation in accordance with bank's policy	20,495,201	13,897,795
Entertainment	3,376,252	1,014,225
Penalty	143,039	70,000
Donation	4,344,300	150,000
Amortization of deferred charge as per bank policy	1,094,457	230,603
Impairment loss on loans & advances in excess of the tax proclamation	5,255,107	-
	<b>34,708,356</b>	<b>15,362,623</b>
<b>Less:</b> Allowable expense & deposit income		
Deprecation in accordance with tax proclamation	23,903,421	18,736,927
Interest income on deposits	23,634,832	4,187,351
Interest on NBE bill	60,974,274	44,386,656
Dividend income taxed at source	-	933,305
Amortization of deferred charge as per tax law	2,167,741	1,285,165
Gain on disposal of IT equipment	59,500	-
Written back of doubtful debts other than loans & advance	2,385	1,746,010
	<b>(110,742,153)</b>	<b>(71,275,414)</b>
Taxable profit	274,891,156	293,755,053
Provision for taxation (30%)	82,467,347	88,126,516
<b>Less:</b> Withholding tax	-	-
	<b>82,467,347</b>	<b>88,126,516</b>

**27 EARNING PER SHARE**

Earning per share is calculated by dividing net profit after tax but before legal reserve divided by average number of outstanding shares as at 30 June 2017. The weighted average number of outstanding shares as at 30 June 2017 is 34,468,012 (21,854,216 share as at 30 June 2016) par value of each share is Birr 25.



**LION INTERNATIONAL BANK S. C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

CURRENCY: BIRR

**28 CONTINGENT LIABILITIES & COMMITMENTS**

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

		2016
<b>Contingent liabilities</b>		
Letters of credit (Note (a))	620,160,996	474,803,920
Guarantees issued (Note (b))	1,902,443,680	1,271,181,671
	<b>2,522,604,676</b>	<b>1,745,985,591</b>
<b>Contingent liabilities</b>		
Loans and advances approved but not drawn	<b>425,865,001</b>	<b>279,961,523</b>
<b>Contingent liabilities</b>		
CAD-Export sight	38,254,960	-

**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.

**29 MEMORANDUM ACCOUNTS**

Inward bills for collection-acceptance and sight	11,629,316	32,354,939
Outward bills for collection local and foreign	9,451,360	8,461,498
Interest on Non performing loans	17,019,894	6,264,694





**LION INTERNATIONAL BANK S. C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

CURRENCY: BIRR

**RISK MANAGEMENT**

Risk taking is an inherent element of banking business and profit is reward for successful risk taking. Linked to this, the Bank is endeavoring to in place robust risk management framework that are a believed to achieve optimization of risk-reward tradeoff.

**Credit risk**

It is a potential for financial loss due to failure of the counter parties to perform their obligation as per terms and conditions of contractual agreement.

**Credit Exposure**

The maximum credit risk exposure on monetary financial assets to the Bank as at June 30, 2017 has been reported below.

		<u>2016</u>
Loans and advances (Gross)	5,598,265,110	4,389,702,305
Government securities	2,386,995,000	1,679,129,000
Deposits due from banking institutions(local & foreign Currency)	1,862,027,474	1,172,853,301
<b>Total</b>	<b>9,847,287,584</b>	<b>7,241,684,606</b>

Besides, the Bank has also other credit risk exposure in its off-balances sheet section as a contingent liabilities. In this regards, Letter of Guarantees is contingent liabilities which took a larger exposure Birr 1,902,443,680.32 as at June 30, 2017.

**Credit Risk Concentration**

The Bank is endeavoring to diversify credit portfolio across different economic sectors and monitors on quarterly basis in order to minimize portfolio concentration risk. Hence, at the end of the reporting period, concentration of credit risk is analyzed below.



**LION INTERNATIONAL BANK S. C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

CURRENCY: BIRR

**Credit Concentration Risk Assessment**

Loans and Advances by Sector	FY 2016/17	%age share	FY 2015/16	%age share
Transportation & communication	396,140,491	7%	290,597,660	7%
Export loans	884,121,940	16%	828,902,954	19%
Import loans	1,277,931,182	23%	994,480,487	23%
Manufacturing & production	213,321,256	4%	249,405,588	6%
Building construction	1,247,101,268	22%	837,330,815	19%
Domestic trade	1,152,954,403	21%	869,370,301	20%
Staff emergency & mortgage loan	226,852,872	4%	141,919,912	3%
Agricultural loan	48,870,972	1%	59,542,211	1%
Hotel & tourism	150,970,726	3%	118,152,377	3%
<b>Total</b>	<b>5,598,265,110</b>	<b>100%</b>	<b>4,389,702,305</b>	<b>100%</b>

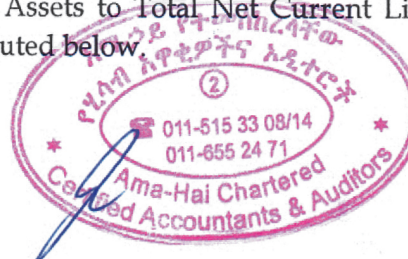
The Risk and Compliance Management Department regularly monitors the credit portfolio concentration on regular basis against the approved risk tolerance limit and report to the Management and Board of Directors on quarterly basis for subsequent guidance.

**Liquidity Risk**

It is a potential risk arising from the Bank's inability to meet its short-term maturing obligations as they fall due or fund assets growth in timely and cost effective manner.

**Liquidity Risk indicators**

Ratio analysis is one of the commonly applicable measurement techniques to measure liquidity risk exposure of bank. Among others, Total Liquid Assets to Total Net Current Liabilities, could be maintained in this regard and same ratio is computed below.



**LION INTERNATIONAL BANK S. C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

CURRENCY: BIRR

Balance sheet items		2016
<b>Total Liquid Assets</b>	<b>2,671,322,696.31</b>	<b>1,833,811,944</b>
Cash on hand (local and foreign currency)	809,295,221.87	660,958,643
Balance with NBE (Reserve, Payment & settlement & Issue A/C)	1,036,982,740.52	753,804,057
Deposit with domestic and foreign banks	825,044,733.92	419,049,244
<b>Total Net Current Liabilities</b>	<b>8,921,221,024.24</b>	<b>6,513,296,727</b>
Net Deposits	8,774,856,283.75	6,333,564,240
other current liabilities	146,364,740.49	179,732,487
15% of the Net Current liabilities	1,338,183,154	976,994,509
Excess/shortage	1,333,139,543	856,817,435
Liquidity risk indicators ratio	<b>29.90%</b>	<b>28%</b>

The Risk and Compliance Management Department monitors the liquidity position of the Bank against the approved limit as well as the regulatory requirements. Minimum liquidity ratio (Liquid assets to Net current Liabilities) set by National Bank of Ethiopia is 15%.

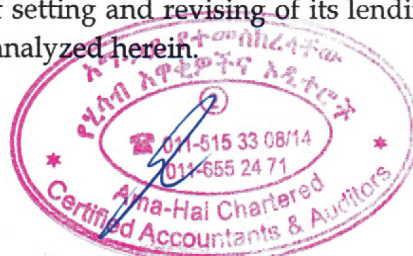
**Market Risk**

**i) Foreign Exchange Risk**

Foreign exchange risk arises from changes in exchange rate between the domestic currency and other currencies. As a means to minimize foreign exchange risk, the Bank maintains major foreign currency whose exchange rates against the reporting currency have always been appreciating. In this regard, more than 90% of the Bank's foreign currency has been held in terms of USD.

**ii) Interest Rate Risk**

Interest risk is a loss in earning or economic value of assets and liabilities out of adverse movements in interest rate in the market. National Bank of Ethiopia set a minimum rate for saving type of deposits. Yet, the Bank has the discretion of setting and revising of its lending interest rate. Hence, interest risk exposure of the Bank has been analyzed herein.



**LION INTERNATIONAL BANK S. C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

CURRENCY: BIRR

Balance sheet Items		2016
<b>Interest bearing Assets</b>	<b>8,549,533,560</b>	<b>6,268,831,305</b>
Loans and Advances	5,598,265,110	4,389,702,305
NBE-Bills	2,386,995,000	1,679,129,000
Deposit with local banks	564,273,450	200,000,000
<b>Interest bearing Liabilities</b>	<b>6,936,428,942</b>	<b>4,576,451,938</b>
Saving Deposits	5,938,281,133	4,053,424,632
Fixed Time Deposits	998,147,809	523,027,306
<b>Gap between Interest sensitive Assets &amp; Liabilities</b>	<b>1,613,104,618</b>	<b>1,692,379,367</b>

**31 READINESS FOR THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Ethiopian Government has issued a Proclamation to Provide for Financial Reporting, Proclamation No. 847/2014, on which any public interest entity shall adopt the International Financial Reporting Standards issued by the International Accounting Standard Board as their financial reporting framework. According to the road map of the Accounting and Auditing Board of Ethiopia, Public interest entities should adopt the standards as from 1 Hamle 2009 E.C. To comply with the bank has prepared its own road map & formed various Committee (Board audit Committee, Steering Committee, Project Core team, working Groups and support organs). In addition, the bankers association have hired a consultant that would assist the implementation of the Standard & its conversion for 16 Commercial Banks. As a result, the consultant has given various trainings, made gap assessments against the existing practice and completed accounting policy choices that would facilitate IFRS first time adoption.

**32 COMPARATIVE FIGURES**

Some figures of year ended 30 June 2016 have been re-arranged for comparison purpose.



# Events

2016/17

LION INTERNATIONAL BANK S.C.

## Shareholders Meeting



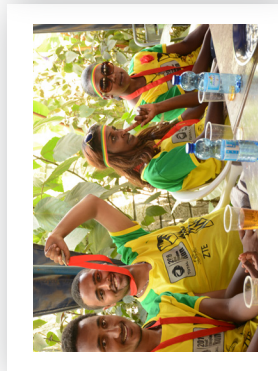
## Management Meeting



# Events

2016/17

## Sports



## Social Cause

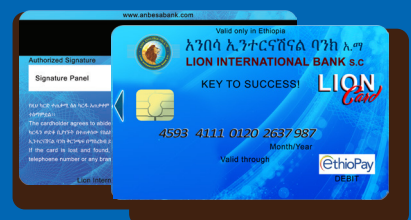


# 24 Hours

Fast access  
to your  
**ACCOUNT**

## Lion *Card*

Enjoy hassle-free  
banking & access  
account anytime  
anywhere.



## key to success

HEAD OFFICE  
Haile G.Selassia Road Ix Plaza Bldg.  
Tel: +251 116 626 000/60/50/69 00  
Fax: +251 116 625 999/662 7115/16/14  
P.O.Box: 27026/1000  
E-mail: [info@anbesabank.com](mailto:info@anbesabank.com)  
[www.anbesabank.com](http://www.anbesabank.com)  
SWIFT: LIBSETAA  
Annual Report 2016/17