Ethiopian Insurance Corporation

Financial Statements

For the year ended 30 June 2025

Contents

Ethiopian Insurance Corporation

Financial Statements

For the year ended 30 June 2025

Statement of Management's Responsibility

In accordance with the Financial Reporting Proclamation No. 847/2014, the Accounting and Auditing Board of Ethiopia (AABE) may direct insurance firms to prepare financial statements as per International Financial Reporting Standards. Financial Statements of Ethiopian Insurance Corporation ("The Corporation") set out on pages 7 to 130 comprising the statement of financial position as at 30 June 2025, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of Material accounting policies and other explanatory information, are prepared in conformity with International Financial Reporting Standards, Commercial code of Ethiopia, Insurance Business Proclamation and the relevant directives of the National Bank of Ethiopia

The Board of Management oversees systems of internal control and accounting and information systems to ensure that activities are performed as per standards in place thereby ensuring that assets are safeguarded and the risk of error, fraud or loss is reduced

To their best knowledge and belief, based on the above, the Board of management is satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review. The Board of management as reviewed the performance and financial position of the Corporation to the date of signing of these financial statements and its prospects based on prepared budgets, and are satisfied that the Corporation is a going concern and, therefore, a going concern assumption has been adopted in the preparation of these financial statements.

Approval of the annual financial statements

The financial statements on pages 7 to 130 were approved on October 8, 2025.
Signed:

Designation	**Name and signature**
Director – Financial Reporting	....
Date:	....
Deputy Chief Executive Officer-Finance and Investment	....
Date:	....08/10/25....................
Chief Executive Officer	....
Date	....10.10-25....................

Abel Tadesse, Dip CII
Chief Executive Officer
Ethiopian Insurance Corporation

INDEPENDENT AUDITOR'S REPORT TO THE SUPERVISING AUTHORITY OF ETHIOPIAN INSURANCE CORPORATION

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ethiopian Insurance Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 30 June 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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+251-011 551522 Fax +251 ... E-mail asc@ascethiopia.com
+251-011 ...012 Websit www.ascethiopia.com
+251-011-5535915

INDEPENDENT AUDITOR'S REPORT TO THE SUPERVISING AUTHORITY OF ETHIOPIAN INSURANCE CORPORATION (continued)

Key Audit Matters (continued)

Insurance premium and claims

In the first instance, insurance premium from services and claims are always regarded as a significant risk. Accounting principles for revenue recognition and settlements may be subject to different interpretations. There may be a risk in under-calculating premium in respect to rates, total sum insured, average number of claims per contract, new business volume. In our response to these risks we made a selection of contract agreements and reviewed the premium, the sum insured the rate and the claim ratio. We reviewed the statement of account of each customer, transaction list, debtor's list and premium collection. We checked the claims from the claims registration with the relevant supporting documents in line with the class of business. In case of accident, we reviewed the cause and if it is valued and the event has happened within the insured premium period of cover and if the documents are proper. Our testing did not identify major weaknesses in the design and operation of controls that would have required us to expand the nature or scope of our planned detailed test work. Overall, we found no concerns in respect to the completion of formalities or the recording of revenues at appropriate values.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT TO THE SUPERVISING AUTHORITY OF ETHIOPIAN INSURANCE CORPORATION (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITOR'S REPORT TO THE SUPERVISING AUTHORITY OF ETHIOPIAN INSURANCE CORPORATION (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Woizero Rediet Berhan.

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The Federal Democratic Republic of Ethiopia Audit Services Corporation

INDEPENDENT AUDITOR'S REPORT TO THE SUPERVISING AUTHORITY OF ETHIOPIAN INSURANCE CORPORATION (continued)

Other Information

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management board and executive management, the Report of the Board Management and the Statement of Board's Management Responsibilities, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Audit service Corporation

8 October 2025

The Federal Democratic Republic of Ethiopia • Audit Services Corporation •

Ethiopian Insurance Corporation

Statement of Financial Position – Combined Business

As at 30 June 2025

(In Ethiopian Birr)

	Note	30 June 2025	30 June 2024
Assets			
Property and equipment	12	920,720,557	696,128,171
Intangible assets	13	65,509,797	28,405,100
Right of use assets	14	140,000,556	127,221,514
Investment in securities	15	4,328,737,569	1,517,015,084
Investment in associates	16	658,727,708	612,249,996
Loans	17	21,712,348	20,849,899
Statutory deposits	19	88,786,680	88,786,680
Office supplies		30,659,933	20,838,721
Receivables	18a	1,544,705,297	995,545,406
Prepayments	18b	149,852,582	189,818,531
Reinsurance contract assets	23	8,759,747,333	6,995,998,022
Fixed time deposits	20	5,425,182,995	5,306,395,129
Deferred tax asset			10,952,911
Cash and cash equivalents	21	2,186,398,076	1,156,561,808
Total assets		**24,320,741,410**	**17,766,766,975**
Liabilities			
Deferred tax liability	22	512,156,798	
Lease liabilities	14	75,880,410	62,863,582
Employee benefits	26	507,562,822	487,534,812
Insurance contract liabilities	23	14,919,814,673	11,425,557,414
Provisions	24	175,045,315	122,126,823
Payables	25	285,859,132	243,759,307
Creditors arising out of reinsurance arrangements		903,631,570	362,455,671
Creditors arising from ceding arrangements-Inward		-	-
Dividend payable	29	1,118,296,101	941,014,668
Current tax liability		257,995,605	325,796,188
Total Liabilities		**18,756,242,426**	**13,971,108,465**
Equity			
Capital	27	592,000,000	592,000,000
Legal reserve	28	592,000,000	592,000,000
Retained earnings	28	2,380,450,619	1,901,180,863
Defined benefit reserve	28	22,269,425	(14,534,453)
Fair value reserve	28	1,977,778,941	725,012,100
Total equity		**5,564,498,985**	**3,795,658,509**
Total liabilities and equity		**24,320,741,410**	**17,766,766,975**

The accompanying notes on pages 15 to 130 are an integral part of these financial statements

Ethiopian Insurance Corporation

Statement of Financial Position – Non-life Business

As at 30 June2025

(In Ethiopian Birr)

Assets	Note	30 June 2025	30 June 2024
Property and equipment	12	914,169,796	691,282,628
Intangible assets	13	65,509,797	28,405,100
Right of use assets	14	129,788,774	113,697,830
Investment in securities	15	3,772,518,091	1,417,015,084
Investment in associates	16	658,727,708	612,249,996
Loans	17		405,811
Statutory deposits	19	88,786,680	88,786,680
Office supplies		30,659,933	20,838,721
Receivables	18a	1,520,964,955	973,544,948
Prepayments	18b	149,852,582	189,818,531
Current account with life branch		887,499,642	810,914,706
Reinsurance contract assets	23	8,745,012,783	6,982,499,767
Deferred tax asset			10,952,911
Fixed time deposits	20	4,587,171,037	4,140,614,809
Cash and cash equivalents	21	2,118,277,323	1,100,998,010
Total assets		**23,668,939,110**	**17,182,025,533**
Liabilities			
Deferred tax Liability	22	512,156,798	
Lease liabilities	14	69,474,188	57,143,754
Employee benefits	26	472,695,664	457,107,478
Insurance contract liabilities	23	14,427,086,919	10,995,848,924
Provisions	24	167,310,172	115,754,229
Payables	25	256,208,400	218,969,256
Creditors arising out of reinsurance arrangements		902,496,906	354,013,155
Creditors arising from ceding arrangements-Inward			
Dividend payable		1,118,296,101	941,014,668
Current tax liability		257,995,605	325,796,188
Total Liabilities		**18,183,720,753**	**13,465,647,652**
Equity			
Capital	27	512,719,372	512,719,372
Legal reserve	28	592,000,000	592,000,000
Retained earnings		2,380,450,619	1,901,180,863
Defined benefit reserve	28	22,269,425	(14,534,453)
Fair value reserve	28	1,977,778,941	725,012,100
Total equity		**5,485,218,356**	**3,716,377,881**
Total liabilities and equity		**23,668,939,110**	**17,182,025,533**

The accompanying notes on pages 15 to 130 are an integral part of these financial statements.

Ethiopian Insurance Corporation
Statement of Financial Position - Life Business
As at 30 June 2025
(In Ethiopian Birr)

		Note	30 June 2025	30 June 2024
Assets				
	Property and equipment	12	6,550,762	4,845,544
	Right of use Asset	14	10,211,761	13,523,684
	Investment in securities	15	556,219,478	100,000,000
	Loans	17	21,712,348	20,444,088
	Receivables	18a	23,740,342	22,000,458
	Prepayments	18b		
	Reinsurance contract assets	23	14,734,550	13,498,256
	Fixed time deposits	20	838,011,958	1,165,780,320
	Cash and cash equivalents	21	68,120,753	55,563,798
	Total assets		**1,539,301,951**	**1,395,656,148**
Liabilities				
	Lease Liability		6,406,221	5,719,829
	Employee benefits	26	34,867,158	30,427,334
	Insurance contract liabilities	23	492,727,754	429,708,490
	Provisions	24	7,735,143	6,372,594
	Payables	25	29,650,732	24,790,051
	Current account with non-life branches		887,499,651	810,914,705
	Creditors arising out of reinsurance arrangements		1,134,664	8,442,515
	Total Liabilities		**1,460,021,323**	**1,316,375,519**
Equity				
	Capital	27	79,280,628	79,280,628
	Defined benefit reserve			
	Total equity		**79,280,628**	**79,280,628**
	Total liabilities and equity		**1,539,301,951**	**1,395,656,148**

The accompanying notes on pages 15 to 130 are an integral part of these financial statements.

Ethiopian Insurance Corporation
Statement of Profit or Loss and Other Comprehensive Income – Combined Business
For the year ended 30 June 2025
(In Ethiopian Birr)

	Note	30 June 2025	30 June 2024
Insurance revenue	5	9,130,175,810	7,773,184,713
Insurance service expenses	23	(5,785,329,061)	(6,119,370,687)
Net expenses from reinsurance contracts	23	(292,670,894)	1,200,452,909
Insurance service result		**3,052,175,855**	**2,854,266,935**
Finance income	7	776,246,648	600,732,564
Investment income	8	193,064,165	69,020,282
Investment return		**969,310,813**	**669,752,846**
Net finance expenses from insurance contracts	6	(194,704,868)	(120,720,475)
Net finance income from reinsurance contracts	6	156,775,776	26,675,188
Net investment return		**931,381,722**	**575,707,558**
Other income	9	175,599,569	78,093,026
Finance expense	7ii	(3,804,989)	(2,862,024)
Other operating expenses	10	(2,297,416,914)	(1,909,444,143)
Share of profit (loss) of equity accounted investees	16	126,925,546	74,831,521
Profit before tax		**1,984,860,788**	**1,670,592,873**
Income tax		(387,294,930)	(326,286,204)
Profit for the year		**1,597,565,858**	**1,344,306,669**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Fair value gains/(losses) on financial assets	15	1,789,666,916	95,911,600
Re-measurement of defined benefit liability	26	52,576,968	(30,961,569)
Related tax		(552,673,165)	(19,485,009)
Other comprehensive income, net of tax		**1,289,570,719**	**45,465,022**
Total comprehensive income		**2,887,136,577**	**1,389,771,690**

The accompanying notes on pages 15 to 130 are an integral part of these financial statements.

Ethiopian Insurance Corporation

Statement of Profit or Loss and Other Comprehensive Income – Non-life business

For the year ended 30 June 2025

(In Ethiopian Birr)

	Note	30 June 2025	30 June 2024
Insurance revenue	5	8,795,921,184	7,508,361,249
Insurance service expenses	23	(5,476,129,887)	(5,863,089,029)
Net expenses from reinsurance contracts	23	(283,339,801)	1,205,580,089
Insurance service result		**3,036,451,497**	**2,850,852,309**
Finance income	7	652,697,821	505,158,446
Investment income	8	193,064,165	69,020,282
Investment return		**845,761,986**	**574,178,729**
Net finance expenses from insurance contracts	6	(235,826,785)	(98,651,045)
Net finance income from reinsurance contracts	6	156,825,851	26,661,551
Net investment return		**766,761,053**	**502,189,235**
Other income	9	176,378,744	77,984,601
Finance expense	7ii	(3,804,989)	(2,862,024)
Other operating expenses	10	(2,297,416,914)	(1,909,444,142)
Share of profit (loss) of equity accounted investees	16	126,925,546	74,831,521
Profit before tax		**1,805,294,937**	**1,593,551,500**
Income tax		(387,294,930)	(326,286,204)
Profit for the year		**1,418,000,007**	**1,267,265,296**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Fair value gains/(losses) on financial assets	15	1,833,723,476	95,911,600
Re-measurement of defined benefit liability	26	52,369,695	(29,623,244)
Related tax		(565,827,951)	(19,886,507)
Other comprehensive income, net of tax		**1,320,265,220**	**46,401,849**
Total comprehensive income		**2,738,265,227**	**1,313,667,145**

The accompanying notes on pages 15 to 130 are an integral part of these financial statements.

Ethiopian Insurance Corporation

Statement of Profit or Loss and Other Comprehensive Income - Life Business

For the year ended 30 June 2025

(In Ethiopian Birr)

	Note	30 June 2025	30 June 2024
Insurance revenue	5	334,254,625	264,823,464
Insurance service expenses	23	(309,199,174)	(256,281,657)
Net expenses from reinsurance contracts	23	(9,331,093)	(5,127,181)
Insurance service result		**15,724,358**	**3,414,626**
Finance income	7	123,548,827	95,574,117
Investment return		**123,548,827**	**95,574,117**
Net finance expenses from insurance contracts	6	41,121,917	(22,069,431)
Net finance income from reinsurance contracts	6	(50,075)	13,637
Net investment return		**164,620,668**	**73,518,323**
Other income	9	(779,175)	108,425
Profit before tax		**179,565,851**	**77,041,374**
Income tax			
Profit for the year		**179,565,851**	**77,041,374**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:		(44,056,560)	
Re measurement of defined benefit liability	26	207,273	(1,338,325)
Related tax			
Other comprehensive income, net of tax		**(43,849,287)**	**(1,338,325)**
Total comprehensive income		**135,716,564**	**75,703,049**

The accompanying notes on pages 15 to 130 are an integral part of these financial statements.

Ethiopian Insurance Corporation

Statement of Changes in Equity

For the year ended 30 June 2025

(In Ethiopian Birr)

	Note	Capital	Legal reserve	Retained earnings (as restated)	Defined Benefit reserve	Fair Value Reserve	Total Equity
Balance as of 1 July 2023		**592,000,000**	**592,000,000**	**1,328,881,626**	**7,138,645**	**657,873,980**	**3,177,894,251**
Total comprehensive income							
Profit for the year				1,344,306,669			1,344,306,669
Other comprehensive income					(21,673,098)	67,138,120	45,465,022
Transfer to Legal Reserve							
Transfer to retained earnings				169,007,226			169,007,226
Dividends	29			(941,014,668)			(941,014,668)
Balance as of 30 June 2024		**592,000,000**	**592,000,000**	**1,901,180,863**	**(14,534,453)**	**725,012,100**	**3,795,658,509**
Prior year equity adjustment							
Total comprehensive income							
Profit for the year				1,597,565,858			1,597,565,858
Other comprehensive income					36,803,878	1,252,766,841	1,289,570,719
Transfer to Legal Reserve							
Transfer to retained earnings							
Dividends	29			(1,118,296,101)			(1,118,296,101)
Balance as of 30 June 2025		**592,000,000**	**592,000,000**	**2,380,450,619**	**22,269,425**	**1,977,778,941**	**5,564,498,985**

The accompanying notes on pages 15 to 130 are an integral part of these financial statements

Ethiopian Insurance Corporation

Statement of Cash Flows

For the year ended 30 June 2025

(In Ethiopian Birr)

	Note	For the year ended 30 June 2025	30 June 2024
Cash flows from operating activities:			
Profit before tax		1,984,860,788	1,670,592,873
Impairment of financial assets	15,20	(44,943,911)	79,036,117
Depreciation and amortization	12,13,14	118,094,298	92,303,856
Share of profit from investment in associates	16		
Adjustments for property, plant and equipment & Int. Asset		1,665,878	10,675,935
Loss/ (Gain) on disposal of property, plant and equipment	9		
Subtotal		**2,059,677,053**	**1,852,608,778**
Changes in working capital			
Increase / (Decrease) in inventory		(9,821,211)	2,559,171
Increase / (Decrease) in receivables	18	(499,871,147)	(260,530,026)
Increase/(Decrease) in interest receivables		(155,558,826)	(63,138,004)
Prepayments		39,965,949	(171,052,886)
Changes in reinsurance contract assets	23	(1,763,749,311)	(3,332,879,323)
Changes in finance lease obligations	14	13,016,828	14,762,679
Increase/ (Decrease) in statutory deposits			
Increase/ (Decrease) in provisions	24	52,918,493	11,684,577
Increase/ (Decrease) in payables	25	42,099,825	109,462,371
Creditors arising out of reinsurance arrangements		541,175,899	1,247,140
Creditors arising from ceding arrangements			
Changes in insurance contract liabilities	23	3,494,257,258	3,691,430,992
Changes in employee benefits	26	72,604,978	260,026,832
Movements in restricted cash balances			
Income taxes paid		(484,658,969)	(288,592,917)
Tax provision due to IFRS adjustment			
Net cash provided by operating activities		**3,402,056,820**	**1,827,589,382**
Cash flows from investing activities:			
Acquisition of investment securities	15	(996,143,577)	(185,132,946)
Additional investment in associate	16	(46,477,712)	(218,791,305)
Purchase of intangible assets		(38,376,337)	(17,150,987)
Payment for fixed time deposits	20	6,295,245	(194,987,811)
Acquisition of property, plant and equipment	14	(299,224,836)	(119,310,882)
Proceeds from sale of property, plant and equipment	14		1,111,979
Collection of loans	17	2,264,832	219,218,901
New loans granted	17	(2,908,390)	(5,971,289)
Purchase of leases	[illegible]	(56,635,108)	(84,517,611)
Net cash used from investing activities		**(1,431,205,882)**	**(605,531,952)**
Cash flows used in financing activities:			
Dividends paid		(941,014,668)	(871,085,234)
Net cash used in financing activities		**(941,014,668)**	**(871,085,234)**
Increase (decrease) in cash and cash equivalents		**[illegible]029,836,269.50**	**350,972,204**
Cash and cash equivalents:			
At beginning of period	21	1,156,561,808	805,589,602
At end of period	21	**2,186,398,076**	**1,156,561,808**

The accompanying notes on pages 15 to 130 are an integral part of these financial statements.

Ethiopian Insurance Corporation

Notes to Financial Statements
For the year ended 30 June 2025
(In Ethiopian Birr)

(1) Reporting entity

Ethiopian Insurance Corporation (here in referred to as "the Corporation") was established as a state owned enterprise in 1976 by proclamation No. 68/1975, by taking over all the assets and liabilities of thirteen nationalized private insurance companies. In 1994, the Corporation was re-established with the objectives of engaging in the business of rendering insurance services, and any other related activities conducive to the attainment of its purposes.

The Corporation carries out life and non-life insurance business with more than 100 distribution outlets in Ethiopia and has its headquarters located along Ras Mekonnen Street in Addis Ababa.

During the reporting period, the Company underwent a structural change that affected its customer segment classification. This change is aimed at better aligning the business strategy with market demands. The structural change has no material impact on the financial position, results of operations, or cash flows of the Company.

(2) Basis of accounting

(a) Statement of compliance

The accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

On October 8, 2025, the Chief Executive Officer authorized the issuance of the accompanying Financial Statements.

(b) Basis of measurement

These financial statements have been prepared on historical cost basis, except for the following significant items:

1. Measurement of defined benefits obligations: key actuarial assumptions;
2. Measurement of equity instruments: fair value measurement; and
3. Insurance and re-insurance contracts Liabilities: fulfillment cash flows, contractual service margin (CSM), IBNR and Risk Adjustment.

(c) Functional and presentation currency

These financial statements are presented in Ethiopian Birr ("ETB"), which is the Corporation's functional and presentation currency. Except when otherwise stated, all amounts have been rounded to the nearest unit.

(2) Basis of accounting (Continued)

(d) Use of judgments and estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Corporation's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively in the financial statements.

Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

Note 3(g) – leases: whether a contract contains a lease.
Note 23 and 3(b) - classification of insurance, reinsurance and investment contracts: assessing whether the contract transfers significant insurance risk
Note 23 and 3(b) - level of aggregation of insurance and reinsurance contracts: identifying Portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently;
Note 23 and 3(b) - measurement of insurance and reinsurance contracts: determining the techniques for estimating risk adjustments for non-financial risk and the quantity of benefits provided under a contract;
Note 3 (c) (ii) – classification of financial assets: assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding; and
Note 3 (c) (viii) – impairment of financial assets: assessing whether credit risk on the financial asset has increased significantly since initial recognition.

Assumptions and estimation uncertainties

Information on assumptions and uncertainty of estimates posing a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the year ending 30 June 2025 is included in the following notes:

Note 23 and 3(b) – measurement of insurance liabilities: Key actuarial assumptions;
Note 26 and 3(k) – measurement of employee benefits liability: Key actuarial assumptions;
Note 3(c) – classification and measurement of impairment for financial instruments;
Note 12 and 3 (f) – useful lives and salvage value of tangible assets;
Note 3(i) – impairment of non-financial assets;
Note 24 and 3(j) – recognition and measurement of provisions and contingencies;
Note 22 and 3(n) – recognition of deferred taxes: availability of future profits against which tax losses carried forward can be used.

Information about assumptions made in measuring insurance and reinsurance contracts is included in Note 23. Changes in the following key assumptions may change the fulfillment cash flows materially. However, these changes adjust the CSM and do not affect the carrying amounts of the contracts, unless they arise from onerous contracts or do not relate to future services:

- Life contracts: assumptions about future cash flows relating to mortality and policyholder behavior;
- Non-life contracts: assumptions about claims development; and
- All contracts: assumptions about discount rates.

(3) Material accounting policies

The accounting policies set out below have been applied consistently to the period presented in these Financial Statements.

(a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Corporation at the exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. Groups of insurance and reinsurance contracts that generate cash flows in a foreign currency, including the contractual service Margin (CSM), are treated as monetary items.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

(b) Insurance and reinsurance contracts

(i) Classification

Contracts under which the Corporation accepts significant insurance risk are classified as insurance contracts. Contracts held by the Corporation under which it transfers significant insurance risk related to insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Corporation to financial risk.

The Corporation accepts re-insurance risk from local insurance companies on facultative basis from other insurers.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Corporation, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or acquired by the Corporation, unless otherwise stated.

(3) Material accounting policies (Continued)

(b) Insurance and reinsurance contracts (Continued)

Long Term Insurance contracts are classified as direct participating contracts or contracts without direct Participation features. EIC has two life insurance products that do have participative features namely anticipated endowment and education endowment products. However, currently there is no clearly identified pool of underlying items for those insurance contracts.

All other insurance contracts and all reinsurance contracts are classified as contracts without direct participation features. Some of these contracts are measured under the Premium Allocation Approach (PAA).

(ii) Level of aggregation

The Corporation identifies portfolios of insurance contracts. Each portfolio comprises contracts that are subject to similar risks and managed together, and is divided into three groups:

— Any contracts that are onerous on initial recognition;
— Any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
— Any remaining contracts in the portfolio.

Each group of insurance contracts is further divided by year of issue. The resulting groups represent the level at which the recognition and measurement accounting policies are applied. The groups are established on initial recognition and their composition is not reassessed subsequently. Each group of reinsurance contracts comprises a single contract.

(iii) Recognition and measurement

The Corporation recognizes a group of insurance contracts issued from the earliest of the following:

— The beginning of the coverage period of the group of contracts. The coverage period is the period during which the Corporation provides coverage for insured events in respect of all premiums within the boundary of an insurance contract.

— The date when the first payment from a policyholder in the group becomes due. If there is no contractual due date, then it is considered to be the date when the first payment is received from the policyholder.

— The date when facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

The Corporation recognizes a group of reinsurance contracts initiated that provide proportionate coverage at the later of the beginning of the coverage period of the group

(3) Material accounting policies (Continued)

(b) Insurance and reinsurance contracts (continued)

of reinsurance contracts and the initial recognition of any underlying contract, and recognizes all other groups of reinsurance contracts from the beginning of the coverage period of the group of reinsurance contracts. The coverage period is the period during which the Corporation receives coverage for claims arising from the reinsured portions of the underlying insurance contracts.

Subsequently, new contracts are added to the group when they are issued or initiated, provided that all contracts in the group are issued or initiated in the same year. The Corporation recognizes a group of contracts acquired at the date of acquisition.

(iv) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Corporation can compel the policyholder to pay premiums or has a substantive obligation to provide services.
A substantive obligation to provide services ends when:

- The Corporation has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- The Corporation has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The contract boundary is reassessed at each reporting date and, therefore, may change over time. Contract boundary includes cash flows that result from a substantive obligation of the entity to deliver cash at present or future date.

In the non-life business as well as a portion of the life business, the Corporation generally uses the PAA to simplify the measurement of groups of contracts on the following bases:

- Insurance and reinsurance contracts: the coverage period of each contract in the group of contracts is one year or less; and
- Insurance and reinsurance contracts: for contracts with coverage periods greater than one year the Corporation reasonably expects that the resulting measurement would not differ materially from the result of applying the General Measurement Model.

(3) Material accounting policies (Continued)

(b) Insurance and reinsurance contracts (continued)

(v) Measurement – Contracts measured under the PAA

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. Insurance acquisition cash flows are recognized as expenses when they are incurred.
If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Corporation recognizes a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfillment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the liability for remaining coverage. The fulfillment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates). The liability for incurred claims is also adjusted for the time value of money and the effect of financial risk.
The Corporation recognizes the liability for incurred claims of a group of insurance contracts at the amount of the fulfillment cash flows relating to incurred claims. The fulfillment cash flows are discounted (at current rates) unless the cash flows are expected to be paid in one year or less from the date the claims are incurred.

(vi) Reinsurance contracts

The Corporation applies the same accounting policies to measure a group of reinsurance contracts as it does on its insurance contracts measured under the PAA, adapted where necessary to reflect features that differ from those of insurance contracts.

On initial recognition, the Corporation measures a group of insurance contracts as the total of: (a) the fulfillment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM.
The measurement of the fulfillment cash flows of a group of insurance contracts does not reflect non-performance risk.

Insurance acquisition cash flows that the Corporation pays before the related group of contracts is recognized are presented as an insurance contract asset. When the group of contracts is recognized, these cash flows are included in the measurement of the group and the previously recognized asset is derecognized.

(vii) Measurement – Contracts not measured under the PAA

The risk adjustment for non-financial risk for a group of insurance contracts is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of insurance contracts represents the unearned profit that the Corporation will recognize as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of the fulfillment cash flows

(3) Material accounting policies (Continued)

(b) Insurance and reinsurance contracts (continued)

Any derecognized assets for insurance acquisition cash flows and any cash flows arising at that date is a net inflow, and then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

For groups of contracts acquired, the consideration received for the contracts is included in the fulfillment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date.

(viii) Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfillment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims comprises the fulfillment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

(iii) Subsequent measurement

The fulfillment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

(iv) Derecognition and contract modification

The Corporation derecognizes a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Corporation also derecognizes a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed; in which case a new contract based on the modified terms is recognized. If a contract modification does not result in derecognition, then the Corporation treats the changes in cash flows caused by the modification as changes in estimates of fulfillment cash flows.

(3) Material accounting policies (Continued)

(b) Insurance and reinsurance contracts (continued)

(v) Presentation

Groups of insurance contracts that are assets and that are liabilities, and groups of reinsurance contracts that are assets and that are liabilities, are presented separately in the statement of financial position.
The Corporation disaggregates amounts recognized in the statement of profit or loss and OCI into (a) and insurance service results, compromising insurance revenue and insurance service expenses, and (b) insurance finance income or expenses.
Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Incomes and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.
The Corporation does not disaggregate changes in the risk adjustment for non- financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.
Insurance revenue excludes any investment components and is measured as follows:

Insurance revenue- contracts not measured under PAA

The Corporation recognises insurance revenue as it satisfies its performance obligations- i.e. as it provided coverage or other services under groups of insurance contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each period represents the total of the changes in the liabilities for remaining coverage that relate to services for which the Corporation expects to receive consideration.

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each annual period is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the period (before any allocation) equally to each coverage unit provided in the period and expected to be provided in future periods, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the period. The number of coverage units is the quantity of coverage provided by the contract in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage duration.

(3) Material accounting policies (Continued)

(b) Insurance and reinsurance contracts (continued)

Insurance revenue- Contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing coverage in the period.
For contracts not measured under the PAA, the Corporation establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amount of fulfilment cash flows that are subsequently excluded from insurance revenue when they occur.
When the fulfilment cash flows occur, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash flows plus the risk adjustment for non-financial risk at the beginning of each period (or on initial recognition if a group of contracts is initially recognised in the period.)
Changes in estimates of cash flows relating to future services and changes in the Corporation's share of fair value of any underlying items are allocated solely to the loss component.
If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

Net expenses from reinsurance contracts

A net expense from reinsurance contracts comprises reinsurance service expenses less amounts recovered from reinsurers.

The Corporation recognises reinsurance service expenses as it receives coverage or other services under groups of reinsurance contracts.

For contracts measured under the PAA, reinsurance service expenses for each period are the amount of expected premium payments for receiving coverage in the period.

Insurance finance income and expense

Insurance finance income and expenses compromise changes in the carrying amounts of groups of insurance and reinsurance contract arising from the effects of the time value of money, financial risk and changes therein.

(c) Financial instrument

(i) Recognition and initial measurement

The Corporation recognizes deposits with financial institutions, trade receivables and loans on the date on which they are originated. All other financial assets and financial liabilities are initially recognized when the Corporation becomes a party to the contractual provisions of the instrument (trade date).

Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognized in profit or loss.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

— It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
— Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Corporation may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income. This election is made on an investment-by-investment basis.

(3) Material accounting policies (Continued)

(c) Financial instruments (continued)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Corporation may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment:

The Corporation makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

— The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

(ii)Classification and subsequent measurement

— How the performance of the portfolio is evaluated and reported to the Corporation's management;
— The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
— How managers of the business are compensated – e.g. Whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
— The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Corporation's continuing recognition of the assets.

Financial assets that are managed and whose performance is evaluated on a fair value basis and financial assets that are held for trading are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the

(3) Material accounting policies (Continued)

(c) Financial instruments (continued)

financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Corporation considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Corporation considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limits the corporation's claim to cash flows from specified assets (e.g. Non-recourse features).
- Features that modify consideration of the time value of money – e.g. Periodic reset of interest rates.

(ii)Classification and subsequent measurement

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income and exchange gains and losses are recognized in profit or loss, unless they arise from derivative designated as hedging instruments

(3)Material accounting policies (Continued)

(c) Financial instruments (continued)

Debt investments at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(iii) Derecognition

Financial assets

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Corporation enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire

(3) Material accounting policies (Continued)

(c) Financial instruments (continued)

The Corporation also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Corporation evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognized, then impairment of the asset was measured using the pre-modification interest rate.

Financial liabilities

The Corporation derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

(v) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intents either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Corporation's trading activity.

(vi) Amortized cost measurement

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments,

(3) Material accounting policies (Continued)

(c) Financial instruments (continued)

plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vii) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which The Corporation has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Corporation measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Corporation uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

There is no active market or observable prices to measure the Corporation's financial assets or financial liabilities at fair value. Fair value of financial assets and financial liabilities is determined at each reporting date for disclosure in the financial statement purposes only.

(viii) Impairment of financial assets

The Corporation recognizes loss allowances for Expected Credit Losses (ECLs) on;

— Financial assets measured at amortized cost;

The Corporation measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and other financial assets are always measured at an amount equal to lifetime ECLs.

(3) Material accounting policies (Continued)

(c) Financial instruments (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and informed credit assessment and including forward-looking information.

The Corporation considers a financial asset to be in default when:

— The borrower is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realizing security (if any is held); or
— The financial asset is more than 90 days past due.

The Corporation considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime expected credit losses are the losses that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

In all cases, the maximum period considered when estimating expected credit loss is the maximum contractual period over which the Corporation is exposed to credit risk.

(viii) Impairment of financial assets

Measurement of expected credit losses

Expected credit losses are a probability-weighed estimate of credit losses and are measured as follows:

— Financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls- i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Corporation expects to receive; and
— Financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

Credit-impaired financial assets

At each reporting date, the Corporation assesses whether financial assets measured at amortized cost and debt investments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

(3) Material accounting policies (Continued)

(c) Financial instruments (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past-due date;
- The restructuring of an amount due to the Corporation on terms that the Corporation would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In assessing whether an investment in sovereign debt is credit-impaired, the Corporation considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields;
- The rating agencies' assessments of creditworthiness;
- The country's ability to access the capital markets for new debt insurance;
- The probability of debt being restricted, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms, including an assessment of the depth of those mechanisms and; irrespective of the political intent, whether there is the capacity to fulfill the required criteria.

(viii) Impairment of financial assets- continued

Impairment of Insurance receivables

The Corporation always recognizes lifetime ECL for trade receivables and premium receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's Historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Presentation of loss allowances in the statement of financial position

Loss allowances for expected credit losses are presented as follows:
— Financial assets measured at amortized cost: the loss allowance is deducted from the gross carrying amount of the assets; and
— Debt investments measured at FVOCI: the loss allowance is recognized in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Corporation determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Corporation's procedure for recovery of amounts due.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks in current and deposit accounts and short term, highly liquid investments with maturity periods of three months or less.
According to IAS 1 – *Presentation of Financial Statements*, cash funds that for some reason are restricted and may not be exchanged or used to settle a liability for a period of at least twelve months, these cash funds are excluded from the balance of cash and cash equivalents.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

(e) Revenues

Revenues comprise:
— Insurance revenue (3b)
— Investment revenue which comprises interest revenue on financial assets not measured at FVTPL and other investment revenue(3e); and
— Rental revenue.

(3) Material accounting policies (Continued)

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and cumulative impairment losses.

Property and equipment also includes buildings that have dual usage that did not meet the Corporation's threshold to present as investment property. The Corporation uses these buildings for own administrative purpose as well as to earn rental income. The Corporation uses 5% as a threshold to determine the level of significance for the portion held for its own use.

If significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within operating and administrative expenses in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Corporation. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

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(3) Material accounting policies (Continued)

(f) Property, plant and equipment (Continued)

The estimated useful lives of significant items of property, plant and equipment are as follows:

Asset class	Depreciation rates (%)	Residual values(% on cost)
Buildings	2	5
Computer equipment	20	0
Office equipment	10	1
Office Furniture	10	1
Motor vehicles	10	10

Exceptionally, the useful life for the Motor vehicle items revalued at the time of IFRS conversion is based on the rate stated on the revaluation report.

(iv) *Depreciation*

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Minor repairs and maintenance costs are expensed as incurred.

(g) Leases

At inception of contract, the Corporation assesses whether a contract is, or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of identified asset, the Corporation assesses whether:

- The contract involves the use of an identified asset this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier had a substantive substitution right, then the asset is not included.
- The Corporation has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Corporation has the right to direct the use of the asset if either:
  - The Corporation has the right to operate the asset; or
  - The Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(3) Material accounting policies (Continued)

(g) Leases (Continued)

As a Lessee

The Corporation recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Subsequently, the right-of-use is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise;

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the corporation is reasonably certain to exercise
- Lease payments in an optional renewal period if the corporation is reasonably certain to exercise an extension option, and;
- Penalties for early termination of a lease unless the corporation is reasonably certain not to terminate early.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date. It is re-measured when there is a change in future leases payments arising from a change in an index or rate. If there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee or if the Corporation changes its assessment of whether it will exercise a purchase extension or termination option.

(3) Material accounting policies (Continued)

(g) Leases (Continued)

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation presents right-of-use assets and lease liabilities as separate line items in the statement of financial position.

Short-term lease and leases of low-value assets

The Corporation has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, below ETB 150,000 thresholds. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a Lessor

Where the Corporation is the lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease.

To classify each lease, the Corporation makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Corporation considers certain indicators such as; whether the lease is for the major part of the economic life of the asset, the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, and the lessee has the option to purchase the underlying asset.

When the Corporation is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head is a short-term lease to which the Corporation applies the exemption described above, then it classifies the sublease as an operating lease. If an arrangement contains lease and non-lease components, the Corporation applies IFRS 15 to allocate the consideration in the contract. The Corporation recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(h) Intangible assets

Software acquired by the Corporation is measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(3) Material accounting policies (Continued)

(i) Intangible assets (Continued)

Software is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software currently in use is equivalent to the license period.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Impairment of non-financial assets

At each reporting date, the Corporation reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or Cash Generating Units (CGU's).

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Corporation's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(k) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(3) Material accounting policies (Continued)

(l) Employee benefits

(i) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Corporation accounts not only for its legal obligation but also for any constructive obligation that arise from the Corporation's customary practices. A customary practice in place gives rise to a constructive obligation where the Corporation has no realistic alternatives but to pay employee benefits.

The Corporation's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs and the fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on governmental bonds that have maturity dates approximating the terms of the Corporation's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Corporation recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income in the period in which they arise.

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed. Prepaid contributions are regarded as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided, considering current wages.

Liability is recognized for the amount expected to be paid under short-term cash and include mainly wages and salaries, bonuses, leave benefits and other allowances to pay this amount as a result of past services provided by the employees, and the obligation can be estimated reliably.

(4) Material accounting policies (Continued)

(l) Employee benefits (Continued)

(iii) Other long-term benefits

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.
The Corporation's net obligation in terms of long term benefits employee benefits is the amount of future benefits that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognized in the profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Corporation can no longer withdraw the offer of those benefits and when the Corporation recognizes costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

(m) Legal reserve

According to the Insurance Business Proclamation No. 746/2012 issued in August 2012, an insurer shall, at the end of the financial year, transfer to its legal reserve an amount not less than 10% of its net profit until such reserves equals it's paid up capital. The Corporation's policy is to transfer 10% of its net profit to the legal reserve.

(n) Statutory deposit

A statutory deposit, prescribed by insurance business proclamation No. 746/2012, must be maintained with the National Bank of Ethiopia in respect of each main class of insurance business. This deposit or part thereof may not be withdrawn or may not be assigned or used for the discharge of any liability of the insurer other than outstanding liabilities arising out of insurance policies issued by the insurer. This deposit may also not be liable to attachment in the execution of any court decree except a decree obtained by a policyholder on the insurer in respect of a debt due upon a policy.

The National Bank of Ethiopia allows an insurer to maintain statutory deposits either in cash or in the form of government securities (Article 21 of Insurence Business Proclamation 746/2012). EIC currently meets this requirement in the form of bonds.

Ethiopian Insurance Corporation has classified the statutory deposit as a financial asset at amortized cost.

(o) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in OCI.

(3) Material accounting policies (Continued)

(o) Income Tax (Continued)

(i) Current tax

The current income tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of tax amount expected to be paid or received that reflects the uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantially enacted at the reporting date.

(ii) Deferred tax

Deferred tax is measured under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between such values. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to temporary differences when recovered or settled.

No deferred taxes are recognized for the initial recognition of an asset or a liability in a transaction that is not a business combination and that affects neither accounting nor taxable income. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority and to the same fiscal entity or on different tax entities, but they intent to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will provision be available against which such can be reversed. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realized.

(p) Contingencies

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated. When a reasonable estimation cannot be made, disclosure is provided in the notes to the financial statements. Contingent revenues, earnings or assets are not recognized until realization is assured.

(3) Material accounting policies (Continued)

(q) Finance income and finance costs

The Corporation's financial income and finance cost include interest income, interest expense, dividend income, foreign exchange gain or loss on financial assets and liabilities and impairment losses on investments. Interest income or expenses are recognized using the effective interest rate method. Dividend income is recognized in the profit or loss on the date on which the Corporation's right to receive payment is established.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Capitalization of borrowing costs ceases when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are complete. Other costs are expensed when incurred. The Corporation did not have any borrowings as at 30 June 2025.

(s) Inventory (Office supplies)

Inventory is initially measured at the lower of cost and net realizable value, however where such inventory is not for sale, the Corporation recognises the inventory at cost. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred where applicable in bringing the inventories to their present location and condition. Net realisable value is the price at which the inventory can be realised in the normal course of business after allowing for costs of realisation. Cost is determined on a First in First out (FIFO) basis.

(t) New Standards, amendments and interpretations

(i) New and amended standards and interpretations not effective but adopted during the period ended 30 June 2025

A number of new standards and amendments to standards are not effective for financial period ending 30 June 2025; The Corporation has not early adopted these standards and has not applied them in preparing these financial statements:

Ethiopian Insurance Corporation
Notes to Financial Statements
For the year ended 30 June 2025
(In Ethiopian Birr)

(3) Material accounting policies (Continued)

(u) New standards, amendments, and Interpretation (continued)

(ii) New and amended standards and interpretations in issue but not yet effective during the period ended 30 June 2025

A number of new standards, amendments to standard and interpretations are not yet effective for the period ended 30 June 2025, and have not been applied in preparing these financial statements. These are summarized as follows:

New standards or amendments		Date issued by IASB	Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	August 2023	1 January 2025
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	May 2024	1 January 2026
Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7-	Annual improvements to IFRS Accounting Standards Volume 11	July 2024	1 January 2026
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	December 2024	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	April 2024	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	May 2024	1 January 2027

Lack of exchangeability – Amendments to IAS 21

In August 2023, the Board issued Lack of Exchangeability (Amendments to IAS 21).

The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations

(3) Material accounting policies (Continued)

(u) New Standards, amendments and interpretations (continued)

.If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7

In May 2024, the Board issued Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7), which:

- Clarifies that a financial liability is derecognised on the settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

(3) Material accounting policies (Continued)

u) New Standards, amendments and interpretations (continued)

- Clarified how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features
- Clarifies the treatment of non-recourse assets and contractually linked instruments
- Requires additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income

The publication of the amendments concludes the classification and measurement phase of the IASB's post implementation review (PIR) of IFRS 9.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Entities can early adopt the amendments that relate to the classification of financial assets plus the related disclosures and apply the other amendments later.

The new requirements will be applied retrospectively with an adjustment to opening retained earnings. Prior periods are not required to be restated and can only be restated without using hindsight. An entity is required to disclose information about financial assets that change their measurement category due to the amendments.

IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the Board issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information.

Statement of profit or loss

An entity will be required to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. In addition, IFRS 18 requires an entity to present subtotals and totals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'.

(3) Material accounting policies (Continued)

(u) New Standards, amendments and interpretations (continued)

Main business activities

For the purposes of classifying its income and expenses into the categories required by IFRS 18, an entity will need to assess whether it has a 'main business activity' of investing in assets or providing financing to customers, as specific classification requirements will apply to such entities. Determining whether an entity has such a specified main business activity is a matter of fact and circumstances which requires judgment. An entity may have more than one main business activity.

Management-defined performance measures

IFRS 18 introduces the concept of a management-defined performance measure (MPM) which it defines as a subtotal of income and expenses that an entity uses in public communications outside financial statements, to communicate management's view of an aspect of the financial performance of the entity as a whole to users. IFRS 18 requires disclosure of information about all of an entity's MPMs within a single note to the financial statements and requires several disclosures to be made about each MPM, including how the measure is calculated and a reconciliation to the most comparable subtotal specified by IFRS 18 or another IFRS accounting standard.

Location of information, aggregation and disaggregation

IFRS 18 differentiates between 'presenting' information in the primary financial statements and 'disclosing' it in the notes, and introduces a principle for determining the location of information based on identified 'roles' of the primary financial statements and the notes. IFRS 18 requires aggregation and disaggregation of information to be performed with reference to similar and dissimilar characteristics. Guidance is also provided for determining meaningful descriptions, or labels, for items that are aggregated in the financial statements.

Consequential amendments to other accounting standards

Narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method from 'profit or loss' to 'operating profit or loss'. The optionality around classification of cash flows from dividends and interest in the statement of cash flows has also largely been removed.

IAS 33 Earnings per Share is amended to include additional requirements that permit entities to disclose additional amounts per share, only if the numerator used in the calculation meets specified criteria. The numerator must be: an amount attributable to ordinary equity holders of the parent entity; and a total or subtotal identified by IFRS 18 or an MPM as defined by IFRS 18.

(3) Material accounting policies (Continued)

(u) New Standards, amendments and interpretations (continued)

Some requirements previously included within IAS 1 have been moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which has been renamed IAS 8 Basis of Preparation of Financial Statements. IAS 34 Interim Financial Reporting has been amended to require disclosure of MPMs.

IFRS 18, and the amendments to the other accounting standards, is effective for reporting periods beginning on or after 1 January 2027 and will apply retrospectively. Early adoption is permitted and must be disclosed.

Ethiopian Insurance Corporation qualifies to apply IFRS 18 and plans to adopt the standard in its financial statements from the effective date.

IFRS 19 - Subsidiaries without Public Accountability: Disclosures

Disclosures (IFRS 19), which allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards.

IFRS 19 to make an explicit and unreserved statement of such compliance Eligible entities

An entity may elect to apply IFRS 19 if at the end of the reporting period:
- It is a subsidiary as defined in IFRS 10 Consolidated Financial Statements;
- It does not have public accountability; and
- It has a parent (either ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards

An entity has public accountability if:
- Its debt or equity instruments are traded in a public market, or it is in the process of issuing such instruments for trading in a public market: or

It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (i.e., not for reasons incidental to its primary business).

The disclosure requirements in IFRS 19 are organised into subheadings per IFRS accounting standards and where disclosure requirements in other IFRS Accounting Standards remain applicable, these are specified under the subheading of each IFRS accounting standard.

(3) Material accounting policies (Continued)

(u) New Standards, amendments and interpretations (continued)

IFRS 19 disclosures exclude IFRS 8 Operating Segments, IFRS 17 Insurance Contracts and IAS 33 Earnings per Share. Therefore, if an entity that applies IFRS 19 is required to apply IFRS 17 or elects to apply IFRS 8 and/or IAS 33, that entity would be required to apply all the relevant disclosure requirements in those standards.In developing the disclosure requirements in IFRS 19 the Board considered the disclosure requirements in other IFRS accounting standards as at 28 February 2021.

Disclosure requirements in IFRS accounting standards that have been added or amended subsequent to this date have been included in IFRS 19 unchanged. Consequently, the Board indicated it will publish an exposure draft setting out whether and how to reduce the disclosure requirements of any amendments and additions made to other IFRS accounting standards post 28 February 2021, for the purpose of updating IFRS 19.

IFRS 19 is effective for reporting periods beginning on or after 1 January 2027 and earlier adoption is permitted.

Ethiopian Insurance Corporation, as a subsidiary of Ethiopian Investment Holdings, is an insurance company and is therefore considered to have public accountability because it holds assets on behalf of policyholders (third parties). As a result, it is not eligible to apply IFRS 19 Subsidiaries without Public Accountability: Disclosures, which permits reduced disclosure requirements. Accordingly, Ethiopian Insurance Corporation will continue to apply the full IFRS disclosure requirements.

Improvements to International Financial Reporting Standards

Key requirements

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS. In July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards — Volume 11. The following is a summary of the amendments from the Annual Improvements to IFRS Accounting Standards—Volume 11:

(3) Material accounting policies (Continued)

(u) New Standards, amendments and interpretations (continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards

Hedge Accounting by a First-time Adopter

Paragraphs B5 and B6 of IFRS 1 have been amended to include cross references to the qualifying criteria for hedge accounting in paragraph 6.4.1(a), (b) and (c) of IFRS 9. These amendments are intended to address potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9.
An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted

IFRS 7 Financial Instruments: Disclosures
Gain or Loss on Derecognition
The amendments update the language on unobservable inputs in paragraph B38 of IFRS 7 and include a cross reference to paragraphs 72 and 73 of IFRS 13 Fair Value Measurement.
An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

Guidance on implementing IFRS 7 Financial Instruments: Disclosures
Introduction
The amendments to paragraph IG1 of the Guidance on implementing IFRS 7 clarify that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7, nor does it create additional requirements.

Guidance on implementing IFRS 7 Financial Instruments: Disclosures
Disclosure of Deferred Difference between Fair Value and Transaction Price
Paragraph IG14 of the Guidance on implementing IFRS 7 has been amended mainly to make the wording consistent with the requirements in paragraph 28 of IFRS 7 and with the concepts and terminology used in IFRS 9 and IFRS 13.

Guidance on implementing IFRS 7 Financial Instruments: Disclosures
Credit Risk Disclosures
Paragraph IG20B of the Guidance on implementing IFRS 7 has been amended to simplify the explanation of which aspects of the IFRS requirements are not illustrated in the example.
IFRS 9 Financial Instruments
Lessee Derecognition of Lease Liabilities
Paragraph 2.1 of IFRS 9 has been amended to clarify that, when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 and recognise any resulting gain or loss in profit or loss. However, the amendment does not address how a lessee distinguishes between a lease modification as defined in IFRS 16 and an extinguishment of a lease liability in accordance with IFRS 9.
An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

(3) Material accounting policies (Continued)

(u) New Standards, amendments and interpretations (continued)

IFRS 9 Financial Instruments

Transaction Price

Paragraph 5.1.3 of IFRS 9 has been amended to replace the reference to 'transaction price as defined by IFRS 15 Revenue from Contracts with Customers' with 'the amount determined by applying IFRS 15'. The use of the term 'transaction price' in relation to IFRS 15 was potentially confusing and so it has been removed. The term was also deleted from Appendix A of IFRS 9.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted

IFRS 10 Consolidated Financial Statements

Determination of a 'De Facto Agent'

Paragraph B74 of IFRS 10 has been amended to clarify that the relationship described in paragraph B74 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor. The amendments are intended to remove the inconsistency with the requirement in paragraph B73 for an entity to use judgement to determine whether other parties are acting as de facto agents.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted

IAS 7 Statement of Cash Flows

Cost Method

Paragraph 37 of IAS 7 has been amended to replace the term 'cost method' with 'at cost', following the prior deletion of the definition of 'cost method'.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

The amendments update the 'own-use' requirements for in-scope contracts. Under the amendments, the sale of unused nature- dependent electricity will be in accordance with an entity's expected purchase or usage requirements, if specified criteria are met.

This also Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments will allow an entity to designate a variable nominal volume of forecast electricity transactions asa hedged item, if specified criteria are met. It Adds new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. IFRS 7 has been amended to require specific disclosures relating to contracts that have been excluded from the scope of IFRS 9 as a result of the amendments.

The amendments only apply to contracts that reference nature- dependent electricity. These are contracts that expose an entity to variability in an underlying amount of electricity because the source of electricity generation depends on uncontrollable natural conditions, typically associated with renewable electricity sources such as sun and wind. Effective is for annual periods beginning on or after 1 January 2026.

(4) Management of insurance and financial risk

The Corporation's activities expose it to a variety of risks, underwriting risk, financial risk, liquidity risk, credit risk, and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Corporation's overall risk management program focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place which help manage liquidity, and seek to maximize return within an acceptable level of interest rate risk.

This note presents information about the Corporation's risk exposure, and the Corporation's objectives, policies and processes for measuring and managing risks.

Risk management framework

The Corporation's Board of Management has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The internal audit department is responsible for assuring adherence to these guidelines through periodic review of activities of the Corporation's risk management policies and reports regularly to the board of Management on its activities.

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, set appropriate risk limits and controls, and monitor adherence to risk limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Corporation's activities. The Corporation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Key risks arising from contracts

The Corporation issues insurance contracts. The nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts and the risks arising from financial assets held to fund the settlement of the liabilities. The extent to which profit or loss and equity in any period are sensitive to financial risks depends on the extent to which they are economically hedged or borne by contract holders and the extent of any mismatches inherent in the accounting policies adopted by the Corporation.

4) Management of insurance and financial risk (Continued)

(a) Key risks arising from contracts (continued)

(i) Life risk and life savings contracts

Product	Key risks	Risk mitigation
Life risks		
Term assurance	— Mortality risk: death of policyholder earlier than expected — Reinsurance credit risk	— Reinsurance with financially strong reinsurers
Endowment	— Interest rate risk: insufficient return on assets to cover guaranteed minimum crediting rates — Policyholder behaviour risk — Death of the insured person — Surviving policy duration	— Surrender penalties — Investment in competitive markets
Whole life	— Mortality risk — Interest rate risk: differences in duration and yield of assets and liabilities	— Matching of asset and liability cash flows — Investing in investment-grade assets

All life contracts expose the Corporation to interest rate risk. Interest rate risk arises from the extent to which the actual return on financial assets held to fund the settlement of liabilities differs from the expected return when the contracts were issued. This risk is most significant for endowment contracts because these contracts typically have long durations, it is not always possible to obtain matching assets with similar durations, and the Corporation does not have discretion to change the amounts of premiums or future payments to policyholders.

Term and ordinary life contracts provide policyholders with a fixed lump sum payable on death. Term assurance contracts provide coverage over a fixed term. The premiums for individual term and ordinary life contracts are level throughout the duration of the contracts. Term contracts provide policyholders with a lump sum benefit payable on death within the term of the contract. Ordinary life contracts provide policyholders with an agreed lump sum benefit payable on death over the life of contract.

(4) Management of insurance and financial risk (Continued)

(a) Key risks arising from contracts (continued)

(ii) Non-life contracts

Product	Key risks	Risk mitigation
Property and casualty	— Physical damage risk to property caused by accidents and other covered perils — Liability risk exposures such as product and public liability — Man-made destructive risks such as political risks — Extreme weather events — Natural catastrophes — Concentration risk — Legislative changes giving rise to increased claims — Failure to hold necessary collateral	— Reinsurance with financially strong reinsurers, including catastrophe cover — Co-insurance — Loss prevention advice to customers — Diversification of types of risk, industries and geographic locations in which risks are written — Having necessary collateral — Screening the legal environment for possible changes

For property and liability, the frequency and severity of motor insurance claims for example is affected by inexperienced drivers, the availability of huge number of aged and deteriorated vehicles prone to accidents, the existence of congested roads and other factors. Technological factors are also risks causing and aggravating the materialization of losses in the case of aviation insurance and other policies.

(b) Underwriting risk

Underwriting risk comprises insurance risk, policyholder behavior risk and expense risk.

1. ***Insurance risk***- This is the risk transferred from the policyholder to the Corporation, other than financial risk. Insurance risk arises from the inherent uncertainty about the occurrence, amount or timing of claims.

2. ***Policyholder behaviour risk***- This is the risk that a policyholder will cancel a contract (i.e. lapse or persistency risk), increase or reduce premiums, withdraw deposits, or annuitize a contract earlier or later than expected.

3. ***Expense risk***- This is the risk of unexpected increases in the administrative costs associated with the servicing of a contract (rather than in the costs associated with insured events).

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Corporation faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities.

(4) Management of insurance and financial risk (Continued)

(b)Underwriting risk (continued)

This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

(i) Management of underwriting risk

The management sets the Corporation's strategy for accepting and managing underwriting risk. Specific underwriting objectives – e.g. aggregation limits, reinsurance protection thresholds and line of business diversification parameters – are prepared and reviewed by the Corporation's management. The management continuously reviews its underwriting strategy in light of evolving market pricing and loss conditions and as opportunities present themselves.

Life contracts

A key aspect of the underwriting process for life products is pricing contracts with regard to the insurance risks assumed. Prices charged for the cost of insurance risk are set through a process of financial analysis, including comparisons of the Corporation's experience with industry experience and benchmarking of prices against other product providers in the same market.

Mortality and longevity risks are mitigated by the use of reinsurance.

Policyholder behavior risk is considered when designing products for example by means of additional charges on the early surrender of contracts in order to recover acquisition cash flows. Persistency is monitored and experience is benchmarked against local market information. From time to time, management may implement specific initiatives to improve retention.

Expense risk is managed at branch and company level through the annual budgeting process and regular expense analyses.

Non-life contracts

A key component of the management of underwriting risk for the Corporation's non-life products is a disciplined underwriting strategy that is focused on writing quality business. Product pricing is intended to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the Corporation's total exposure to specific risks. The aim is to ensure that a diversified book is maintained, with no over-exposure to any one industry.

The Corporation uses reinsurance to mitigate the risk of incurring significant losses linked to single events, including excess of loss and stop loss. Where an individual exposure is deemed surplus to local or the Corporation's risk appetite, additional facultative reinsurance is also purchased.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset ofthe portfolio.

(4) Management of insurance and financial risk (Continued)

(b) Underwriting risk (continued)

(i) Management of underwriting risk (continued)

The Corporation has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Concentrations of risk may arise in certain classes of business such as aviation and fire – where the Corporation provides accident and liability protection to companies that are also owned by the same shareholder as the Corporation (The Ethiopian Government)

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. The priority is to ensure adherence to criteria for risk selection by maintaining high levels of experience and expertise among the underwriting staff.

An independent internal audit department ensures adherence to these guidelines through periodic review of the activities of operations. The reports of the review are submitted to management and audit sub-committee of the Board.

(ii) Concentration of underwriting risk

The following tables disclose the concentration of insurance risks by the class of business in which the contract holder operates and by the maximum insured loss limit included in the terms of the policy. The amounts are the maximum insured loss limit of the insurance liabilities (gross and net of reinsurance) arising from insurance contracts is analyzed below.

2025 General Insurance		Amounts Presented in ETB				
		ETB 0m - 15m	15m -250m	250m to 1b	Greater than 1b	Total
Motor	Gross	170,526,180,273	11,569,138,010	0	0	182,095,318,283
	Ceded sum insured	8,556,309,014	5,123,030,793			13,679,339,807
	Net	**161,969,871,259**	**6,446,107,217**	**0**	**0**	**168,415,978,476**
Marine	Gross	7,467,362,346	84,377,802,991	68,205,943,659	319,829,570,103	479,880,679,099
	Ceded sum insured	373,369,117	27,000,896,957	18,415,604,788	86,353,983,928	132,143,854,790
	Net	**7,093,993,229**	**57,376,906,034**	**49,790,338,871**	**233,475,586,175**	**347,736,824,309**
Fire	Gross	46,441,242,353	118,051,250,477	102,539,918,597	513,039,561,679	780,071,973,105
	Ceded sum insured	2322062118	11,805,125,048	36,914,370,695	184,694,242,204	235,735,800,065
	Net	**44,119,180,235**	**106,246,125,429**	**65,625,547,902**	**328,345,319,475**	**544,336,173,040**
Other classes	Gross	36,200,598,947	51,246,828,451	52,264,984,093	9,871,438,114,334	10,011,150,525,826
	Ceded sum insured	19,548,323,432	25,110,945,941	25,609,842,206	4,837,004,676,004	4,907,273,787,603
	Net	**16,652,275,515**	**26,135,882,510**	**26,655,141,887**	**5,034,433,438,330**	**5,103,876,738,223**
Total	Gross	260,635,383,919	265,245,019,930	223,010,846,348	10,704,307,246,116	11,453,198,496,313
	Ceded sum insured	30,800,063,681	69,039,996,739	80,939,817,689	5,108,052,902,156	5,288,832,782,265
	Net	**229,835,320,237**	**196,205,021,191**	**142,071,028,659**	**5,596,254,343,960**	**6,164,365,714,048**

2024 General Insurance		Amounts Presented in ETB				
		ETB 0m - 15m	15m -250m	250m to 1b	Greater than 1b	Total
Motor	Gross	153,646,660,590	5,837,925,136	-	-	159,484,585,726
	Ceded sum insured	30,000,000	254,035,840			284,035,840
	Net	**153,616,660,590**	**5,583,889,296**	-	-	**159,200,549,886**
Marine	Gross	12,276,362,372	52,378,902,009	52,302,381,065	157,532,177,463	274,489,822,910
	Ceded sum insured	-	25,259,058,800	38,038,588,200	64,097,972,550	127,495,619,550
	Net	**12,276,362,372**	**27,019,843,209**	**14,263,792,865**	**93,434,204,913**	**146,994,203,360**
Fire	Gross	42,139,867,061	99,676,267,528	83,189,726,906	322,394,277,660	547,400,139,155
	Ceded sum insured	-	33,535,578,903	39,124,842,050	190,341,745,280	263,002,166,230
	Net	**42,139,867,061**	**66,140,688,625**	**44,064,884,856**	**132,052,532,380**	**284,397,972,925**
Other classes	Gross	43,572,733,505	50,151,290,175	51,580,349,685	6,120,233,658,863	6,265,527,032,228
	Ceded sum insured	18,541,271,600	27,811,907,400	37,082,543,200	349,713,528,960	433,149,251,160
	Net	**25,031,461,905**	**22,339,382,775**	**14,486,806,485**	**5,770,520,129,903**	**5,832,377,781,068**
Total	Gross	251,635,623,528	208,044,384,848	87,061,457,656	6,600,160,113,986	7,246,901,580,018
	Ceded sum insured	18,571,271,600	86,960,580,940	114,245,973,450	604,153,246,790	823,931,072,780
	Net	**233,064,351,928**	**121,083,803,908**	**72,815,484,206**	**5,996,006,867,196**	**6,422,970,507,238**

2025 Long term Insurance		Amounts Presented in ETB			
		ETB 0m - 15m	ETB15m - 250m	Greater than 250m	Total
Endowment	Gross	257,326,110	0	0	257,326,110
	Ceded sum insured	985,000			985,000
	Net	256,341,110	0	0	256,341,110
Term	Gross	312,531,587	2,544,354,326	3,917,139,228	6,774,025,141
	Ceded sum insured	163,452,470	189,744,667	195,856,961	549,054,098
	Net	149,079,117	2,354,609,659	3,721,282,267	6,224,971,043
Whole life	Gross				
	Ceded sum insured				
	Net				
Medical	Gross	216,205,050	474,956,000	0	691,161,050
	Ceded sum insured	10,810,253	23,747,800		34,558,053
	Net	205,394,798	451,208,200	0	656,602,998
Total	Gross	786,062,747	3,019,310,326	3,917,139,228	7,722,512,301
	Ceded sum insured	175,247,722	213,492,467	195,856,961	584,597,150
	Net	610,815,025	2,805,817,859	3,721,282,267	7,137,915,151

(4) Management of insurance and financial risk (Continued)

(b) Underwriting risk (continued)

(ii) Concentration of underwriting risk (continued)

2024 Long term Insurance		Amounts Presented in ETB ETB 0m - 15m	ETB15m -250m	Greater than 250m	Total
Endowment	Gross	86,651,023	0	0	86,651,023
	Ceded sum insured	3,389,314			3,389,314
	Net	83,261,710	0	0	83,261,710
Term	Gross	305,799,697	2,156,679,831	3,781,169,216	6,243,648,744
	Ceded sum insured	725,989,948	107,833,992	189,058,461	1,022,882,401
	Net	(420,190,251)	2,048,845,839	3,592,110,755	5,220,766,343
Whole life	Gross				
	Ceded sum insured				
	Net				
Medical	Gross	106,815,325	311,460,000	0	418,275,325
	Ceded sum insured	5,340,766	15,573,000		20,913,766
	Net	101,474,559	295,887,000	0	397,361,559
Total	Gross	499,266,045	2,468,139,831	3,781,169,216	6,748,575,092
	Ceded sum insured	734,720,028	123,406,992	189,058,461	1,047,185,481
	Net	(235,453,983)	2,344,732,839	3,592,110,755	5,701,389,612

(ii) Sensitivityanalysis

For purposes of sensitivity analyses, we selected the following key assumptions used for modeling purposes:
— Risk adjustment (1% increase)
— Risk adjustment (1% decrease)
— Discount rate (1% increase)
— Discount rate (1% decrease)
— Mortality (10%) increase
— Mortality (10%) decrease

These assumptions were selected because the CSM and loss components were deemed to be more sensitive to changes in these assumptions.

Volatility in the discount rates and risk adjustment was used as the selection criteria. They are pegged on market performance thus any changes in the Ethiopian market environment would have a material impact on the fulfillment cash flows.

Ethiopian Insurance Corporation

Notes to Financial Statements
For the year ended 30 June 2025
(In Ethiopian Birr)

(4) Management of insurance and financial risk (Continued)

(b)Underwriting risk (continued)

(iii) Sensitivity Analysis continued)

i. Premium Allocation Approach-PAA

30 June 2025-*In Birr*	CSM	Profit or loss	Equity
	Gross	Gross	Gross
Life			
Ultimate claims (5% increase)	-	(1,338,937)	(1,282,476)
Ultimate claims (5% decrease)	-	1,338,937	1,282,476
Non-life			
Ultimate claims (5% increase)	-	(274,863,004)	(988,938)
Ultimate claims (5% decrease)	-	274,863,004	176,977,267

30 June 2024-*In Birr*	CSM	Profit or loss	Equity
	Gross	Gross	Gross
Life			
Ultimate claims (5% increase)	-	(1,029,482)	990,569
Ultimate claims (5% decrease)	-	1,029,482	(990,569)
Non-life			
Ultimate claims (5% increase)	-	(305,598,583)	88,276,702
Ultimate claims (5% decrease)	-	305,598,583	79,091,244

b) General measurement model

30 June 2025-*In Birr*	CSM	Profit or loss	Equity
	Gross	Gross	Gross
Life-GMM	6,617,200	74,221,978	79,280,628
Risk adjustment (1% increase)	6,740,089	74,221,978	77,778,011
Risk adjustment (1% decrease)	6,494,310	74,221,978	80,783,246
Discount rate (1% increase)	6,774,499	72,589,466	85,874,400
Discount rate (1% decrease)	6,468,431	75,943,973	72,181,234
Mortality(10%) increase	4,675,146	73,663,709	77,932,534
Mortality(10%) decrease	9,495,538	74,795,524	79,768,528

30 June 2024-*In Birr*	CSM	Profit or loss	Equity
	Gross	Gross	Gross
Life-GMM (base)	13,169,174	109,710,403	3,797,952,462
Risk adjustment (1% increase)	13,284,255	109,710,403	3,796,262,996
Risk adjustment (1% decrease)	13,054,094	109,710,403	3,799,641,929
Discount rate (1% increase)	13,392,002	106,455,992	3,806,519,092
Discount rate (1% decrease)	12,927,625	113,205,904	3,788,583,573
Mortality(10%) increase	11,011,156	108,743,797	3,790,291,277
Mortality(10%) decrease	15,392,127	110,702,427	3,805,765,444

(4) Management of insurance and financial risk (continued)

(c) Financial risk

The Corporation is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and reinsurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important types of risk are credit risk, liquidity risk, market risk and other operational risks. Market risk includes currency risk, interest rate risk and equity price risk.

These risks arise from open positions in interest rates, currency exchange rates and equity securities prices, all of which are exposed to general and specific market movements. The risks that the Corporation primarily faces due to the nature of its investments and liabilities are liquidity risk, interest rate risk and equity price risk.

The Corporation manages exposure to these risks through policies developed by the management. These policies have been developed to achieve long-term investment returns in excess of the Corporation's obligations under insurance and investment contracts. The Corporation is currently managing its financial risks by monitoring and coming up with action points on quarterly and annual financial risk assessment reports which rely on different risk indicator ratios given by the Regulator.

(d) Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the fulfillment cash flows of insurance and reinsurance contracts as well as the fair value or future cash flows of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

(i) *Foreign exchange risk*

The Corporation has some transactions particularly with foreign re-insurers denominated in foreign currency and maintains foreign currency denominated current accounts with local banks. This risk is not significant and is mitigated through the use of dollar-denominated accounts.

The summary quantitative information about the Corporation's exposure to currency risk arising from reinsurance at the reporting dates is as follows:

		2025	2024
Assets	Due from Reinsurers and ceding companies	10,611,594	8,213,332
Liabilities	Due to Reinsurers and ceding companies	902,496,906	354,013,155

(4) Management of insurance and financial risk (continued)

(d) Market risk (Continued)

A reasonably possible strengthening or weakening of the US Dollar against the Ethiopian Birr at the reporting date would have affected the measurement of reinsurance contracts and financial instruments and affected the profit or loss and equity by the amounts shown below:

(i) Foreign Exchange Risk

The analysis assumes that all other variables remain constant.
The following exchange rates have been applied.

Currency	2025	2024
USD	134.1388	58.4730
EURO	152.8243	
KSH		0.4453
CFAF		0.012
GBP		70.5895

2025	Effect on Profit/Loss		Effect onEquity	
	10% Strengthening	10% Weakening	10% Strengthening	10% Weakening
Assets	1,061,159.40	- 1,061,159.40	1,061,159.40	- 1,061,159.40
Liabilities	90,249,690.60	-90,249,690.60	90,249,690.60	-90,249,690.60

2024	Effect on Profit/Loss		Effect on Equity	
	10% Strengthening	10% Weakening	10% Strengthening	10% Weakening
Assets	821,333	-821,333	821,333	-821,333
Liabilities	35,401,316	-35,401,316	35,401,316	-35,401,316

(ii) Cash flow and fair value interest rate risk

Fixed interest rate financial instruments expose the Corporation to fair value interest rate risk. Variable interest rate financial instruments expose the Corporation to cash flow interest rate risk.

The Corporation's fixed interest rate financial instruments are government securities (Treasury bills and government bonds) and fixed time deposits. Changes in interest rate will have an immediate impact on the Corporation's reported net income and consequently the equity. The following are the Corporation's fixed deposits

(4) Management of insurance and financial risk (continued)

(d) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk – (continued)

Bank	2025 Amount in ETB	2024 Amount in ETB
Commercial Bank Of Ethiopia	1,499,519,700	2,432,067,644
Addis credit and saving institution s.c	44,376,880	39,498,780
Addis international bank S.C	364,275,450	463,117,953
Oromia International bank	518,092,254	412,326,688
Nib Bank	265,545,850	177,112,557
Awash Bank	834,378,571	687,683,976
Bunna Bank	88,252,445	80,189,202
Hibret Bank	191,859,177	101,431,893
Cooperative Bank of Oromia	273,387,584	310,225,228
Dashen Bank	423,783,779	292,399,062
Zemen Bank	75,454,269	56,664,000
Bank of Abyssinia	197,046,982	102,551,201
Global Bank	40,000,000	
Wegagen Bank	200,000,000	
Sinke Bank	133,000,000	
Total	**5,148,972,940**	**5,155,268,185**

Other fixed interest financial instruments are the government securities below:

	2025 Amount in ETB	2024 Amount in ETB
Treasury bills	752,000,000	
Grand Renaissance Dam Bond	150,000,000	150,000,000
Government Bond DBE	530,305,000	328,660,000

Below is an analysis of the Corporation's sensitivity to a 0.5% parallel increase or decrease in market interest rates at the reporting date, assuming all other variables remain constant:

Financial Instrument 2025	Effect on Profit/Loss		Effect on Equity	
	0.5% Increase	0.5% Decrease	0.5% Increase	0.5% Decrease
Fixed time deposits	(23,879,865)	23,879,865	(23,879,865)	23,879,865
Treasury bills	(3,760,000)	3,760,000	(3,760,000)	3,760,000
Grand Renaissance Dam Bond	(3,401,525)	3,401,525	(3,401,525)	3,401,525

Financial Instrument 2024	Effect on Profit/Loss		Effect on Equity	
	0.5% Increase	0.5% Decrease	0.5% Increase	0.5% Decrease
Fixed time deposits	(25,776,341)	25,776,341	(25,776,341)	25,776,341
Treasury bills	-	-	-	-
Grand Renaissance Dam Bond	(2,393,300.00)	2,393,300.00	(2,393,300.00)	2,393,300.00

(4) Management of insurance and financial risk (continued)

(e) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Key areas where the Corporation is exposed to credit risk are:

- Receivables arising out of direct insurance arrangements;
- Receivables arising out of reinsurance arrangements;
- Other receivables;
- Reinsurers' share of insurance liabilities;
- Mortgage loans ; and
- Deposits and government securities.

Management of credit risk

The Corporation has no significant concentrations of credit risk. The Corporation structures the levels of credit risk it accepts by placing limits counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Corporation's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Corporation remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on a frequent basis by reviewing their financial strength prior to finalization of any contract.

Management information reported to the Corporation includes details of provisions for impairment on loans and receivables and subsequent write-offs. Management of the Corporation makes regular reviews to assess the degree of compliance with the Corporation procedures on credit. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring by the management.

Credit quality analysis

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or historical information about counterparty default rates.

(4) Management of insurance and financial risk (continued)

(e) Credit risk (Continued)

Credit quality analysis

Maximum exposure to credit risk before collateral held

	2025 ETB	2024 ETB
Receivables	1,544,705,297	995,545,407
Government securities at amortized cost	752,000,000	
Grand Renaissance Dam and DBE Bond	680,305,000	478,660,000
Mortgage loans receivable	17,631,403	16,987,845
Deposits with financial institutions	5,148,972,940	5,155,268,185
Cash at bank	2,181,908,727	1,157,299,547
Total	**10,325,523,367**	**7,803,760,984**

No collateral is held for any of the above assets except for mortgage loans and policy loans. The mortgage loans given to staff members through Commercial bank of Ethiopia has been arranged to transfer the risk to the bank which take the property as collateral. Policy loans are secured against the cash surrender value of the insurance policy. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated. Collateral usually is not held against investment in securities.

None of the above assets are past due or impaired and thus are graded as Stage 1 (12 month ECL) except for the following amounts in;

- Receivables arising out of direct insurance arrangements which are due on inception of insurance cover.
- Receivables arising out of reinsurance arrangements.

For these receivables, balances that are over 90 days past due (arrears) are defined as having a significant increase in credit risk and graded Stage 2 (Lifetime ECL). Balances that are over 180 days past due (arrears) are defined as being in default and graded Stage 3 (Lifetime ECL).

Receivables arising out of direct insurance and reinsurance arrangements are summarized as follows:

(4) Management of insurance and financial risk (Continued)

(c) Credit risk (continued)

Credit quality analysis – continued

	2025	2024
	ETB	ETB
Past due but not impaired (Stage 1 and 2)	728,901,069.05	376,855,105.30
Impaired (Stage 3)	648,931,455.50	607,808,095.76
Gross	1,377,832,524.55	984,663,201.06
Less: allowance for impairment	(408,473,907)	(460,083,973)
Net	**969,358,618**	**524,579,228**
Allowance for impairment		
At start of year	460,083,973	386,813,796
Impairment allowance for the period	-49,545,015.25	73,270,176
At end of year	**408,473,907**	**460,083,973**

Amount arising from ECL

For inputs, assumptions and techniques used for estimating impairment, see accounting note 3(b) (viii). The following amounts were subject to ECL as they were classified at amortized cost:

	2025	2024
Staff loans	420,643,458	378,861,393.37
Cash at bank	2,181,908,727	1,158,189,144
Time deposits	5,148,972,940	5,155,268,185
Mortgage and policy loans receivable	17,631,403	16,987,845.31
Grand Renaissance Dam Bond	150,000,000	150,000,000
Government Bond(DBE)	530,305,000	328,660,000

Significant increase in credit risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both the qualitative and quantitative information and analysis based on the Corporation's experience, expert credit assessment and forward looking information.

The Corporation primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

(4) Management of insurance and financial risk (Continued)

(e) Credit risk (continued)

- The remaining lifetime probability of default (PD) as at the reporting date;
- The remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure. Whenever available the Corporation monitors changes in credit risk by tracking published external credit ratings. Where external credit ratings are not available, the Corporation allocates each exposure to a credit risk graded based on data that is determined to be predictive of the risk of default including but not limited to audited financial statements, management account and cash flow projections and available regulatory and press information about borrowers

  The Corporation has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date.

Definition of default

The Corporation considers a financial asset to be in default when:

- The counterparty is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realizing security (if any is held); or
- The counterparty is past due more than 90 days (except for insurance contracts) on any material credit obligation to the Corporation.
- In assessing whether a counterparty is in default, the Corporation considers indicators that are:
- Qualitative – e.g. Breaches of covenant;
- Quantitative – e.g. Overdue status and non-payment on another obligation of the same issuer to the Corporation; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived using rating tools and other historical data.

(4) Management of insurance and financial risk (Continued)

(c) Credit risk (continued)

PD estimates are estimates at a certain date, which are calculated, based on statistical models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for loans and advances to banks and investment securities.

LGD is the magnitude of the likely loss if there is a default. The Corporation estimates LGD parameters based mainly on the counterparties' collateral and also on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Corporation derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any counterparty's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Corporation considers a longer period. The maximum contractual period extends to the date at which the Corporation has the right to require repayment of an advance or terminate a loan commitment or guarantee.

The Corporation estimated a 12 month ECL on its time deposit and cash at bank balances. This was based on the following factors and circumstances:

— The Corporation considers a financial asset to be in default when a financial asset is more than 90 days past dues, all its time deposits were paid on the date of maturity.

— In assessing whether a borrower is in default, the Corporation considers indicators such as breaches of covenant and other indicators of financial distress, overdue status of another obligation of the same issuer and none of these conditions were applicable.

— Based on enquiries made with other external sources there was no history of default on time deposits with the financial institutions invested with.

The Statutory deposit and investments in government securities were considered to be low risk (Stage 1) and a 12 month ECL was estimated by the Corporation.

(4) Management of insurance and financial risk (Continued)

(e) Credit risk (continued)

Staff loans were considered fully recoverable as the amounts are deducted from salaries and if employees are to leave before settling their dues, their amounts are deducted from their severance pay.The amounts can also be recovered from the guarantor if the severance pay is not enough to cover the loan.

Incorporation of forward-looking information

The Corporation considers forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

Due to the nature of the Corporation's financial assets, the Corporation has estimated that the impact of any forward looking information may not be significant as at 30 June 2025.

Loss allowance

The following tables show reconciliations from the opening balance to the closing balance of the loss allowance by class of financial instrument.

	June 25			June 24		
Name of Security /Asset	**Opening Balance**	**Net re-measurement of Loss allowance**	**Ending balance as at June 30,2025**	**Opening Balance**	**Net re-measurement of Loss allowance**	**Ending balance as at June 30,2024**
Treasury bills(Stage 1)	0	26,144,155	26,144,155	2,849,244	(2,849,244)	0
Government bond(Stage 1)	14,539,929	6,287,787	20,827,716	6,885,409	7,654,520	14,539,929
Cash at bank(Stage 1)	38,779,248	22,820,661	61,599,909	18,277,753	20,501,495	38,779,248
Fixed deposits(Stage 1)	114,288,683	(28,087,110)	86,201,573	114,028,686	259,998	114,288,683
Statutory deposit(Stage 1)	13,320	-	13,320	13,320	-	13,320
Trade and other debtors	460,083,973	(49,545,015)	408,473,907	386,813,796	73,270,176	460,083,973

Write-off

The gross carrying amount of financial assets written off as at 30 June 2025 is 1,506,875.4 but 30 June 2024 was nil.

(4) Management of insurance and financial risk (Continued)

(f) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its insurance and reinsurance contracts and financial liabilities that are settled in cash or other financial assets.

The Corporation is exposed to daily calls on its available cash resources for claims settlement and other administration expenses. The Corporation does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Management sets limits on the minimum level of cash balances.

The table below analyses the Corporation's key financial and insurance assets and liabilities into relevant maturity groupings based on the remaining period at 30th June 2025 to the earlier of the re-pricing or contractual maturity date.

As at 30 June 2025	1 year or less ETB	1 – 2 years ETB	2-3 years ETB	3– 4 years ETB	4-5 years ETB	Over 5 years ETB	Total ETB
I. Assets							
Financial Assets							
Fixed Time Deposits	5,148,972,940	-	-	-	-	-	5,148,972,940
Treasury bills	752,000,000		-	-	-	-	752,000,000
Government bond	-	-	591,505,000	-	-	-	591,505,000
Statutory deposit	-	-		88,800,000	-	-	88,800,000
Policy loans	-	-	-	-	-	17,631,403	17,631,403
Staff loans	-	-	-	-	-	-	-
Cash	2,181,908,727	-	-	-	-	-	2,181,908,727
Trade debtors	1,366,499,784	-	-	-	-	-	1,366,499,284
Staff debtors		-	-	420,643,458	-	-	420,643,458
Dividend receivable	104,227,867	-	-	-	-	-	104,227,867
Investments in shares	-	-	-	-	-	2,895,296,821	2,895,296,821
Total financial assets	9,553,608,818	-	591,505,000	509,443,458	-	2,912,928,224	13,567,485,500
II. Liabilities	-	-	-		-	-	-
Financial Liabilities	-	-	-		-	-	-
State dividend payable	1,118,296,101	-	-	-	-	-	1,118,296,101
Total financial liabilities	1,118,296,101	-	-	-	-	-	1,118,296,101
Net liquidity gap as at 30 June 2025	8,435,312,717	-	591,505,000	509,443,458	-	2,912,928,224	12,449,189,399

(4) Management of insurance and financial risk (continued)
(f) Liquidity risk (continued)

As at 30 June 2024	1 year or less ETB	1 – 2 years ETB	2-3 years ETB	3– 4 years ETB	[illegible] years ETB	Over [illegible] ETB	Total ETB
I. Assets							
Financial Assets							
Fixed Time Deposits	5,155,268,185						-
Treasury bills							5,155,268,185
Government bond		389,860,000					
Statutory deposit							389,860,000
Policy loans						88,800,000	88,800,000
Staff loans						16,582,034	16,582,034
Cash	1,158,189,144					405,811	405,811
Trade debtors	976,153,208						1,158,189,144
Staff debtors				378,861,393			976,153,208.30
Dividend receivable	43,480,442						378,861,393
Investments in shares							43,480,442
Total financial assets	7,333,090,980	389,860,000	0	467,661,393	0	16,987,845	8,207,600,218
II. Liabilities							
Financial Liabilities							
State dividend payable	941,014,668						941,014,668
Total financial liabilities							
Net liquidity gap as at 30 June 2024	8,274,105,648	389,860,000	0	467,661,393	0	16,987,845	9,148,614,886

Management of liquidity risk

The Board of Management sets the Corporation's strategy for managing liquidity risk. The Corporation's objective in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions. The key elements of the Corporation's liquidity strategy are as follows:

— Maintaining a diversified funding base and appropriate contingency facilities.
— Carrying a portfolio of highly liquid assets that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows.
— Matching, to the maximum extent possible, the cash flows of the Corporation's financial assets with the cash flows of insurance and investment contracts and other financial

(4) Management of insurance and financial risk (continued)

(f) Liquidity risk (continued)

- liabilities.
- Monitoring liquidity ratios and carrying out stress-testing of the Corporation's liquidity position.

The Corporation treasury maintains a pool of short-term liquid assets that is intended to provide sufficient liquidity in the Corporation as a whole to cover short-term fluctuations in the liquidity requirements of any business units. Longer-term funding is used to manage structural liquidity requirements.

Management of liquidity risk
Capital requirements are set and regulated by the National Bank of Ethiopia (NBE) as provided in the Insurance Business Proclamation No. 746/2012. These requirements are put in place to ensure solvency margins are maintained in the insurance industry. Further, objectives are set by the Corporation to maintain a strong credit rating and healthy capital ratios in order to support its business objectives. National Bank may prescribe different capital and reserve requirements to be maintained by different insurers depending on their risk profile.

Regulatory Capital

The Corporation currently has Birr 592 million paid up capital which is above the minimum statutory requirement of Birr 75 million set by the NBE.

(g) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Corporation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as the risks of miss-selling of products, modeling errors and non-compliance with legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Corporation's operations.

Management of operational risk

The Corporation's objective in managing operational risk is to balance the avoidance of financial losses and damage to the Corporation's reputation with overall cost-effectiveness and innovation. In all cases, Corporation policy requires compliance with all applicable legal and regulatory requirements.

This is supported by the development of Overall Corporation's standards for the management of operational risk in the following areas:

- Training and professional development;
- workplace policies and Procedures manuals and distribution of the same to ensure compliance

(4) Management of insurance and financial risk (continued)

(g) Operational risk (continued)

Management of operational risk (Continued)

- Segregation of duties and responsibilities
- Assurance works by Internal Audit
- Proper recruitment processes.
- SWOT Analysis before business plan preparation to ensure control over factors in the internal and external environment
- Feasibility Analysis in the case of outlet opening
- Product feasibility analysis
- Risk management and legal service comments on new products
- Improved and aligned compensation systems
- Outsourcing
- Measures to improve data integrity, availability and confidentiality
- IT policies and procedures manual to ensure security of MIS
- Other measures provided under the Risk Management Guideline.

Ethiopian Insurance Corporation

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For the year ended 30 June 2025

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(5) Insurance revenue

	2025			2024		
	Life	**Non-Life**	**Combined**	**Life**	**Non-Life**	**Combined**
Contracts not measured under the PAA						
Amounts relating to changes in liabilities for remaining coverage						
– CSM recognized for services provided	3,298,562		3,298,562	4,281,521		4,281,521
– Change in risk adjustment for non- financial risk for risk expired	3,278,280		3,278,280	11,191,624		11,191,624
– Expected incurred claims and other insurance service expenses	36,468,900		36,468,900	38,678,154		38,678,154
Recovery of insurance acquisition cash flows	174,231		174,231	31,700		31,700
Adjustment to revenue for loss component						
	43,219,973		**43,219,973**	**54,182,997**		**54,182,997**
Premiums	345,928,334	12,888,887,652	13,234,815,986	234,252,041	8,275,516,110	8,508,768,151
Self-insurance		(47,016,901)	(47,016,901)		(47,919,111)	(47,919,111)
Change in Unexpired Risks	(54,893,681)	(4,045,949,567)	(4,100,843,248)	(23,611,575)	(719,235,750)	(742,847,325)
Contracts measured under the PAA	291,034,653	8,795,921,184	9,086,955,837	210,640,466	7,508,361,249	7,719,001,715
Total insurance revenue	334,254,626	8,795,921,184	9,130,175,810	264,823,463	7,508,361,249	7,773,184,714

Ethiopian Insurance Corporation

Notes to Financial Statements

For the year ended 30 June 2025

(In Ethiopian Birr)

(6) Net investment result

The following table analyses the Corporation's net investment result in profit or loss and OCI.

	2025			
	Life (GMM)	Life (PAA)	Non-life	Total
Net finance expenses from insurance contracts				
Interest accreted	(39,797,147)	1,324,769	(235,826,785)	(274,299,163)
Total net finance expenses from insurance contracts	(39,797,147)	1,324,769	(235,826,785)	(274,299,163)
Net finance income from reinsurance contracts				
Interest accreted				
Net finance income from reinsurance contracts		(50,075)	156,825,851	156,775,776
Total net finance income from reinsurance contracts in the statement of profit or loss		(50,075)	156,825,851	156,775,776
	(39,797,147)	(1,274,694)	78,959,603	37,887,762
Represented by:				
Amounts recognized in profit or loss	39,797,147	(1,274,694)	78,959,603	117,482,056
	39,797,147	(1,274,694)	78,959,603	117,482,056
A. Insurance finance income and expenses				
Net finance income/(expenses) from insurance contracts				
Recognized in profit or loss	(39,797,147)	1,324,769	(235,826,785)	(274,299,163)
	(39,797,147)	1,324,769	(235,826,785)	(274,299,163)
Net finance income from reinsurance contracts				
Recognized in profit or loss		(50,075)	156,825,851	156,775,776

Ethiopian Insurance Corporation
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(6) **Net investment result (Continued)**

	2024			
	Life (GMM)	**Life (PAA)**	**Non-life**	**Total**
Net finance expenses from insurance contracts				
Interest accreted	(21,815,514)	(253,917)	(98,651,045)	(120,720,476)
Total net finance expenses from insurance contracts	**(21,815,514)**	**(253,917)**	**(98,651,045)**	**(120,720,476)**
Net finance income from reinsurance contracts				
Interest accreted				
Net finance income from reinsurance contracts		13,637	26,661,551	26,675,188
Total net finance income from reinsurance contracts in the statement of profit or loss		13,637	26,661,551	26,675,188
	(21,815,514)	240,281	71,989,493	50,414,260
Represented by:				
Amounts recognized in profit or loss	21,815,514	240,281	71,989,493	94,045,288
	21,815,514	**240,281**	**71,989,493**	**94,045,288**
A. Insurance finance income and expenses				
Net finance income/(expenses) from insurance contracts				
Recognized in profit or loss	(21,815,514)	(253,917)	(98,651,045)	(120,720,476)
	(21,815,514)	**(253,917)**	**(98,651,045)**	**(120,720,476)**
Net finance income from reinsurance contracts				
Recognized in profit or loss		**13,637**	**26,661,551**	**26,675,188**

(7) Finance Income and expenses

i) Finance income

Combined business	30 June 2025	30 June 2024
Interest on fixed deposits	660,654,055.00	554,607,155
Interest on loans	54,046,315.00	31,104,259
Interest on treasury bills	40,847,768.00	4,547,945
Other interest income	20,698,510.00	10,473,205
Total	**776,246,648.00**	**600,732,564**

Non-life business	30 June 2025	30 June 2024
Interest on fixed deposits	556,915,898	459,509,998.46
Interest on loans	53,570,810	30,627,298.02
Interest on treasury bills	21,512,603	4,547,945.21
Other interest income	20,698,510	10,473,204.75
Total	**652,697,821**	**505,158,446**

Life business	30 June 2025	30 June 2024
Interest on fixed deposits	103,738,157	95,097,156
Interest on loans	475,505	476,961
Interest on treasury bills	19,335,165	
Total	**123,548,827**	**95,574,117**

(7) **Finance Income and expenses (Continued)**

ii) Finance expense

Combined business	30 June 2025	30 June 2024
Bank charges		
Interest expense on lease Liability-Building& Land	3,804,989	2,862,024
Interest on Reinsurance Funds		
Revenue stamp		
Total	**3,804,989**	**2,862,024**

Non-life business	30 June 2025	30 June 2024
Bank charges		
Interest expense on lease Liability-Building & Land	3,804,989	2,862,024
Interest on Reinsurance Funds		
Total	**3,804,989**	**2,862,024**

Life business	30 June 2025	30 June 2024
Bank charges		
Interest expense on lease Liability-Building& Land		
Interest on Reinsurance Funds		
Revenue stamp		
Total		

(8) **Investment Income**

Investment income is made up of dividend income from equity investments. The breakdown for dividend income is shown below:

Non-life business	30-Jun-25	30-Jun-24
Local dividends	43,280,069	24,804,375
Foreign dividends	149,784,097	44,215,907
Total	**193,064,165**	**69,020,282**

Details of investments from which dividend income is earned

Acquisition Date	Dividend	Investments	Amount	No. of shares
19-Jan-1959	Local dividend	MOENCO	43,280,069	625
01-Sep-1995	Foreign dividends	Afrexim Bank	73,197,503	309
31-Jan-1977	Foreign dividends	Africa re	76,586,593	41,806

(9) Other income

Combined business	30-Jun-25	30-Jun-24
Gain on sale of fixed assets	32,073	3,277,521
Gain/ Loss on foreign currency transactions	95,264,981	1,743,148
Gain/Loss on Termination of Lease Contract	48,580	(21,259)
Rental income	48,725,204	43,410,742
Other	31,528,729	29,682,873
Total	**175,599,569**	**78,093,026**

Non-life business	30-Jun-25	30-Jun-24
Gain on sale of fixed assets	32,073	3,277,520.97
Gain/ Loss on foreign currency transactions	96,183,007	1,758,453.32
Gain/Loss on Termination of Lease Contract	48,580	(21,258.55)
Rental income	48,725,204	43,410,742.13
Other	31,389,879	29,559,143.09
Total	**176,378,743**	**77,984,601**

Life business	30-Jun-25	30-Jun-24
Gain/ Loss on foreign currency transactions and balances	(918,026)	(15,305)
Gain/Loss on Termination of Lease Contract		
Other	138,850.43	123,729.96
Total	**(779,175)**	**108,425**

(10) Other operating expenses

Combined business	30-Jun-25	30 June 2024
Salaries and related benefits	1,320,245,024.05	1,276,712,670
Car running and maintenance	72,757,519.44	50,748,959
Advertising	132,429,591.69	40,153,078
Printing and stationery	4,047,215.64	3,971,658
Light and water	7,913,050.23	4,362,741
Traveling	24,334,378.24	17,564,618
Office cleaning and supplies	9,987,053.72	8,345,452
Communications	9,578,704.38	5,488,743
Entertainment	9,611,693.43	11,052,474
Municipal tax	9,528,191.79	7,359,536
Legal and professional fees	5,238,057.43	13,012,562
Rent expenses	1,840,196.45	909,760
Amortization ROUA	13,437,905.73	11,146,100
Education and training	29,289,247.97	4,623,744
Uniforms	5,895,419.96	12,160,770
Medical	39,540,506.73	26,636,448
Sports	146,229,399.75	143,455,318
Repair and maintenance	121,312,299.58	56,317,379
Subscriptions and Membership fee	9,320,345.08	4,176,788
Miscellaneous	282,793,416.51	72,438,115
Depreciation	45,778,992.80	37,025,249
Amortization	1,271,640.09	1,271,640
Expected credit losses	-27,487,559.59	90,177,676
Bank Service Charge	1,706,228.40	1,740,174
Board fees	803,737.99	460,000
Audit fee and expenses	2,060,000.00	979,800
Actuarial fee	17,954,656.89	7,152,690
Total Combined Other operating expenses	**2,297,416,914**	**1,909,444,142**

Part of expenses allocated to Insurance service expense and Finance Expense

Combined business	30-Jun-25	30 June 2024
Salaries and Wages	243,671,089	259,963,943
Stationery and printing	16,203,276	15,870,758
Rent Expense	33,307,959	26,255,767
Telex Expense	1,277,666	3,897,642
Depreciation	27,350,097	23,350,824
Bank Service Charge	8,111,502	3,431,037
Interest expense on lease Liability	3,804,989	2,862,024
Total allocated to insurance & Finance Exp	**333,726,578**	**335,631,995**

(11) Related parties

(a) Parent and ultimate controlling party

Ethiopian Insurance Corporation (here in referred to as "the Corporation") was established as a state owned enterprise in 1976 by proclamation No. 68/1975, by taking over all the assets and liabilities of thirteen nationalized private insurance companies. In 1994, the Corporation was re-established with the objectives of engaging in the business of rendering insurance services, and any other related activities conducive to the attainment of its purposes.

The immediate parent of the Ethiopian Insurance Corporation is Ethiopian Investment Holdings (EIH), a state-owned sovereign wealth fund established by the Government of Ethiopia. The ultimate controlling party is the Federal Democratic Republic of Ethiopia.

1. . Transactions with EIH

Insurance transactions with EIH	**30 June 2025**	**30 June 2024**
Premium	8,498,271.71	
Claims	986,787.96	

2. Entities under Common Control

The corporation is part of a group of companies under the control of EIH. Related parties therefore include other subsidiaries of EIH, such as but not limited to:

- Commercial Bank of Ethiopia (CBE)
- Ethiopian Airlines Group
- Ethio Telecom
- Ethiopian Electric Utility
- Other government-owned enterprises controlled by EIH

3. Related Party Transactions with other subsidiaries

During the reporting period, the corporation entered into transactions with related parties in the ordinary course of business. These transactions were carried out on terms equivalent to those that prevail in arm's length transactions, unless otherwise stated. The outstanding with related parties are unsecured, interest-free (unless otherwise noted), and are expected to be settled in the normal course of business.

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(11) Related parties

3. *Related Party Transactions With other Subsidiaries*

Name of Company	Receivable	Sales (Premium Income)	Purchases	Other Income	Other Expenses	Interest income from Commercial Bank of Ethiopia	Deposit Balances at the Commercial Bank of Ethiopia	*Total*
Commercial Bank of Ethiopia	89,890	286,228,815	-	711,847	9,763,940	152,956,042	3,252,175,574	3,701,927,108
Ethiopian Airlines Group	82,094,505	4,651,103,700	-	-	-	-	-	4,733,198,206
Ethiopian Electric Power	13,792,200	349,138,557	-	-	-	-	-	362,930,757
Ethiopian Petroleum Enterprise	-	409,856,045	-	-	-	-	-	409,856,045
Ethiopian Shipping and Logistics	26,617,292	102,098,718	-	-	-	-	-	128,716,010
Ethio Telecom	55,666,992	347,682,377	10,282,780	-	-	-	-	413,630,149
Ethiopian Electric Utility	-	109,211,691	3,896,116	-	-	-	-	113,107,807
Ethiopian Agricultural Business Corporation	28,714,831	169,875,061	-	-	-	-	-	198,589,892
Other government-owned enterprises controlled by EIH	185,381,506	577,008,910	701,873	1,033,686	4,102,670	-	-	768,228,646
Total	392,357,218	7,002,194,875	14,880,768	1,745,533	13,866,610	152,956,042	3,252,175,574	10,830,178,620

Note: - Payables arising from transactions with related party subsidiaries, consisting solely of routine Ethio Telecom service charges for the prior month, were deemed immaterial and have therefore not been disclosed.

(11) Related parties

(b) Transactions with key management personnel

(i) Compensation to key management personnel

The Corporation's key management personnel comprise of the chief executive officer and deputy chief executive officers (DCEOs) for; Finance and Investment office, General Insurance office, Long term Insurance office, Resource Management Office and Business Development and Risk Management office, and Directors reporting directly to the Chief Executive Officer namely Director of Information Technology Services Management Directorate, Legal Services Directorate and Internal Audit Directorate.

Key management personnel also comprises of board of management to the Corporation. EIC has eight members in the board of management, comprising of one chairperson, six members and one board secretary.
Key management personnel compensation comprised the following:

	30 June 2025	30 June 2024
Short term employee benefits	36,122,103	29,513,034
Post-employment benefits	15,092,969	19,509,719
Other long term benefits	4,188	3,830
	51,219,260	**49,026,583**

Short-term employee benefits comprises of basic salary, allowances and bonus. The Corporation offers post-employment benefits in the form of government pension scheme, severance pay, recognition pay, funeral and post-employment medical benefit. Key management personnel also receive an insurance benefit where 60% of their insurance premium for staff insurance policy is covered by EIC.

(ii) Transactions with Key Management

	30 June 2025	30 June 2024
Premiums Paid by key management	527,575	589,777
Claims paid to key management		14,500

The loans advanced to key management personnel are presented below. Balances outstanding at the end of each period are included in the receivables.

(b) Transactions with key management personnel (continued)

(i) Transactions with Key Management

Loans to key management	**30 June 2025**		**30 June 2024**	
	Principal	**Balance**	**Principal**	**Balance**
Interest free loans	7,576,655	5,064,472	8,751,366	7,521,947
Other Loan	5,103,660	3,676,869	5,260,047	4,385,673
Total	**12,680,314**	**8,741,341**	**14,011,413**	**11,907,620**

11. Related parties

(c) Transactions with other related parties

(i) Ethiopian Reinsurance

The Corporation has a 20.07% investment in Ethiopian Reinsurance (Ethio-re), made in 2015. Below are the transaction amounts for both insurance and re-insurance business between the Corporation and Ethio-re for the years 2025 and 2024.

Reinsurance transactions	30 June 2025	30 June 2024
Premium	633,321,537	537,775,275
Claims	223,731,539	163,457,589

Insurance transactions	30 June 2025	30 June 2023
Premium	59,849	58,389

Ethiopian Insurance Corporation

Notes to Financial Statements

For the year ended 30 June 2025

(In Ethiopian Birr)

(12) Property and equipment- 2025

The movement schedule for property and equipment is as follows;

Combined Business	Beginning	Additions (in this period)	Disposals	Transfers in	Transfers out	Adjustments	Balance at 30 June 2025
Buildings	496,451,569	-	-	-	-	-	496,451,569
Motor vehicles	339,145,873	200,186,253	-	-	-	-	539,332,126
Furniture	93,962,469	14,869,024	-	656,583	-656,583	-454,538	108,376,956
Computers	130,856,566	64,724,685	-	2,082,709	-2,082,709	-68,885	195,512,366
Construction work in progress	37,689,001	14,642,220	-	-	-	-	52,331,221
Fixed assets stock	15,906,229	4,802,655	-	-	-	-	20,708,883
Total	**1,114,011,706**	**299,224,836**	-	**2,739,292**	**-2,739,292**	**-523,423**	**1,412,713,120**

	Beginning	Additions (in this period)	Disposals	Transfers in	Transfers out	Adjustments	Balance at 30 June 2025
Buildings	133,790,024	18,024,599	-	-	-	-	151,814,623
Motor vehicles	137,254,531	32,417,773	-		-	-	169,672,304
Furniture	56,064,212	6,770,536	-		-	-49,067	62,785,681
Computers	89,424,749	15,859,727	-			138,073	105,422,549
Construction work in progress	-	-	-			-	-
Fixed assets stock	1,350,019	1,188,429	-		-96,837	-144,207	2,297,404
Total	**417,883,536**	**74,261,064**	-	-	**-96,837**	**-55,201**	**491,992,562**
Net Book Value	**696,128,170**						**920,720,557**

Ethiopian Insurance Corporation
Notes to Financial Statements
For the year ended 30 June 2025
(In Ethiopian Birr)

1. **Property and equipment-2025 (Continued)**

Non-Life Business	Beginning	Additions	Disposals	Transfers in	Transfers out	Adjustments	Balance at 30 June 2025
Buildings	496,451,569	-					496,451,569
Motor vehicles	335,965,361	200,186,253					536,151,614
Furniture	90,038,035	14,869,024			(656,583)	(424,474)	103,826,002
Computers	124,881,534	64,724,685			(2,082,709)	(68,885)	187,454,625
Construction work in progress	37,689,001	14,642,220					52,331,221
Fixed assets stock	15,906,229	4,802,655					20,708,883
Total	**1,100,931,728**	**299,224,836**	**-**	**-**	**(2,739,292)**	**(493,359)**	**1,396,923,913**

	Beginning	Additions	Disposals	Transfers in	Transfers out	Adjustments	Balance at 30 June 2025
Buildings	133,790,024	18,024,599					151,814,623
Motor vehicles	135,416,089	32,242,227					167,658,316
Furniture	53,942,887	6,468,921				(29,111)	60,382,697
Computers	85,150,082	15,312,922				138,073	100,601,077
Construction work in progress	-						
Fixed assets stock	1,350,019	1,188,429			(96,837)	(144,207)	2,297,404
Total	**409,649,101**	**73,237,098**			**(96,837)**	**(35,245)**	**482,754,117**
Net Book Value	**691,282,627**						**914,169,796**

Ethiopian Insurance Corporation

Notes to Financial Statements

For the year ended 30 June 2025

(In Ethiopian Birr)

Life Business	Beginning	Additions	Disposals	Transfers in	Transfers out	Adjustments	Balance at 30 June 2025
Buildings	-						-
Motor vehicles	3,180,512						3,180,512
Furniture	3,924,434			656,583		(30,063)	4,550,954
Computers	5,975,032			2,082,709			8,057,741
Construction work in progress	-						-
Fixed assets stock	-						-
Total	13,079,978	-	-	2,739,292	-	(30,063)	15,789,207

	Beginning	Additions	Disposals	Transfers in	Transfers out	Adjustments	Balance at 30 June 2025
Buildings							
Motor vehicles	1,838,442	175,546					2,013,988
Furniture	2,121,325	301,615				(19,955)	2,402,984
Computers	4,274,667	546,805					4,821,472
Construction work in progress	-						-
Fixed assets stock	-						-
Total	8,234,434	1,023,966	-	-	-	(19,955)	9,238,445
Net Book Value	4,845,544						6,550,762

(12) **Property and equipment- 2024**

Combined Business	Balance at 30 June 2023	Additions	Disposals/Adjustments	Transfers	Balance at 30 June 2024
Buildings	485,556,585	10,894,983	-	-	496,451,568
Motor vehicles	280,905,457	60,615,248	-2,474,832	100,000	339,145,873
Furniture	79,769,189	10,837,268	-	3,356,013	93,962,469
Computers	106,332,189	21,866,785	-	2,657,592	130,856,566
Construction work in progress	35,434,308	2,254,693	-	-	37,689,001
Fixed assets stock	9,177,929	12,841,905	-	-6,113,605	15,906,229
Total	997,175,656	119,310,882	-2,474,832	-	1,114,011,706
Depreciation					
Buildings	115,765,424	18,024,599	-	-	133,790,024
Motor vehicles	113,117,137	25,410,247	-1,362,853	90,000	137,254,531
Furniture	50,087,992	5,679,243	-	296,976	56,064,212
Computers	77,892,693	11,251,275	-	280,781	89,424,749
Construction work in progress	-	-	-	-	-
Fixed assets stock	1,148,872	868,905	-	-667,757	1,350,019
Total	358,012,119	61,234,269	-1,362,853	-	417,883,535
Net Book Value	639,163,537				696,128,171

Non-life Business	Balance at 30 June 2023	Additions	Disposals/Adjustments	Transfers	Balance at 30 June 2024
Buildings	485,556,585	10,894,983	-	-	496,451,569
Motor vehicles	277,174,945	60,615,248	(2,474,832)	650,000	335,965,361
Furniture	76,758,617	10,837,268	-	2,442,150	90,038,035
Computers	101,904,052	21,866,785	-	1,110,698	124,881,534
Construction work in progress	35,434,308	2,254,693	-	-	37,689,001
Fixed assets stock	9,177,929	12,841,905	-	(6,113,605)	15,906,229
Total	**986,006,436**	**119,310,882**	**(2,474,832)**	**(1,910,758)**	**1,100,931,728**

Depreciation	Balance at 30 June 2023	Additions	Disposals/Adjustment	Transfers	Balance at 30 June 2024
Buildings	115,765,424	18,024,599	-		133,790,024
Motor vehicles	111,158,366	25,097,451	(1,362,853)	523,125	135,416,089
Furniture	48,239,468	5,431,669	-	271,750	53,942,887
Computers	73,915,853	10,953,448	-	280,781	85,150,082
Construction work in progress	-	-			-
Fixed assets stock	1,148,872	868,905		(667,757)	1,350,019
Total	**350,227,983**	**60,376,073**	**(1,362,853)**	**407,898**	**409,649,101**
Net Book Value	**635,778,453**				**691,282,627**

Ethiopian Insurance Corporation

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For the year ended 30 June 2025

(In Ethiopian Birr)

Life Business	Balance at 30 June 2023	Additions	Disposals/Adjustments	Transfers	Balance at 30 June 2024
Buildings	-	-	-	-	-
Motor vehicles	3,730,512	-	-	(550,000)	3,180,512
Furniture	3,010,571	-	-	913,863	3,924,434
Computers	4,428,137	-	-	1,546,895	5,975,032
Construction work in progress	-		-	-	-
Fixed assets stock	-	-	-	-	-
Total	**11,169,220**	-	-	**1,910,758**	13,079,978

Depreciation	**Balance at 30 June 2023**	**Additions**	**Disposals/Adjustments**	**Transfers**	**Balance at 30 June 2024**
Buildings		-	-		
Motor vehicles	1,958,771	312,796	-	(433,125)	1,838,442
Furniture	1,848,525	247,573	-	25,227	2,121,325
Computers	3,976,840	297,827	-	-	4,274,667
Construction work in progress	-	-	-	-	-
Fixed assets stock	-	-	-	-	-
Total	**7,784,136**	858,197	-	(407,898)	8,234,434
Net Book Value	**3,385,084**				4,845,544

No impairment loss is considered during the year for any of PPE account

(13) Intangible assets

The movement schedule for Intangible assets is as follows;

2025			
Cost	**Non-life Business**	**Life Business**	**Combined business**
Intangible Assets			
Balance as at 30 June 2024	35,495,502	7,944,508	43,440,010
Additions		-	0
Balance as at 30 June 2025	35,495,502	7,944,508	43,440,010
Amortization			
Intangible Assets			
Balance as at 1 July 2024	(24,241,389)	(7,944,508)	(32,185,897)
Amortization for the year	(1,271,640)		(1,271,640)
Balance as at 30 June 2025	(25,513,029)	(7,944,508)	(33,457,537)
Net carrying value	9,982,473	0	9,982,473
Software under development	**Non-life Business**	**Life Business**	**Combined business**
Balance as at 30 June 2024	17,150,987	-	17,150,987
Additions	38,376,337	-	38,376,337
Balance as at 30 June 2025	55,527,324	-	55,527,324
Software under development			
Balance as at 1 July 2024	-	-	-
Amortization for the year	-	-	-
Balance as at 30 June 2025	-	-	-
Total Addition			
Net carrying value	65,509,797	-	65,509,797

2024	Non-life Business	Life Business	Combined business
Cost			
Balance as at 30 June 2023	35,495,502	7,944,508	43,440,010
Additions	-	-	-
Balance as at 30 June 2024	35,495,502	7,944,508	43,440,010
Amortization			
Balance as at 1 July 2023	(22,969,749)	(7,944,508)	**(30,914,257)**
Amortization for the year	(1,271,640)	-	(1,271,640)
Balance as at 30 June 2024	**(24,241,389)**	**(7,944,508)**	**(32,185,897)**
Net carrying value	**11,254,113**	**0**	**11,254,113**

Software under development	**Non-life Business**	**Life Business**	**Combined business**
Balance as at 30 June 2023	-	-	-
Additions	17,150,987	-	17,150,987
Balance as at 30 June 2024	**17,150,987**	-	**17,150,987**
Software under development			
Balance as at 1 July 2023	-	-	-
Amortization for the year	-	-	-
Balance as at 30 June 2024	-	-	-
Total Addition	17,150,987		17,150,987
Net carrying value	**28,405,100**	-	**28,405,100**

Intangible assets comprise of software such as Agresso reporting software, INSIS system, Software for Video Surveillance system, Oracle Database Enterprise Edition and related software for EIC operations.
In the period birr 38,376,337 was paid for software development (upgrading) program, for INSIS.
After the completion of the software, the balance will be transfer to intangible asset

(14) Leases

EIC leases land and buildings. Information about the leases for which EIC is a lessee is presented below.

(a) Right-of-use assets

(i) Combined

2025-Combined Business	**Building**	**Land**	**Total**
Cost			
Balance at 1 July, 2024	231,197,744	21,653,639	252,851,383
Additions	56,635,108	-	56,635,108
Termination & Adjustment	-1,293,774	-	-1,293,774
Balance at 30 June, 2025	**286,539,078**	**21,653,639**	**308,192,717**
Depreciation			
Balance at 1 July, 2024	123,661,685	1,968,182	125,629,867
Additions	43,496,415	359,672	43,856,087
Termination & Adjustment	-1,293,774	-	1,293,774
Balance at 30 June, 2025	165,864,327	2,327,854	168,192,181
Net carrying value	**120,674,752**	**19,325,785**	**140,000,536**

2024-Combined Business	**Building**	**Land**	**Total**
Cost			
Balance at 1 July, 2023	155,919,209	23,090,496	179,009,705
Additions	84,517,611	-	84,517,611
Termination & Adjustment	(9,239,076)	(1,436,857)	(10,675,933)
Balance at 30 June, 2024	**231,197,744**	**21,653,639**	**252,851,383**
Depreciation			
Balance at 1 July, 2023	94,180,989	1,650,932	95,831,921
Additions	39,085,609	413,041	39,498,650
Termination & Adjustment	(9,604,912)	(95,790)	(9,700,703)
Balance at 30 June, 2024	123,661,685	1,968,183	125,629,867
Net carrying value	**107,536,059**	**19,685,457**	**127,221,516**

(14) Leases (Continued)

(a) Right-of-use assets (Continued)

(ii) Non-Life

2025	**Building**	**Land**	**Total**
Cost			
Balance at 1 July, 2024	214,478,856	21,653,639.00	236,132,496
Additions	56,635,108		56,635,108
Termination & Adjusrment	-1,293,774		-1,293,774
Balance at 30 June, 2025	**269,820,190**	**21,653,639.00**	**291,473,830**
Depreciation			
Balance at 1 July, 2024	120,466,481	1,968,182.00	122,434,664
Additions	40,184,492	359,672.19	40,544,165
Termination & Adjustment	-1,293,774		-1,293,774
Balance at 30 June, 2025	159,357,199	2,327,854.00	161,685,054
Net carrying value	**110,462,991**	**19,325,785.00**	**129,788,774**

2024	**Building**	**Land**	**Total**
Cost			
Balance at 1 July, 2023	155,616,339	23,090,496	178,706,836
Additions	68,101,592	-	68,101,592
Termination & Adjustment	(9,239,076)	(1,436,857)	(10,675,933)
Balance at 30 June, 2024	214,478,856	21,653,639	236,132,496
Depreciation			
Balance at 1 July, 2023	93,878,119	1,650,932	95,529,052
Additions	36,193,275	413,041	36,606,315
Termination & Adjustment	(9,604,912)	(95,790)	(9,700,703)
Balance at 30 June, 2024	120,466,481	1,968,182	122,434,665
Net carrying value	94,012,375	19,685,457	113,697,831

(14) **Leases (Continued)**

(a) **Right-of-use assets (Continued)**

(iii) Life

2025	**Building**
Cost	
Balance at 1 July, 2024	16,718,888.00
Additions	
Balance at 30 June, 2025	**16,718,888.00**
Depreciation	
Balance at 1 July, 2024	3,195,204.00
Charge for the year	3,311,922.57
Balance at 30 June, 2025	6,507,127.00
Net carrying value	**10,211,761.00**

2024	**Buildings**
Cost	
Balance at 1 July, 2023	302,870
Additions	16,416,018
Balance at 30 June, 2024	16,718,888
Depreciation	
Balance at 1 July, 2023	302,870
Additions	2,892,334
Balance at 30 June, 2024	**3,195,204**
Net carrying value	**13,523,684**

(14) Leases (Continued)

(b) Lease liabilities

(i) Combined business

2025-Lease liability	Buildings	Land	Total
Balance at July 1, 2024	32,015,867	12,436,251	44,452,118
Payment made in the year	6,831,848	701,576	7,533,424
Additions for the year	12,753,061	0	12,753,061
Termination & Adjustment	-521,081	0	-521,081
Balance at June 30, 2025	37,415,999	11,734,675	49,150,674
Interest Expense			
Balance at July 1, 2024	9,636,427	8,775,036	18,411,463
Charge for the year	5,597,914	2,199,278	7,797,192
Termination & Adjustment	-521,081	0	-521,081
Balance at June 30, 2025	15,755,422	10,974,314	26,729,736
Net carrying value	**53,171,421**	**22,708,989**	**75,880,410**

2024-Lease liability	Buildings	Land	Total
Balance at July 1, 2023	17,506,407	14,611,581	32,117,988
Payment made in the year	7,706,150	738,473	8,444,623
Additions for the year	21,849,774	-	21,849,774
Termination & Adjustment	365,837	(1,436,857)	(1,071,020)
Balance at June 30, 2024	**32,015,867**	**12,436,251**	**44,452,118**
Interest Expense			
Balance at July 1, 2023	8,868,729	7,114,186	15,982,915
Charge for the year	4,138,336	2,215,770	6,354,105
Termination & Adjustment	(3,370,638)	(554,920)	(3,925,559)
Balance at June 30, 2024	9,636,427	8,775,036	18,411,463
Net carrying value	**41,652,294**	**21,211,287**	**62,863,581**

(14) Leases (Continued)

(b) Lease liabilities (continued)

(ii) Non-Life

2025-Lease liability	Buildings	Land	Total
Balance at July 1, 2024	26,837,534	12,436,251	39,273,785
Payment made in the year	6,831,848	701,576	7,533,424
Additions for the year	12,753,061		12,753,061
Termination & Adjustment	(521,081)	-	(521,081)
Balance at June 30, 2025	32,237,666	11,734,675	43,972,341
Interest Expense			
Balance at July 1, 2024	9,094,931	8,775,036	17,869,967
Charge for the year	4,911,521	2,199,278	7,110,799
Termination & Adjustment	(521,081)		(521,081)
Balance at June 30, 2025	14,527,533	10,974,314	25,501,847
Net carrying value	46,765,199	22,708,989	69,474,188

2024-Lease liability	Buildings	Land	Total
Balance at July 1, 2023	17,506,407	14,611,581	32,117,988
Payment made in the year	7,706,150	738,473	8,444,623
Additions for the year	16,671,440		16,671,440
Termination & Adjustment	365,837	(1,436,857)	(1,071,020)
Balance at June 30, 2024	26,837,534	12,436,251	39,273,785
Interest Expense			
Balance at July 1, 2023	8,868,729	7,114,186	15,982,915
Charge for the year	3,596,840	2,215,770	5,812,610
Termination & Adjustment	(3,370,638)	(554,920)	(3,925,559)
Balance at June 30, 2024	9,094,931	8,775,036	17,869,967
Net carrying value	35,932,465	21,211,287	57,143,752

14) Leases (Continued)

(b) Lease liabilities (continued)

(iii) Life

2025-Lease liability	Building
Balance at July 1, 2024	5,178,333
Payment made in the year	-
Additions for the year	-
Balance at June 30, 2025	5,178,333
Interest Expense	
Balance at July 1, 2024	541,496
Charge for the year	686,392
Balance at June 30, 2025	1,227,888
Net carrying value	6,406,221

2024-Lease liability	**Building**
Balance at July 1, 2023	
Payment made in the year	
Additions for the year	5,178,333
Balance at June 30, 2024	5,178,333
Interest Expense	
Balance at July 1, 2023	
Charge for the year	541,496
Balance at June 30, 2024	541,496
Net carrying value	5,719,829

(14) Leases (Continued)

As a lessee

EIC recognized a lease liability at the present value of the outstanding lease payments as of the reporting date. Previously, the lease liabilities were discounted using an incremental borrowing rate of 12%. However, effective from March 7, 2025, this rate has been revised to 15.75%. This change is due to the Commercial Bank of Ethiopia's update to its lending rates, which are categorized by sector and repayment period. As EIC does not have existing borrowings, the applicable rate is based on the term loan borrowing rate for repayment periods of 1 to 5 years, which aligns with most lease term of EIC's lease contracts.
Out of the total balance of lease liability, which is 75,880,410, Birr 9,840,605 is current portion which is going to be settled in the next fiscal period.

EIC leases buildings for its office space and branches. The building leases typically run for a period of between 2 years and 10 years with majority of the contracts running for a period of 1-5 years. Some lease contracts include an option to renew the lease for an additional period at the end of the contract term. However, management does not take these into consideration in determining the lease term because there is no reasonable certainty that they will be exercised.

EIC also leases land from the government. The land leases typically run for a period of between 40 years and 99 years. Currently, there are only three land leases, whose lease terms are 50 years and 60 years. EIC received services in kind for undetermined period to use Land owned by the Federal Democratic Republic of Ethiopia. These in-kind contribution represents non-monetary grant from Federal Democratic Republic of Ethiopia and constitutes right for EIC to use the assets. The right-to-use these assets is measure at a nominal value of nil.

However, the government has recently reclaimed land covered by two lease contracts without issuing formal documentation confirming the termination. As a result, the company is currently unable to provide official lease documents verifying the lease's termination. EIC is actively engaging with the relevant authorities to clarify the situation and resolve the matter. Until this is concluded, the accounting for the leased land has been updated only through May 31, 2025.

As a lessee – short-term and low-value leases
EIC elected to apply the practical expedient with regards to short term leases and low value leases. The Corporation thus chose not to recognize right of use assets and lease liabilities for short term leases of buildings that have a lease term of 12 months or less and those of a low value buildings with a contract amount of less than ETB 150,000.

The lease payments associated with short term and low-value leases are recognized as an expense on a straight-line basis over their lease term, and prepayments and accruals recognized in the statement of financial positions as prepaid or accrued rent. The rent expense for short-term leases recognized in 2025 is 5,576,353 (2024: 2,755,729) and for Low value leases are nil.

As a lessor

EIC leases out a number of buildings to external parties in exchange for rental income. The Corporation has determined that all their leases are operating leases. EIC recognizes the lease payments received as income on a straight line basis over the lease term as part of other incomes. Prepayments or accruals as at each year end are recognized as a current asset or liability in the statement of financial position.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Lease Liability maturity analysis	30 June 2025	30 June 2024
Less than one year	15,817,341	9,492,016
One to five years	35,049,099	32,698,729
More than five years		777,600
Total	**50,866,440**	**42,968,344**

Terminated Lease contracts in the year 2025

Lease contract	Reason of Termination	Amount
Jemmo Sat. Off.	For a better office space	20,272.18
Ginire Sat. Off.	For a better office space	28,307.73
Total		**48,579.91**

Terminated Lease contracts in the year 2024

Lease contract	Reason of Termination	Amount
Bole Branch	For a better office space	164,938
Jigjiga Branch	Change of ownership of the building	(143,679)
Total		**21,259**

(15) Investment in securities

(a) Combined business	30 June 2025	30 June 2024
Investment securities		
At amortized cost	1,296,533,129	375,320,071
At fair value through profit or loss		
At fair value through OCI	2,951,240,261	1,119,074,768
	4,247,773,390	1,494,394,839
Interest receivable	80,964,180	22,620,246
Total	**4,328,737,570**	**1,517,015,085**

(b) Non-life business	30 June 2025	30 June 2024
Investment securities		
At amortized cost	815,592,256	375,320,071
At fair value through profit or loss		
At fair value through OCI	2,895,296,821	1,019,074,768
	3,710,889,077	**1,394,394,839**
Interest receivable	61,629,015.24	22,620,246
Total	**3,772,518,092**	**1,417,015,085**

	June 2025	30 June 2024
At amortized cost		
Treasury bills	254,000,000	
ECL allowance - Treasury bills	(9,085,028)	
Government bond	591,505,000	389,860,000
ECL allowance - Government bond	(20,827,716)	(14,539,929)
	815,592,256	**375,320,071**
At fair value through OCI		
Equity securities	2,895,296,821	1,019,074,768
Total	**2,895,296,821**	**1,019,074,768**

(15) **Investment in securities (Continued)**

(c) Life business

	30 June 2025	30 June 2024
Investment securities		
At amortized cost	480,940,873	
At fair value through profit or loss		
At fair value through OCI	55,943,440	100,000,000
	536,884,313	**100,000,000**
Interest receivable	19,335,165	
Total	**556,219,478**	**100,000,000**

	June 2025	30 June 2024
At amortized cost		
Treasury bills	498,000,000	
ECL allowance - Treasury bills	-17,059,127	
Government bond		
ECL allowance - Government bond		
	480,940,873	375,320,071
At fair value through OCI		
Equity securities	**55,943,440**	**100,000,000**
Total	**55,943,440**	**100,000,000**

The government bonds for GERD bear interest at the rate of 8% per annum and the Development Bank of Ethiopia bond bear interest of 9%. They GERD bonds mature in December 2027 and July 2028 while the DBE bonds mature I November 2025 and December 2026.

	30 June 2025	30 June 2024
Other investments		
African Reinsurance Corporation	1,089,553,000	415,836,000
African Export Import Bank	1,101,905,000	425,968,000
Non-nationalized companies(MOENCO)	703,763,821	177,195,768
Investment in Addis Africa	55,943,440	100,000,000
Ethiopian Securities Exchange SC	75,000	75,000
	2,951,240,261	**1,119,074,768**
Interest receivable		
Government bond	40,116,413	22,620,246
Equity securities	-	
Treasury bills	40,847,768	
	80,964,180	**22,620,246**

(15) Investment in securities (Continued)

Fair value Hierarchy
A number of the Corporation's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

(i) Valuation models

The Corporation measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- *Level 1:* Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- *Level 2:* Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- *Level 3:* Inputs that are unobservable. This category includes all instruments for which the valuation technique includes unobservable inputs that have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Corporation recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change occurs. During the reporting periods covered by these annual financial statements, there were no movements between levels as a result of significant inputs to the fair valuation process becoming observable or unobservable.

Valuation techniques include net present value and Comparison with similar instruments for which observable market prices exist.

The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The fair value of a liability reflects the effect of non-performance risk.

The following sets out the Corporation's basis of establishing fair values of financial instruments:

Investment securities with observable market prices including equity securities are fair valued using that information. Investment securities that do not have observable market data are fair valued using discounted cash flow method or quoted market prices for securities with similar yield characteristics.

Loans and advances to policyholders and staff are net of allowance for impairment. The estimated fair value of the loans represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value hence their fair values approximates their carrying amounts.

Estimated fair value of fixed interest bearing deposits treasury bills and bonds without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with similar maturities and interest rates, hence their fair value approximates their carrying amounts

(15)Investment in securities (Continued)

(ii) Fair value hierarchy

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for cash and cash equivalents, receivables and payables, whose carrying amounts are a reasonable approximation of fair value, or for lease liabilities.

30 June 2025	Level 1	Level 2	Level 3	Total
Financial Assets:				
Equity securities				
African Reinsurance Corporation	-	1,089,553,000	-	1,089,553,000
African Export Import Bank	-	1,101,905,000	-	1,101,905,000
Non-nationalized companies(MOENCO)	-	703,763,821	-	703,763,821
Investment in Addis Africa		55,943,440		55,943,440
Total financial assets	-	2,951,165,261	-	2,951,165,261

30 June 2024	Level 1	Level 2	Level 3	Total
Financial Assets: Equity securities				
African Reinsurance Corporation	-	415,836,000	-	415,836,000
African Export Import Bank	-	425,968,000	-	425,968,000
Non-nationalized companies(MOENCO)	-	177,195,768	-	177,195,768
Total financial assets	-	1,018,999,768	-	1,018,999,768

(16) Investment in associates

EIC accounts for its investments in associates using the equity method. The corporation assessed the existence of significant influence by EIC on the mentioned investments in associates which is usually evidenced in one or more of the following ways;

- Representation on the board of directors or equivalent governing body of the investee,
- Participation in policy-making processes
- Material transactions between the entity and its investee,
- Interchange of managerial personnel and
- Provision of essential technical information

The conclusion was that the corporation has significant influence in its investment in associates. The report shows share of investment of Ethiopian Reinsurance Company for June 30, 2024 and 2025. Investments in associates as of 30 June, 2025 and 2024 are as follows:

	30 June 2025	30 June 2024
Ethiopian Reinsurance	658,727,708	612,249,996
Universal Investors		
Total	**658,727,708**	**612,249,996**

a) Ethiopian re-insurance	30 June 2025	30 June 2024
Percentage of ownership	20.07%	20.07%
Investment at cost	501,810,000	501,810,000
Opening carrying amount	612,249,996	392,401,350
Dividend declared	(80,447,834)	(41,015,921)
Dividend reinvested		41,015,921
Additional cash paid		145,017,126
Adjustment to prior year share of profit	4,170,662	(12,649,107)
Total Comprehensive Income (100%)	611,633,703.00	435,877,571
EIC's share of total comprehensive income (20.07%)	**122,754,884**	**87,480,628**
Carrying amount of Investment in Ethiopian-reinsurance	**658,727,708**	**612,249,996**

The following table summarises the financial information of Ethiopian-re:

	30 June 2025	30 June 2024
Total assets	5,502,051,707	5,049,441,427
Total liabilities	2,353,305,207	2,470,117,297
Net assets (100%)	**3,148,746,502**	**2,579,324,130**
Revenue (100%)	2,934,470,534	1,892,197,220

(17) Loans

Non-life business	30 June 2025	30 June 2024
Loans to policy holders		
Staff Mortgage, car and personnel loan receivable	-	405,811
Interest receivable on loan		
	-	**405,811**

Life business	30 June 2025	30 June 2023
		-
Loans to policy holders	17,631,403	16,582,034
Interest receivable on loan	4,080,945	3,862,054
	21,712,348	**20,444,088**

Combined business	**21,712,348**	**20,849,899**

(18) Other receivables

v) Receivables

Non-life business	30 June 2025	30 June 2024
Trade debtors	1,366,499,284	976,153,208
Sundry Debtors	1,951,265	1,516,015
Staff Debtors	398,561,438	358,129,390
Deposits	49,187,726	44,712,140
Receivables arising out of reinsurance arrangements	10,611,594	8,213,332
Interest and rent receivable	106,002,424	48,023,735
	1,932,813,830	**1,436,747,820**
Expected credit loss allowance	(411,848,875)	(463,202,872)
Closing Balance	**1,520,964,955**	**973,544,948**

Life business	30 June 2024	30 June 2024
Trade debtors		-
Sundry debtors	5,379	5,379
Staff debtors	22,082,020	20,732,004
Receivables arising out of reinsurance arrangements	1,340,974	478,016
Interest and rent receivable	320,660	793,549
	23,749,033	**22,008,948**
Expected credit loss allowance	(8,692)	(8,489)
Closing Balance	**23,740,342**	**22,000,459**

Combined business	**1,544,705,297**	**995,545,407**

w) **Prepayments**

	30 June 2025	30 June 2024
Non-life business		
Prepayments	137,738,249	158,877,937
Prepaid Rent	1,713,739	540,000
Advance profit tax	3,334	3,334
Prepaid Advertisement	10,397,260	30,397,260
Closing Balance	**149,852,582**	**189,818,531**

Life business	**30 June 2025**	**30 June 2024**
Advance profit tax		
Closing Balance		
Combined business	**149,852,582**	**189,818,531**

The deposit balance includes an amount of 40,903,185.97 (2024:39,411,097.97) that is held in a blocked bank account. These cash funds may not be exchanged or used to settle a liability for a period of coming 12 months.

Staff debtor is a staff loan given to employees where maturity and the start date is different for every staff with a maturity date of maximum of 48 months based on service year of the staff. The staffs are free to update his/her loan any time before the maturity date by settling the outstanding balance. Due to the heterogeneity of the important dates to model and the number of staff who sign up for loans, it is not feasible to measure the financial asset at fair value. However, we are accounting for Expected Credit Loss (ECL) as per the requirement of IFRS 9.

18) Statutory deposit

This represents the deposit that must be kept with the National Bank of Ethiopia in line with insurance business proclamation No. 746/2012. According to this proclamation such deposit can be kept either in cash or government securities. However, as per the same proclamation, the deposit or any part thereof shall not be withdrawn except with the written permission of the National Bank of Ethiopia; nor shall such deposit be used as a pledge or security against any loan or overdraft.

A breakdown of statutory deposit is shown below:

Non-life	**30 June 2025**	**30 June 2024**
Treasury bills		
Bond	88,800,000	88,800,000
ECL allowance	(13,320)	(13,320)
Closing Balance	**88,786,680**	**88,786,680**

The statutory deposits have been recognized as financial assets at amortized cost. The bond relates to the Grand Ethiopian Renaissance Dam bond (GERD) which earns interest currently at 8 % (6% before October 2017) per annum. Starting from December, 2020 the statutory deposit is fully covered by the GERD bond.

19) **Fixed time deposits**

Non-life business	**30 June 2025**	**30 June 2024**
Commercial Bank of Ethiopia	860,564,879	1,518,563,135
Addis credit and saving institution s.c.	29,584,586	26,332,520
Addis international Bank S.C	327,068,145	425,910,648
Oromia Bank	518,092,254	412,326,688
Nib Bank	265,545,850	177,112,557
Awash Bank	783,664,388	643,661,248
Unite Bank	191,859,177	101,431,893
Dashen Bank	423,783,779	292,399,062
ZEMEN BANK	75,454,269	56,664,000
COOP BANK OF OROMIA	273,387,584	232,142,000
Bunna Bank		3,559,000
Abyssinia Bank	197,046,982	102,551,201
Wegagen Bank	200,000,000	
Debub Global Bank	40,000,000	
Sinqee Bank	133,000,000	
Interest receivable	330,763,444	226,703,933
ECL allowance	(62,644,299)	(78,743,077)
	4,587,171,037	**4,140,614,809**

Life business	**30 June 2025**	**30 June 2024**
Commercial Bank of Ethiopia	638,954,821	913,504,509
Addis credit and saving institution s.c	14,792,293	13,166,260
Addis international Bank S.C	37,207,305	37,207,305
Bunna Bank	88,252,445	76,630,202
Awash Bank	50,714,183	44,022,728
Cooperative Oromia Bank		78,083,228
Interest receivable	31,648,184	38,711,595
ECL allowance	(23,557,274)	(35,545,606)
Sub Total	**838,011,958**	**1,165,780,320**
Total fixed time deposits	**5,425,182,995**	**5,306,395,129**

Time deposits have been recognized as financial assets at amortized cost. The effective interest rate on time deposits ranges from 7.2% to 20.5% per annum. The time deposits have a maturity of one year from the date of investment.

(21) Cash and bank balances

Non-life business	30 June 2025	30 June 2024
Cash on hand	65,943,334.28	37,046,093
Cash in bank	2,111,633,426	1,100,724,006
ECL allowance-Cash at bank	(59,299,437)	(36,772,089)
	2,118,277,323	1,100,998,010

life business	30 June 2025	30 June 2024
Cash on hand	145,924	105,819
Cash in bank	70,275,301	57,465,138
ECL allowance-Cash at bank	(2,300,472)	(2,007,159)
	68,120,753	55,563,798

Total Cash and Bank balances	2,186,398,076	1,156,561,808

At the end of each month there is a standing instruction given to the bank to transfer the balance of each bank account of districts and branches to Head Office or Life Addis District after retaining fixed minimum amount in the accounts.

(22) Deferred tax liability

(a) Income tax expense

Combined business	30 June 2025	30 June 2024
Current	378,550,541	403,327,809
Deferred	(29,563,455.85)	(112,393,626)
Tax on dividends (10%)	25,935,054.72	7,621,673
Tax on interest on fixed term deposits (5%)	12,372,790.31	27,730,358
	387,294,930	326,286,204

(b) Amounts recognized in OCI

	For the year ended 2025			For the year ended 2024		
	Before tax	Income tax	Net of tax	Before tax	Income tax	Net of tax
Revaluation adjustment on marketable securities	1,789,666,916	536,900,075	1,252,766,841	95,911,600	28,773,480	67,138,120
Employee Benefits-Actuarial gain/loss	52,576,968	15,773,090	36,803,878	(30,961,569)	(9,288,471)	(21,673,098)
Total	1,842,243,884	552,673,165	1,289,570,719	64,950,031	19,485,009	45,465,022

(22) Deferred tax liability (Continued)

(c) Reconciliation of effective tax rate

Reconciliation of tax charge	30 June 2025	30 June 2024
Accounting profit	1,984,860,779	1,670,592,873
Tax at rate of 30%	595,458,234	501,177,862
Additional taxation/(savings) resulting from non-allowable expenses	82,172,394	11,397,968
Tax effect of non-taxable income	(65,925,474)	(32,393,308)
Effect of tax difference on dividends (30%-10%)	(38,931,342)	(15,243,345)
Effect of tax difference on interest (30%-5%)	(170,267,546)	(138,651,789)
unpaid tax on accrued dividend and interest income	(15,211,336)	
PPE Adjustments		(1,183)
	387,294,930	**326,286,204**
Effective tax rate	19.51%	19.53%

(d) Recognized deferred tax assets and liabilities

		30 June2024	Recognized in P&L	Recognized in OCI	30 June2025
Property and equipment	ETB	95,104,142	837,096	-	95,941,238
Investment in securities		261,853,998	(9,729,583)	536,900,075	789,024,490
Statutory deposits		(3,996)	-	-	(3,996)
Receivables		(138,963,408)	15,406,138	-	(123,557,270)
Receivables arising out of reinsurance arrangements		(124,778)	-	-	(124,778)
Fixed time deposits		(34,286,605)	8,426,133	-	(25,860,472)
Cash and bank balances		(11,633,774)	(6,846,199)	-	(18,479,973)
Provisions		(36,638,047)	(15,875,548)	-	(52,513,595)
Employee benefits		(146,260,444)	(21,781,493)	15,773,090	(152,268,847)
		(10,952,911)	**(29,563,456)**	**552,673,165.00**	**512,156,798**

		30 June2023	Recognized in P&L	Recognized in OCI	30 June2024
Property and equipment	ETB	96,123,063	(1,018,920)	-	95,104,142
Investment in securities		234,522,101	(1,441,583)	28,773,480	261,853,998
Statutory deposits		(3,996)	-	-	(3,996)
Receivables		(116,772,155)	(22,191,253)	-	(138,963,408)
Receivables arising out of reinsurance arrangements		(124,778)	0	-	(124,778)
Fixed time deposits		(34,208,606)	(77,999)	-	(34,286,605)
Cash and bank balances		(5,483,326)	(6,150,448)	-	(11,633,774)
Provisions		(33,132,674)	(3,505,373)	-	(36,638,047)
Employee benefits		(58,963,923)	(78,008,049)	(9,288,471)	(146,260,444)
		81,955,706	**(112,393,626)**	**19,485,009.00**	**(10,952,911)**

(23) Insurance and re-insurance contracts

	30 June 2025		30 June 2024	
	Assets	Liabilities	Assets	Liabilities
Insurance contracts				
Life – GMM	-	262,293,273	-	164,671,072
Life – PAA	-	230,434,481	-	265,037,418
Non-life	-	14,427,086,920	-	10,995,848,924
Total insurance contracts	-	**14,919,814,674**	-	**11,425,557,415**
Reinsurance contracts				
Life - GMM	-	-	-	-
Life - PAA	14,734,550	-	13,498,256	-
Non-life	8,745,012,783	-	6,982,499,767	-
Total reinsurance contracts	**8,759,747,333**	-	**6,995,998,022**	-

(a) Movements in carrying amounts

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts in each segment changed during the year as a result of cash flows and amounts recognized in the statement of profit or loss.

The table below separately analyse movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit or loss.

A second reconciliation is presented for contracts not measured under the PAA, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

The estimates of the present value of the future cash flows from insurance and reinsurance contract assets represent the Corporation's maximum exposure to credit risk from these assets.

Ethiopian Insurance Corporation

Notes to Financial Statements

For the year ended 30 June 2025

(In Ethiopian Birr)

(23) Insurance and re-insurance contracts (Continued)

(a) Movements in carrying amounts (continued)

Insurance contracts	**30 June 2025**			
Analysis by remaining coverage and incurred claims	**Liabilities for remaining coverage**			
	Excluding loss component	**Loss component**	**Liabilities for incurred claims**	**Total**
Opening liabilities	243,276,084	21,084,807	676,528	265,037,420
Net opening balance	243,276,084	21,084,807	676,528	265,037,420
Total insurance service revenue	(43,214,701)			(43,214,701)
Insurance service expenses				
Incurred claims and other insurance service expenses		(6,577,133)	34,079,913	27,502,780
Amortisation of acquisition cash flows	174,231			174,231
Losses on initial recognition of insurance contracts		23,217,566		23,217,566
Changes in estimates of future cash flows and other current period variances (if not offset against the CSM)				
Total Insurance Service Expenses	174,231	16,640,434	34,079,913	50,894,577
Investment Component	**(14,102,777)**		**14,102,777**	
Insurance service result	(57,143,247)	16,640,434	48,182,689	7,679,876
Net finance expenses from insurance contracts	(41,882,159)	2,085,011		(39,797,148)
Total changes in the statement of profit or loss	**(99,025,406)**	**18,725,445**	**48,182,689**	**(32,117,271)**
Cash flows				
Premiums received	81,682,676			81,682,676
Claims and other insurance service expenses paid			**(47,115,865)**	(47,115,865)
Insurance acquisition cash flows	(5,193,685)			(5,193,685)
Total cash flows	76,488,991		(47,115,865)	29,373,126
Additional Items				
Unwinding of Loss Component				
Net closing balance	**220,739,670**	**39,810,253**	**1,743,352**	**262,293,274**

Ethiopian Insurance Corporation

Notes to Financial Statements

For the year ended 30 June 2025

(In Ethiopian Birr)

(a) Movements in carrying amounts (continued) **Insurance contracts**	**30 June 2024**			
Analysis by remaining coverage and incurred claims	**Liabilities for remaining coverage**			
	Excluding loss component	**Loss component**	**Liabilities for incurred claims**	**Total**
Opening liabilities	186,418,139	37,716,317	1,484,889	225,619,345
Net opening balance	186,418,139	37,716,317	1,484,889	225,619,345
Total insurance service revenue	(54,182,997)			(54,182,997)
Insurance service expenses				
Incurred claims and other insurance service expenses		(506,306)	43,944,532	43,438,226
Amortisation of acquisition cash flows	31,700			31,700
Losses on initial recognition of insurance contracts		21,305,875		21,305,875
Changes in estimates of future cash flows and other current period variances (if not offset against the CSM)				
Total Insurance Service Expenses	31,700	20,799,570	43,94,532	64,775,801
Investment Component	**(19,172,914)**		**19,172,914**	
Insurance service result	(73,324,212)	20,799,570	63,117,446	10,592,804
Net finance expenses from insurance contracts	21,530,276	285,238		21,815,514
Total changes in the statement of profit or loss	**(51,793,936)**	**21,084,807**	**63,117,446**	**32,408,318**
Cash flows				
Premiums received	72,215,897			72,215,897
Claims and other insurance service expenses paid			**(63,925,807)**	(63,925,807)
Insurance acquisition cash flows	(1,280,332)			(1,280,332)
Total cash flows	70,935,565		(63,925,807)	7009757
Additional Items				
Unwinding of Loss Component	37,716,317	(37,716,317)		
Net closing balance	**243,276,084**	**21,084,807**	**676,528**	**265,037,419**

(23)Insurance and re-insurance contracts (Continued)
(a)Movements in carrying amounts (continued)

	30 June 2025			
Analysis by measurement component – Life PAA		**Liabilities for incurred claims – Contracts under PAA**		
	Liabilities for remaining coverage	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Opening Liabilities	117,081,430	18,717,857	28,871,786	164,671,072
Changes in the statement of profit or loss				
Insurance revenue	(291,034,653)			(291,034,653)
Insurance service expense				
Incurred claims and other insurance service expenses		28,599,427	977,574	29,577,001
Amortisation of insurance acquisition cash flows				
Adjustments to liabilities for incurred claims		228,722,324		228,722,324
Insurance Service expense		257,321,751	977,574	258,299,324
Insurance service result	(291,034,653)	257,321,751	977,574	(32,735,328)
Net finance expenses from insurance contracts		(1,335,352)	10,583	(1,324,769)
Total changes in the statement of profit or loss	(291,034,653)	255,986,399	988,157	(34,060,097)
Cash flows				
Premiums received	345,928,334			345,928,334
Claims and other insurance service expenses paid		(236,584,793)		(236,584,793)
Insurance acquisition cash flows		(9,520,035)		(9,520,035)
Total cash flows	345,928,334	(246,104,828)		99,823,506
Closing liabilities	171,975,111	28,599,427	29,859,943	230,434,481

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Analysis by measurement component – Life PAA	30 June 2024			
		Liabilities for incurred claims – Contracts under PAA		
	Liabilities for remaining coverage	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening Liabilities	93,469,855	11,592,051	28,159,205	133,221,111
Changes in the statement of profit or loss				-
Insurance revenue	(210,640,466)			(210,640,466)
Insurance service expense				
Incurred claims and other insurance service expenses		18,717,857	706,026	19,423,883
Amortisation of insurance acquisition cash flows				-
Adjustments to liabilities for incurred claims		172,081,972		172,081,972
		190,799,829	706,026	191,505,855
Insurance service result	(210,640,466)	190,799,829	706,026	(19,134,611)
Net finance expenses from insurance contracts		247,363	6,554	253,917
Total changes in the statement of profit or loss	(210,640,466)	191,047,192	712,581	(18,880,6930
Cash flows				-
Premiums received	234,252,041			234,252,041
Claims and other insurance service expenses paid		(181,126,927)		(181,126,927)
Insurance acquisition cash flows		(2,794,460)		(2,794,460)
Total cash flows	234,252,041	(183,921,386)	-	50,330,655
Closing liabilities	117,081,430	18,717,857	28,871,786	164,671,072

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(23) Insurance and re-insurance contracts (Continued)

(a) Movements in carrying amounts (continued)

Reinsurance contracts

Analysis by remaining coverage and incurred claims

Analysis by measurement component – Life PAA	**30 June 2025**			
		Incurred claims component		
	Remaining coverage component	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	Total
Opening assets	12,719,983	707,530	70,752	13,498,236
Changes in the statement of profit or loss				
Net expenses from reinsurance contracts	(22,326,706)	12964108	31504	(9331093)
Net finance income from reinsurance contracts		(50,475)	400	(50075)
Total changes in the statement of profit or loss	**(22,326,706)**	**12,913,633**	**31,904**	**(9,381,168)**
Cash flows				
Premiums paid	23,212,054			23,212,054
Amounts received		(12,594,591)		(12,594,591)
Total cash flows	23,212,054	(12,594,591)		10,617,463
Closing assets	**13,605,332**	**1,026,563**	**102,656**	14,734,550

Ethiopian Insurance Corporation
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(23)Insurance and re-insurance contracts (Continued)

(a) Movements in carrying amounts (continued)

Analysis by measurement component – Life PAA	**30 June 2024**			
		Incurred claims component		
	Remaining coverage component	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Opening assets	8,249,261	348,623	34,862	8,632,746
Changes in the statement of profit or loss				
Net expenses from reinsurance contracts	(15,041,634)	9,878,760	35,693	(5,127,181)
Net finance income from reinsurance contracts	0	13,439	197	13,637
Total changes in the statement of profit or loss	**(15,041,634)**	**9,892,200**	**35,890**	(5,113,544)
Cash flows				
Premiums paid	19,512,356			19,512,356
Amounts received		(9,533,302)		(9,533,302)
Total cash flows	19,512,356	(9,533,302)		9,979,054
Closing assets	**12,719,983**	**707,520**	**70,752**	13,498,256

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For the year ended 30 June 2025
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(23) Insurance and re-insurance contracts (Continued)

(a)Movements in carrying amounts (continued)

ii) Non-life
30 June 2025

	Liabilities for remaining coverage	*Liabilities for incurred claims – contracts under PAA* Estimates of present value of future cash flows	Risk adjustment for non- financial risk	Total
Opening liabilities	4,883,877,271	5,690,848,840.53	421,122,814	10,995,848,925
Changes in the statement of profit or loss				0
Insurance revenue	(8,842,711,760)			(8,842,711,760)
Insurance service expenses				0
Incurred claims and other insurance service expenses		6,227,417,004		6,227,417,004
Amortisation of insurance acquisition cash flows	99,024,917			99,024,917
Increase in onerous Liability(PAA)				
Adjustments to liabilities for incurred claims		(986,963,724)	136,425,366	(850,538,358)
Total Insurance Service expense	99,024,917	5,240,453,280	136,425,266	5,475,903,563
Insurance service result	**(8,743,686,843)**	**5,240,453,280**	**136,425,366**	**(3,366,808,196)**
Net finance expenses from insurance contracts		**213,163,257**	**22,663,528**	**235,826,785**
Total changes in the statement of profit or loss	(8,743,686,843)	5,453,616,537	159,088,894	(3,130,981,412)
Cash flows				0
Premiums received	12,888,887,652			12,888,887,652
Claims and other insurance service expenses paid		(6,227,417,004)		(6,227,417,004)
Insurance acquisition cash flows	(99,251,242)			(99,251,242)
Total cash flows	**12,789,636,411**	**(6,227,417,004)**		**6,562,219,406**
Closing liabilities	**8,929,826,838**	**4,917,048,373**	**580,211,708**	**14,427,086,919**

Ethiopian Insurance Corporation

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30 June 2024	*Liabilities for incurred claims – contracts under PAA*			
	Liabilities for remaining coverage	Estimates of present value of future cash flows	Risk adjustment for non- financial risk	Total
Opening liabilities	**4,164,641,521**	**3,024,936,428**	**185,708,016**	**7,375,285,965**
Changes in the statement of profit or loss				0
Insurance revenue	(7,556,506,686)			(7,556,280,360)
Insurance service expenses				0
Incurred claims and other insurance service expenses		5,546,102,562		5,546,102,562
Amortisation of insurance acquisition cash flows	93,460,148			93,460,148
Increase in onerous Liability(PAA)	226,327			-
Adjustments to liabilities for incurred claims			223,526,319	223,526,319
	93,686,475	5,546,102,562	223,526,319	5,863,089,030
Insurance service result	**(7,462,820,211)**	**5,546,102,562**	**223,526,319**	**(1,693,191,331)**
Net finance expenses from insurance contracts		**86,762565**	**11,888,479**	**98,651,045**
Total changes in the statement of profit or loss	(7,462,820,211)	5,632,865,128	235,414,798	(1,594,540,286)
Cash flows				0
Premiums received	8,275,516,110			8,275,516,110
Claims and other insurance service expenses paid		(2,966,952,716)		(2,966,952,716)
Insurance acquisition cash flows	(93,460,148)			(93,460,148)
Total cash flows	**8,182,055,962**	**(2,966,952,716)**		**5,215,103,246**
Closing liabilities	**4,883,877,271**	**5,690,848,840.53**	**421,122,814**	**10,995,848,925**

Ethiopian Insurance Corporation

Notes to Financial Statements

For the year ended 30 June 2025

(In Ethiopian Birr)

(23)Insurance and re-insurance contracts (Continued)

(a)Movements in carrying amounts (continued)

Reinsurance Contracts

Analysis by remaining coverage and incurred claims

30 June 2025

		Incurred claims component		
	Remaining coverage component	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Opening assets	2,955,743,577	3,749,307,439	277,448,751	6,982,499,767
Changes in the statement of profit or loss				0
Net expenses from reinsurance contracts	(2,592,313,895)	2,271,815,426	37,158,668	(283,339,801)
Net finance income from reinsurance contracts		142,465,227	14,360,624	156,825,851
Total changes in the statement of profit or loss	**(2,592,313,895)**	**2,414,280,653**	**51,519,292**	**-126,513,949**
Cash flows				
Premiums paid	6,157,997,616			6,157,997,616
Amounts received	(893,247,330)	(3,375,723,322)		(4,268,970,652)
Total cash flows	**5,264,750,286**	**(3,375,723,322)**		**1,889,026,965**
Contracts transferred on disposal of subsidiary				0
Closing assets	**5,628,179,969**	**2,787,864,770**	**328,968,043**	**8,745,012,782**

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(23) Insurance and re-insurance contracts (Continued)

(a) Movements in carrying amounts (continued)
30 June 2024

		Incurred claims component		
	Remaining coverage component	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Opening assets	2,540,112,467	1,079,687,950	34,685,536	3,654,485,953
Changes in the statement of profit or loss				0
Net expenses from reinsurance contracts	(2,993,463,614)	3,244,901,980	241,157,634	492,596,000
Net finance income from reinsurance contracts		25,055,970	1,605,581	26,661,551
Total changes in the statement of profit or loss	**(2,993,463,614)**	**3,269,957,951**	**242,763,214**	**519,257,551**
Cash flows				0
Premiums paid	3,409,094,723			3,409,094,723
Amounts received		(600,338,461)		(600,338,461)
Total cash flows	**3,409,094,723**	**(600,338,461)**		**2,808,756,262**
Contracts transferred on disposal of subsidiary				0
Closing assets	**2,955,743,576**	**3,749,307,439**	**277,448,750**	**6,982,499,765**

(23)Insurance and re-insurance contracts (Continued)

(a) Effect of contracts initially recognized in the year

The following tables summarise the effect on the measurement components of insurance and reinsurance contracts arising from the initial recognition of contracts not measured under the PAA that were initially recognized in the year.

(i) Life – GMM

Insurance contracts

2025	Profitable contracts	Onerous contracts	Total
Insurance acquisition cash flows	-	(747,356)	(747,356)
Claims and other insurance service expenses payable	-	(40,754,105)	(40,754,105)
Estimates of present value of cash out flows	-	(41,501,460)	(41,501,460)
Estimates of present value of cash in flows	-	30,460,980	30,460,980
Risk adjustment for non-financial risk	-	(4,049,279)	(4,049,279)
CSM	-	-	-
Losses recognised on initial recognition	-	(15,089,759)	(15,089,759)

2024	Profitable contracts	Onerous contracts	Total
Insurance acquisition cash flows	-	(302,022)	(302,022)
Claims and other insurance service expenses payable	-	(20,510,147)	(20,510,147)
Estimates of present value of cash outflows	-	(20,812,168)	(20,812,168)
Estimates of present value of cash inflows	-	14,196,195	14,196,195
Risk adjustment for non-financial risk	-	(1,275,042)	(1,275,042)
CSM	-	-	-
Losses recognised on initial recognition	-	(7,891,015)	(7,891,015)

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(23) Insurance and re-insurance contracts (Continued)

(b)Contractual service margin

The following table illustrates when the Corporation expects to recognise the remaining CSM as revenue for contracts not measured under the PAA. This year there has been a decrease in the CSM compared to prior year due to the change in the modelling.

	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	More than 10 year	Total
30 June 2025								
Life insurance contracts	1,616,188	1,227,996	786,457	607,918	488,860	1,309,707	580,074	6,617,200
30 June 2024								
Life insurance contracts	2,907,384	2,347,213	1,811,495	1,255,070	986,995	2,695,945	1,165,073	13,169,174

(c)Non-life claims development

The table below illustrates how estimates of cumulative claims for the Corporation's non-life segment have developed over time on a gross and net of reinsurance basis. Each table shows how the Corporation's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position. Balances have been translated at the exchange rates prevailing at the reporting date.

Ethiopian Insurance Corporation

Notes to Financial Statements

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(23) Insurance and re-insurance contracts (Continued)

(d) Non-life claims development (continued)

In Birr	2019	2020	2021	2022	2023	2024	2025	Total
Gross of reinsurance								
Estimates of undiscounted								
At end of accident year	1,869,349,780	261,486,741	351,109,318	396,913,535	686,624,508	2,756,491,667	2,582,720,802	
One year later	2,863,207,870	1,167,608,150	1,532,324,332	2,082,833,397	4,092,203,754	2,972,128,069		
Two years later	7,210,324,477	1,251,266,184	2,272,744,756	4,390,929,987	5,417,455,778			
Three years later	2,657,849,504	1,376,725,818	3,158,679,399	3,691,988,654				
Four years later	1,395,468,541	1,378,483,218	3,011,057,586					
Five years later	1,368,337,728	1,343,343,856						
Six years later	1,358,889,175							
Cumulative gross claims paid	-1,350,743,534	1,314,965,477	2,935,433,573	3,577,302,924	3,344,383,349	1,901,656,279	402,063,418	
Gross liabilities– accident years from 2019to 2025	8,046,641	28,378,379	75,624,013	114,685,730	2,073,072,429	1,070,471,789	2,180,657,384	5,550,936,365
Gross liabilities– accident years before 2013								59,741,279
Effect of discounting								
Reserve								(693,629,271)
Gross liabilities for incurred claims included in the statement of financial position								4,917,048,374

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(23) **Insurance and re-insurance contracts (Continued)**

(d) **Non-life claims development (continued)**

In Birr	2019	2020	2021	2022	2023	2024	2025	Total
Reinsurance								
Estimates of undiscounted cumulative claims								
At end of accident year	1,207,362,900	161,088,321	218,445,645	244,383,815	427,092,443	1,713,898,835	1,192,350,369	
One year later	1,791,850,283	693,084,883	916,643,876	1,246,916,477	2,493,375,661	1,762,705,786		
Two years later	4,625,669,436	728,137,415	1,330,311,045	2,588,285,607	3,268,838,310			
Three years later	1,633,563,151	798,006,057	1,830,380,324	2,119,818,897				
Four years later	804,580,516	795,174,891	1,728,785,836					
Five years later	785,230,515	771,198,874						
Six years later	778,480,278							
Cumulative net claimspaid	**(773,221,567)**	**(752,685,558)**	**(1,680,240,658)**	**(2,047,646,342)**	**(1,914,323,298)**	**(1,088,507,070)**	**(230,140,892)**	
Gross liabilities–accident years from 2019 to 2025	5,258,711	18,513,316	48,545,178	72,172,555	1,354,515,012	674,198,716	962,209,477	3,135,412,965
Gross liabilities accident years before 2019								39,173,762
Effect of discounting								(386,721,950)
Reserve								
Gross liabilities for incurred claims included in the statement of financial position								2,787,864,776

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(23) Insurance and re-insurance contracts (Continued)

Insurance Service Expense

	2025			2024		
	Life	**Non-Life**	**Combined**	**Life**	**Non-Life**	**Combined**
Claims incurred	(34,079,913)		(34,079,913)	(44,752,893)		(44,752,893)
Expenses incurred				826,626		826,626
Amortization of acquisition cash flows	(174,231)		(174,231)	(31,700)		(31,700)
Changes in estimates of future cash flows	6,577,133		6,577,133	808,361		808,361
Adjustment for loss component	(8,133,079)		(8,133,079)	(320,320)		(320,320)
Losses on initial recognition of insurance contracts	(15,089,759)		(15,089,759)	(21,305,875)		(21,305,875)
	(50,899,849)		**(50,899,849)**	**(64,775,801)**		(64,775,801)
Incurred claims and other insurance service expenses	(236,584,793)	(6,227,643,329)	(6,464,228,122)	(187,998,815)	(5,534,214,083)	(5,722,212,898)
Amortization of insurance acquisition cash flows	(9,520,035)	(99,024,917)	(108,544,952)	(2,794,460)	(93,460,148)	(96,254,608)
Adjustments to liabilities for incurred claims	(12,194,496)	850,538,358	838,343,862	(712,581)	(235,414,798)	(236,127,379)
Contracts measured under the PAA	**(258,299,324)**	**(5,476,129,888)**	**(5,734,429,212)**	**(191,505,856)**	**(5,863,089,029)**	**(6,054,594,885)**
Total insurance service expenses	**(309,199,173)**	**(5,476,129,888)**	**(5,785,329,061)**	**(256,281,657)**	**(5,863,089,029)**	**(6,119,370,687)**

23) Insurance and re-insurance contracts (Continued)

(d) Significant judgements and estimates

(i) Fulfilment cash flows

Fulfilment cash flows comprise:
— Estimates of future cash flows;
— An adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
— A risk adjustment for non-financial risk.

The Corporation's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Corporation uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates.

Estimates of future cash flows

In estimating future cash flows, the Corporation incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Corporation's view of current conditions at the reporting date, as long as the estimates of any relevent market variables are consistent with observable market prices.

When estimating future cash flows, the Corporation takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Corporation has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance and administration costs, and recurring commissions payable on instalment premiums receivable within the contract boundary.

(23) Insurance and re-insurance contracts (Continued)

(e) Significant judgements and estimates (continued)

(i) Fulfilment cash flows - continued

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. Other costs are recognized in profit or loss as they are incurred.

Life contracts

Assumptions about mortality/longevity and policyholder behaviour that are used in estimating future cash flows are developed by product type, reflecting recent experience and the profiles of policyholders within a group of insurance contracts. Mortality/longevity and morbidity assumptions are generally developed using a blend of regional industry trends and the Corporation's recent experience.

Mortality/longevity is a key assumption in the measurement of life products issued in Ethiopia. The Kenya life mortality tables (KE 2003-2007) have been adopted with an adjustment of the difference in the average life expectancy between Ethiopia and Kenya.

Policyholder behaviour is a key assumption in the measurement of life insurance contracts. Each type of policyholder behaviour is estimated by product type, based on trends in recent experience. The lapse rates were benchmarked against the East African market: 15-20% based for endowments products and 10-15% for term products.

Non-life contracts

The Corporation estimates the ultimate cost of settling claims incurred but unpaid at the reporting date and the value of salvage and other expected recoveries by reviewing individual claims reported and making allowance for claims incurred but not yet reported. The ultimate cost of settling claims is estimated using a range of loss reserving techniques – e.g. the chain-ladder and Bornhuetter-Ferguson methods.

These techniques assume that the Corporation's own claims experience is indicative of future claims development patterns and therefore ultimate claims cost. The ultimate cost of settling claims is estimated separately for each geographic area and line of business, except for large claims, which are assessed separately from other claims. The assumptions used, including loss ratios and future claims inflation, are implicitly derived from the historical claims development data on which the projections are based, although judgement is applied to assess the extent to which past trends might not apply in the future and future trends are expected to emerge.

(23) Insurance and re-insurance contracts (Continued)

(e) Significant judgements and estimates (continued)

(i)Fulfilment cash flows - continued

Discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Corporation generally determines the risk-free rates as the market yields rate of 14.8%.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk have been estimated at between 1% and 12% based on the Value at Risk (VaR) method and it corresponds to the following confidence levels:

	2025	2024
Confidence level	75%	75%

(ii) Contractual service margin

The CSM of a group of insurance contracts is recognized as insurance revenue in each period based on the number of coverage units provided in the period which is determined by considering for each contract the quantity of the benefits provided and its expected coverage duration.

(24) Provisions, contingent liabilities and commitments

The summary of provision for bonuses is summarized below:

Non-life business	30-Jun-25	30-Jun-24
Opening Balances as at 1st July	115,754,229	103,450,214
Accrual for the year	167,310,172	115,754,229
Paid out during the year	(115,754,229)	(103,450,214)
	167,310,172	**115,754,229**

Life business	30-Jun-25	30-Jun-24
Opening Balances as at 1st July	6,372,594	6,992,031
Accrual for the year	7,735,143	6,372,594
Paid out during the year	(6,372,594)	(6,992,031)
	7,735,143	6,372,594
Total	**175,045,315**	**122,126,823**

(24) Provisions, contingent liabilities and commitments (Continued)

Bonus provision represent short-term benefits arising from past services provided by employees and are expected to be paid within the next 12 months.
A bonus liability is recognized for the amount expected to be paid under short-term cash bonus when the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees, and the obligation can be estimated reliably. The bonus is paid at the discretion of the board of management and approved by the Public Enterprises Administration and Holding Agency establishing the amount payable to each individual employee.

Contingent Liabilities

The Corporation has contingent liabilities not provided for in these financial statements of Birr 435,330,142 (2024: 223,331,927) in respect of legal actions instituted by third parties which are being contested by the Corporation. It is not possible to assess the outcome of these cases.

Commitments
The Corporation has commitments not provided for in these financial statements of 451,169,283 (2024: 827,189,966) in respect of purchase of property plant and equipment.

(25) Other payables

Non-life business	**30 June 2025**	**30 June 2024**
Creditors	256,208,400	218,969,256
	256,208,400	**218,969,256**

Life business	**30 June 2025**	**30 June 2024**
Creditors	29,650,732	24,790,051
	29,650,732	**24,790,051**
Combined business	**285,859,132**	**243,759,307**

(26) Employee benefits

(a) Movement in net defined benefit (asset) liability
The corporations defined benefit obligation is made up of severance pay, recognition pay, funeral support, post-employment medical benefit and leave liability. The following tables show reconciliation from the opening balances to the closing balances for the net defined benefit (asset) liability and its components.

(26) Employee benefits (Continued)

(a) Movement in net defined benefit (asset) liability (continued)

Reconciliation of Defined Benefit Obligation Combined	**30 June 2025**	**30 June 2024**
Opening benefit obligation 1 July	487,534,814	196,546,411
Included in profit or loss:		
Current service cost (employer)	25,547,974	9,611,278
Interest cost	69,910,158	28,107,981
Past service cost		242,590,157
Benefits paid	(22,853,155)	(20,282,583)
Employer contributions		
Included in OCI:		
Actuarial (gain) / loss - due to experience	(31,103,070)	41,527,643
Actuarial (gain) / loss - due to change in assumption	(21,473,899)	(10,566,073)
Closing benefit obligation	**507,562,822**	**487,534,812**

Reconciliation of Defined Benefit Obligation-Non life	**30 June 2025**	**30 June 2024**
Opening benefit obligation 1 July	457,107,479	182,645,240
Included in profit or loss:		
Current service cost (employee)	24,249,495	8,933,173
Interest cost	65,539,298	26,174,666
Past service cost		227,836,902
Benefits paid	(21,830,914)	(18,105,746)
Employer contributions		
Included in OCI:		
Actuarial (gain) / loss - due to experience	(32,276,117)	39,603,446
Actuarial (gain) / loss - due to change in assumption	(20,093,578)	(9,980,202)
Closing benefit obligation	**472,695,664**	**457,107,479**

Reconciliation of Defined Benefit Obligation-life	**30 June 2025**	**30 June 2024**
Opening benefit obligation 1 July	30,427,335	13,901,172
Included in profit or loss:		
Current service cost (employee)	1,298,478	678,105
Interest cost	4,370,860	1,933,315
Past service cost		14,753,255
Benefits paid	(1,022,242)	(2,176,837)
Employer contributions		
Included in OCI:		
Actuarial (gain) / loss - due to experience	1,173,047	1,924,196
Actuarial (gain) / loss - due to change in assumption	(1,380,321)	(585,871)
Closing benefit obligation	**34,867,158**	**30,427,334**

Out of the total liability balance of employee benefit the annual leave portion of birr 108,192,471 is to be current liability.

This is because employees have the right to use the whole leave they have or to be paid the lumpsum either when they are retired or leave the company in the period.

(26) Employee benefits (Continued)

(b) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date

	30 June 2025	30 June 2024
Discount rate	14.8%	14.3%
Future salary increases	16.0%	16.0%
Mortality (pre-retirement)	A1949-1952	A1949-1952
Mortality (post-retirement)	A55	A55
Withdrawals	At rates consistent with similar arrangements	At rates consistent with similar arrangements
Ill - Health	No allowance made	No allowance made
Disability		
Annual weighted medical costs	ETB 20,000	ETB 20,000
Retirement Age	60 years	60 years

(c) Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below.

	2020 (In millions)	
	Increase (+1%)	Decrease (-1%)
Discount rate (1.00% variance)	(28.1)	6.4
Mortality rate	0.21	(0.02)
Salary increase rate (1.00% variance)	(9.4)	11.5

It should be noted that the post-retirement medical benefit and the leave liability is not affected by the changes in the salary escalation rate.

(27) Capital

Assigned capital	30 June 2025	30 June 2024
Non-life	512,719,372	512,719,372
Life	79,280,628	79,280,628
	592,000,000	**592,000,000**

The Corporation is wholly owned by the Government of the Federal Democratic Republic of Ethiopia. Assigned capital represents capital allocated to the Corporation and is not repayable to the Government in whole or part thereof, as long as the Corporation continues trading.

(28) Reserves

(i) Legal reserve

The legal reserve is a statutory reserve to which not less than 10% of the net profits shall be transferred each year until such reserves equals the capital of the Corporation. At the end of year 2023 the reserve becomes equal to the paid up capital.

(ii) Fair value reserve

The fair value reserve comprises the cumulative next change in fair value of financial assets measured at FVOCI.

(iii) Defined benefit reserve

The defined benefit reserve comprises severance pay, recognition pay, and funeral support, post-retirement medical benefit, and leave benefit.

(29) Dividend

EIC usually pays 70% of its profits to the government as dividends. During the year ended 30 June 2025 the Board of management apportioned dividend of ETB 1,118,296,101 (2024: ETB 941,014,668).

(30) Going concern

The Board of Management has assessed the ability of the Company to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is appropriate.