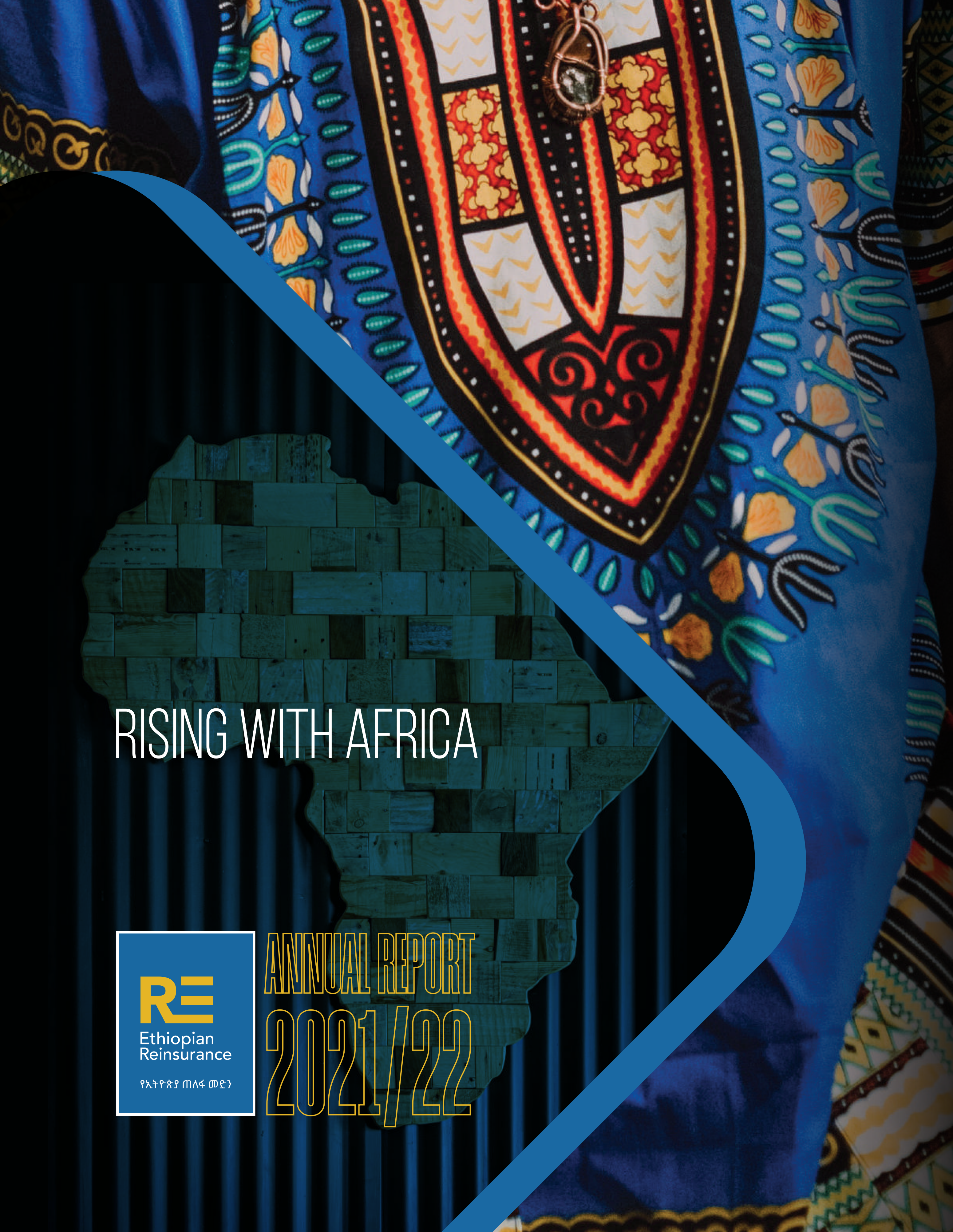

RISING WITH AFRICA

Ethiopian Reinsurance

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ANNUAL REPORT 2021/22

Ethio RE Family
Committed to serve our customers 24/7

CONTENTS

OUR MOTTO

"RISING WITH AFRICA!"

Africa Rising is a term coined to describe the rapid economic growth in Sub-Saharan Africa since 2000 and the belief in the inevitability of further, the rapid development of the continent. The continent is almost predestined to enjoy a long period of mid-to-high economic growth, rising incomes, and an emerging middle class. Several international business observers have also named Africa as the future economic growth engine of the world.

There are positive longer-term trends across Africa all buoyed by what appeared to be high economic growth rates sweeping the continent. Ethiopian Re, as the youngest reinsurance company stands to benefit immensely from the unprecedented business opportunities brought about by the bourgeoning economic performance of Africa, and hence the motto "Rising with Africa". Basing itself in East Africa, the Company is committed to providing apposite reinsurance cover for the ever-rising and dynamic demand for protection.

NOTICE OF THE 7TH ANNUAL ORDINARY GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given to the Shareholders to attend the 7th Annual Ordinary General Meeting of Ethiopian Reinsurance S.C. that will be held in accordance with Articles 366,367,370,371 and 372 of the Commercial Code of Ethiopia, Proclamation Number 1243/2021 and Articles 9 and 10 of the Company's Articles of Association as well as the relevant Directives of the National Bank of Ethiopia.

- Ethiopian Reinsurance S.C. has a subscribed capital of Birr 2.5 Billion and paid up capital of Birr 1.4 Billion;
- Registration Number of the Company is MT/AA/3/0035454/2008;
- Its Headquarters is located at Bahiru Abraham Commercial Tower, Addis Ababa, Kirkos Subcity, Woreda 9;

The General meetings will be held on Tuesday, December 20, 2022, at Addis Ababa Hilton starting from 2:30 p.m. to deliberate on the following agenda:

AGENDA FOR THE 7TH ANNUAL ORDINARY GENERAL MEETING:

1. Appointment of Vote Tellers;
2. Approval of the Meeting Agenda;
3. Approval of Share Transfers and New Shareholders who acquired shares in 2021/22;
4. Consideration and approval of the 2021/22 Annual Report of the Board of Directors;
5. Consideration and approval of the 2021/22 Annual Report of External Auditors;
6. Deliberation on and approval of the proposed appropriation of 2021/22 profits;
7. Approval of Auditors' fee for 2022/23;
8. Approval of Annual Compensation and a monthly allowance of the Board of Directors; and
9. Approval of the minutes of the meeting.

N.B.

Shareholders who are not able to attend in person at the meeting may appear in person to sign and return the proxy form to the Company's Head office, located on the 6th floor of Bahiru Abraham Towers, fifteen days before the meeting date.

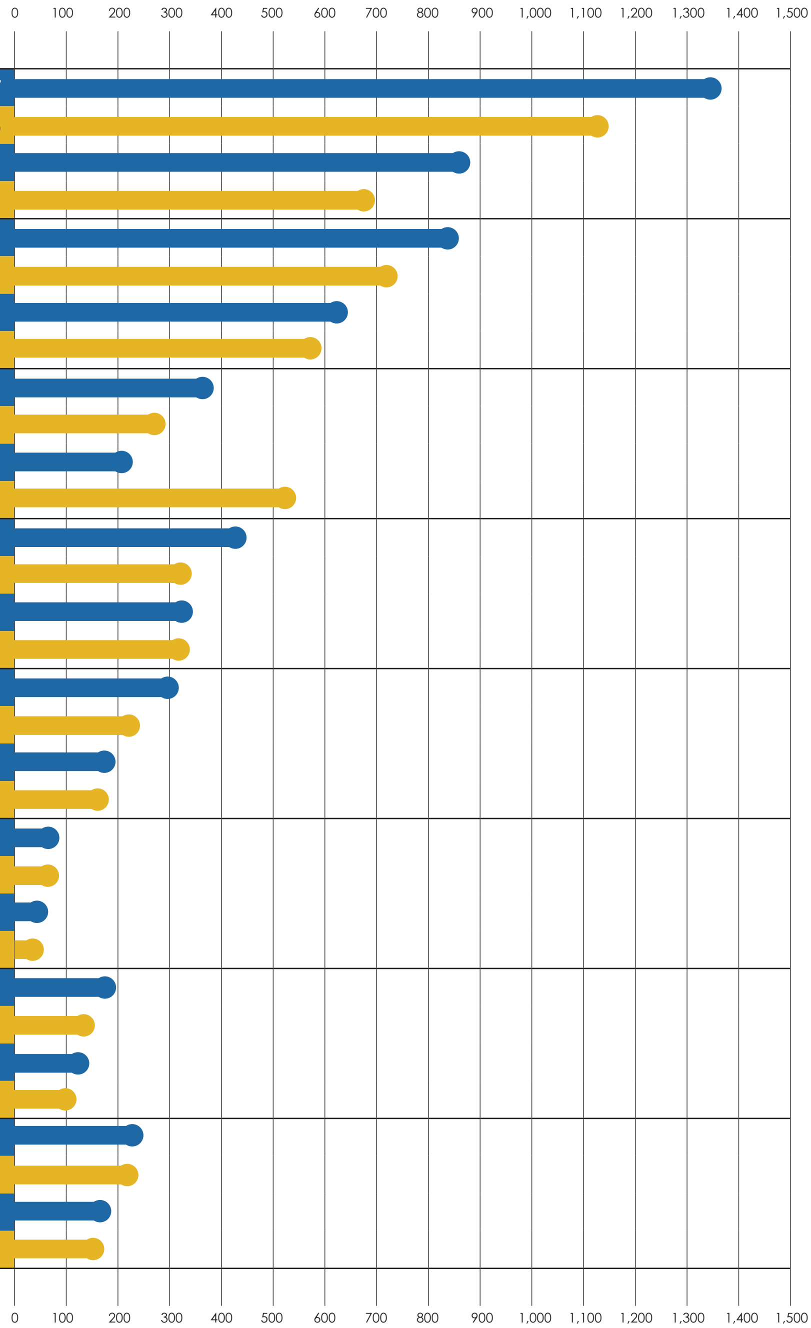
The proxy should be signed and submitted along with the original and copy of renewed identification card or passport of a shareholder to be submitted to the Company's Head office, attested by the respective government authority.

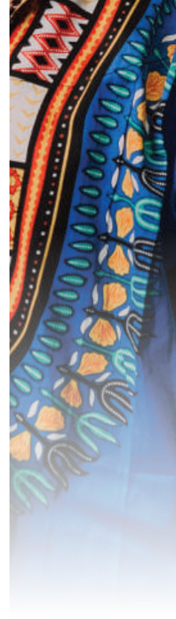
ETHIO RE IN FIGURES

(FINANCIAL HIGHLIGHTS)

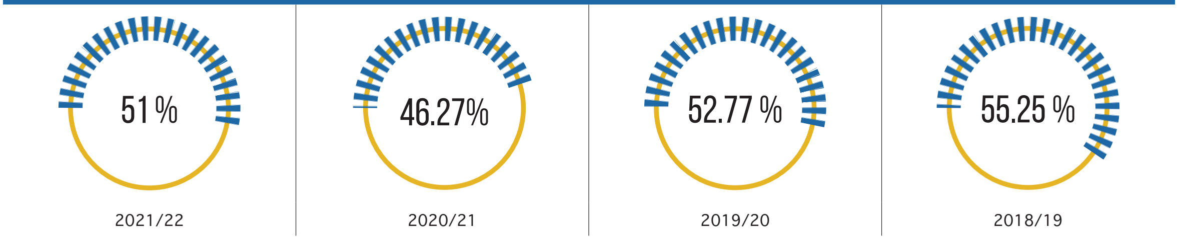
Ethiopian Birr in Millions

PARTICULARS	Year	Amount
Gross Written Premium	2021/22	1,357.7
	2020/21	1,140.3
	2019/20	874.7
	2018/19	698.7
Net Earned Premium	2021/22	865.6
	2020/21	722.9
	2019/20	636.2
	2018/19	595.2
Claims Paid	2021/22	392.9
	2020/21	298.9
	2019/20	218.4
	2018/19	531.7
Net Claims Incurred	2021/22	443.2
	2020/21	334.5
	2019/20	335.7
	2018/19	328.9
Cedant Acquisition Cost	2021/22	302.5
	2020/21	228.3
	2019/20	195.1
	2018/19	176.9
Operating and Other Expenses	2021/22	78.9
	2020/21	95.2
	2019/20	48.1
	2018/19	32.8
Net Investment Income	2021/22	190.1
	2020/21	155.5
	2019/20	129.2
	2018/19	102.7
Profit Before Tax	2021/22	232.6
	2020/21	220.5
	2019/20	186.4
	2018/19	144.5

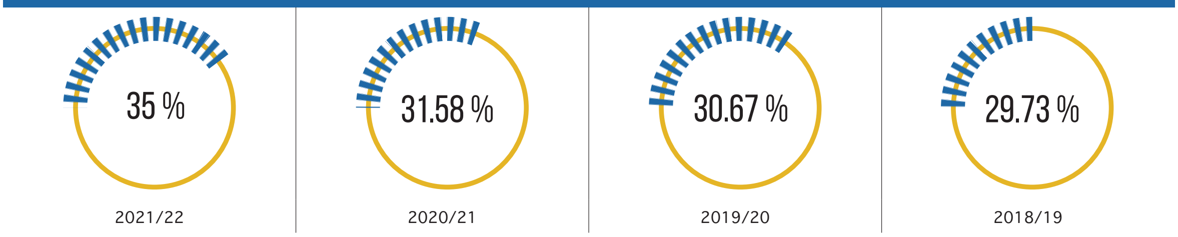




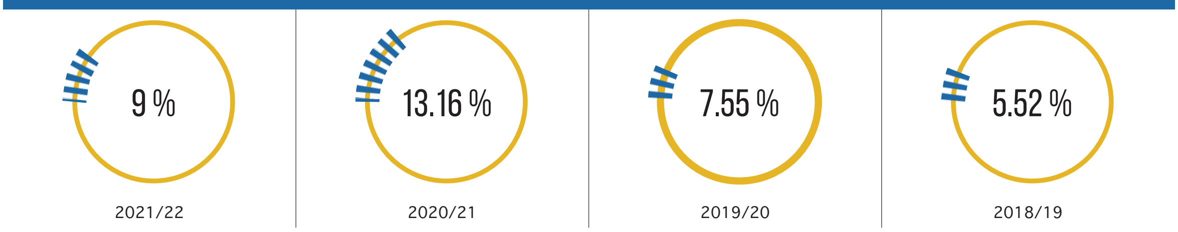
Net Claims Ratio



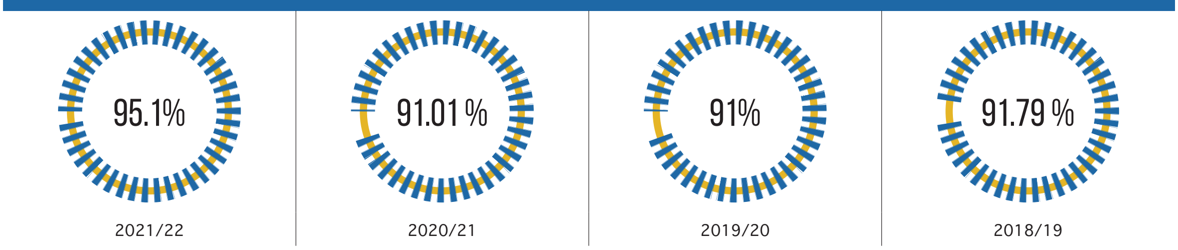
Net Commission Ratio



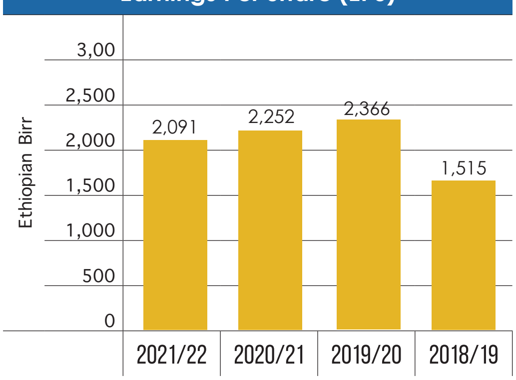
Expenses Ratio



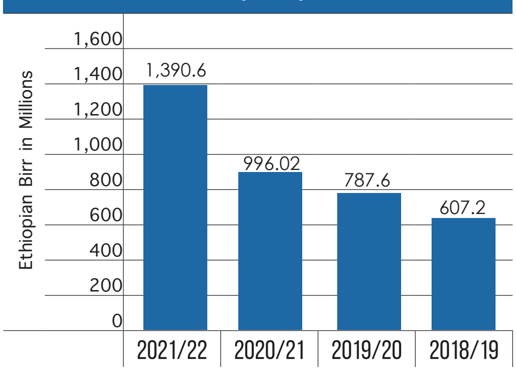
Combined ratio

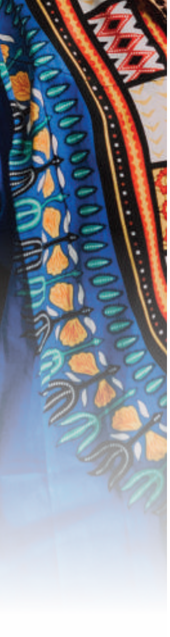


Earnings Per Share (EPS)



Paid Up Capital





WHO WE ARE
MISSION, VISION AND CORE VALUES

MISSION

Provide dependable reinsurance services both locally and internationally through nurturing adequate risk capacity and using highly trained professionals and modern Information and Communication Technology systems. The Company endeavours to foster market stability, high professionalism, and advancing the business of insurance paying special attention to discharging its corporate social responsibility in the process.

VISION

"To be the reinsurer of choice in Ethiopia and our chosen market"

CORE VALUES

*To apprehend our corporate mission and vision, the Management and staff of Ethiopian Re stand for the mnemonic **"ETHIOPIAN":***

ONE OF OUR GRAND OBJECTIVES: MARKET CAPACITY BUILDING WITH PARTNERS

WE STRIVE FOR PROFESSIONALISM IN THE INSURANCE INDUSTRY!

OUR CREDIT RATING

GCR RATINGS

Certifies that

Ethiopian Reinsurance Company (S Co)

Has a

Financial Strength Rating of

International Scale B- / Outlook: Stable

National Scale $AA_{(ET)}$ / Outlook: Stable

GCR RATINGS EST. 1995

16-Nov-22

DATE

Group Head of Ratings

GCR's ratings are subject to change.
To confirm the latest rating or to learn more about GCR, visit www.GCRratings.com

CHAIRPERSON'S STATEMENT

DEAR SHAREHOLDERS

I feel privileged to welcome you to the 7th Annual General Meeting of Ethio-Re.

The insurance and reinsurance industry remained relatively solid despite a worsening claims experience, global and national war, and devaluation of our currency. A report by McKinsey and Company outlines the trajectory of the African insurance market's growth and the sector's great potential, and the market is projected to grow at seven percent per annum from 2020 to 2025.

This prediction placed the African insurance market's growth at approximately higher than others. Although the pandemic has upended consumer and commercial discretionary expenditures, including insurance, the report posits that the pandemic will delay, not alter, Africa's insurance growth pattern, as well as the shift toward digital transformation and the increased exploitation of technology platforms to accelerate value impact to customers and employees. On top of this, the global and national wars have brought a negative impact on the growth and operation of the insurance and reinsurance industry.

Ethio-Re has registered encouraging results during the year, again meeting or exceeding our financial metrics despite difficult conditions worldwide and in our country. The company's Gross Written Premium(GWP) has grown by 19 percent overall from birr 1.14 billion to birr 1.36 billion. This is an outcome of our deliberate strategy for greater diversification of our portfolio and support from our cedants. The company has also registered a growth of profit before tax (PBT) from Birr 220.5 million to Birr 232.6 million during the year , by registering a growth of 6%, when comparions are made with last year's same period performance. And the Earnings per share (EPS) has reached 20.91 percent. Thanks to efforts right across the company to improve productivity year on year basis and return on investment that resulted from the growth of investment income by Birr 34.7 Million or 22 percent that contributed to our strong balance sheet. Our focus is to deliver value to partners, customers, employees, community, and the industry as a whole over the coming strategic periods leveraging our culture, our technology, and our processes to further grow our market share, top-line, and bottom-line while doubling down on our cost reduction and customer management efforts.

On a positive note, we were pleased that although the business pressures are coming from every corner, Ethio-Re continued its successful track record. In the face of this turbulence, one might have expected considerations of strategy to have been put on hold. However, the Company has continued to refine its strategy and drive through its implementation. Our focus has been increasingly on growth and expansion, capacity building, and reaching more markets across Africa. Our long-term strategy of strengthening our routes to market continued with getting more foreign business from selected African markets. The combination of effective responses to the challenging market conditions and the successful implementation of the Company's strategy continues to pay dividends and the company performed well during the year.

Business challenges would continue in 2023 and beyond. However, we are encouraged to see the continuing growth and sustainable development of our business across Africa and our chosen markets. Over the years, our clients have been core to our success, and we are highly appreciative of their continued support. We will continue to meet their needs by providing them with unique solutions and unmatched experiences. We look forward to a gradually improving economic environment. The Board of Directors together with the Management and employees are keen to realize major strategic goals and initiatives. We have also learned that given the current macro environment, we will also continue to strengthen our risk management capabilities to ensure the sustainability of our business while modeling our governance practices to align with international best practices.

Despite the industry's challenges, we look to the future with hope because we've seen firsthand what's possible when all stakeholders of the Ethio-Re come together. I would like to congratulate the Board of Directors, shareholders, the Company's management team as well as the entire staff for the hard work and effort exerted toward this year's delightful achievement. I would also like to take this opportunity to acknowledge the positive impacts and interventions made by the National Bank of Ethiopia in navigating the industry toward a stable and safe working environment

As a final point, on behalf of Ethio-Re I, would like to extend my appreciation and look forward to the continued support of the insurance industry and other stakeholders in doing business with us.

Meseret B

Meseret Bezabih
Chairperson, Board of Directors

MESSAGE FROM THE CEO

DEAR SHAREHOLDERS, CEDANTS AND OUR BUSINESS PARTNERS:

BUILDING A SUSTAINABLE BUSINESS,

It gives me immense pleasure to welcome you to this year's Annual General Meeting and to present to you the highlights of the performance of Ethio-Re in the 2021/22 financial year.

During the year the shocks of the global pandemic, devaluation of birr, and the war caused unprecedented challenges to businesses especially in our operating environment and indeed, the continent. However, the Company has continued to register remarkable results in most of its targets.

It's my pleasure to announce that the Company has reassured its credit rating for the second year from Global Credit Rating (GCR) as per the company's strategy. Accordingly, it has obtained a score, of B- (B minus) International Scale and a National Scale (ET) AA (Double A) with Outlook: Stable

During this period, we have registered continuous growth in Gross written premium as well as profit. We achieved all these results in a competitive environment which is more challenging than expected. Compared to last year, Gross written premium income has increased by 19%, and Earnings per share (EPS) has reached 20.91%. We believe that the last six years by no means is sufficient for a new reinsurance Company to secure a stronghold. However, it's with a strong sense of belongingness and dedication that my colleagues and I took our current duties and responsibilities of laying the foundation of Ethio-Re. The Compnay's voluntary cession received from the local market has also shown a growth and we would like to thank the market players for their support. In return, the company has also given market training to support the insurance industry and build the capacity of the work force.

STRATEGIC PRIORITIES,

As per our strategic plan "Vision 2030", we have asserted our refreshed vision – 'To be the reinsurer of choice in Ethiopia and our chosen markets. Hence, our strategic priorities would be "Horizon 1: Big Five" which covers the five initiatives that consider non-negotiable to the success of all other strategic initiatives as well as Ethio-Re's overall viability. These non-negotiable initiatives are:

Enhance communication, stakeholder relationships, brand awareness, and reputation, obtain credit rating and increase foreign business inflows, ensure the extension of compulsory cessions, enhance leadership capabilities and implement technology to support business and operations. In this regard, as Ethio-Re, is one of the new companies joining the matured reinsurance industry, and we believe that there is a lot to work and learn the ever-increasing competitive landscape, especially to compete for business with having acceptable credit rating; a requirement to penetrate regional and continental markets remains to be the foremost challenge of the Company.

DEAR SHAREHOLDERS,

As a company born out of a long desire of stakeholders to have a national Reinsurance Company, we measure our success against the revered objectives behind the establishment of Ethio-Re. And while we strive to do all this, we do not forget the unreserved support we are getting from the regulator, National Bank of Ethiopia, the Board of Directors, our employees, and all our cedants and business partners.

LOOKING AHEAD,

We are going to have a great year. We've all prepared to implement our strategy and reach more markets, and we are ready to break out and hit the ground running. There will be some obstacles rearing up, but we all know the drill now. We will find a way.

We are proactively aligning our plans and strategies to the evolving environment and continuing to nurture and build exceptional talent and expertise to meet the challenges ahead. Our robust response has relied on strong collaboration, and we thank all our business partners, for their unwavering commitment and determination during the year. The path to the future is not easy but, together, we are navigating the uncertainties and progressing toward a more resilient future for all of us.

In closing, I would like to thank our dedicated staff for Ethio-Re's achievements over the past year and thank our Board of Directors for their support and guidance. I would like to thank our clients for their support. Thank you for the role you play and thank you for your interest in our company. We trust that you will find this report helpful.

Wishing you all a happy and healthy 2023 as we look forward to new challenges and success stories.

Dawit Gebreammnuel
Chief Executive Officer-Ethio-Re

BOARD OF DIRECTORS

Mrs. Meseret Bezabih
Representing Self
Chairperson

Mr. Netsanet Lemessa
Representing EIC
V/Chairperson

Mr. Hailemariam Assefa
Representing Self
Director

Mr. kelebessa Kera
Representing Self
Director

Mr. Kassahun Begashaw
Representing Africa Insurance SC
Director

Mr. Jibat Alemneh
Representing Self
Director

Mr. Eyuel Ewnetu
Representing Self
Director

Mrs. Zufan Abebe
Representing NIB Insurance
Director

Mr. Yonas Lidetu
Representing CBE
Director

Mr. Fikru Tsegaye
Company Secretary

EXECUTIVE MANAGEMENT

Mr. Dawit G/Ammanuel
(ACII)
Chief Executive Officer(CEO)

Ms. Meseret Tilahun
Executive Officer (EO), Operations.

Mr. Fikru Tsegaye
(ARA, FLMI, ACS, CTP, CII, ExD-IB & F)
Executive officer (EO), Strategy, Business Development and Company Secretary.

Mrs. Azeb Wogayehu
(FLMI)
Executive Officer (EO), Finance & Investment.

Mr. Sahlemariam Dejene
(ACCA)
Director Internal Audit

Mr. Engidawork Tesfa
Executive officer (EO), Information Technology

Mr. Abera Demissie
Director, HR & Corporate Services

Mr. Samuel Ademe *(CIA)*
Director, Enterprise Riks & Compliance

REPORT OF THE BOARD OF DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2022

The Directors of Ethiopian Reinsurance Share Company hereby present their report together with the audited Financial Statements for the year ended 30 June 2022 in accordance with Article 366,367,370,371 and 372 of the Commercial Code of Ethiopia and Article 9 and 10 of the Company's Articles of Association as well as the relevant Directives of the National Bank of Ethiopia.

1. BACKGROUND INFORMATION

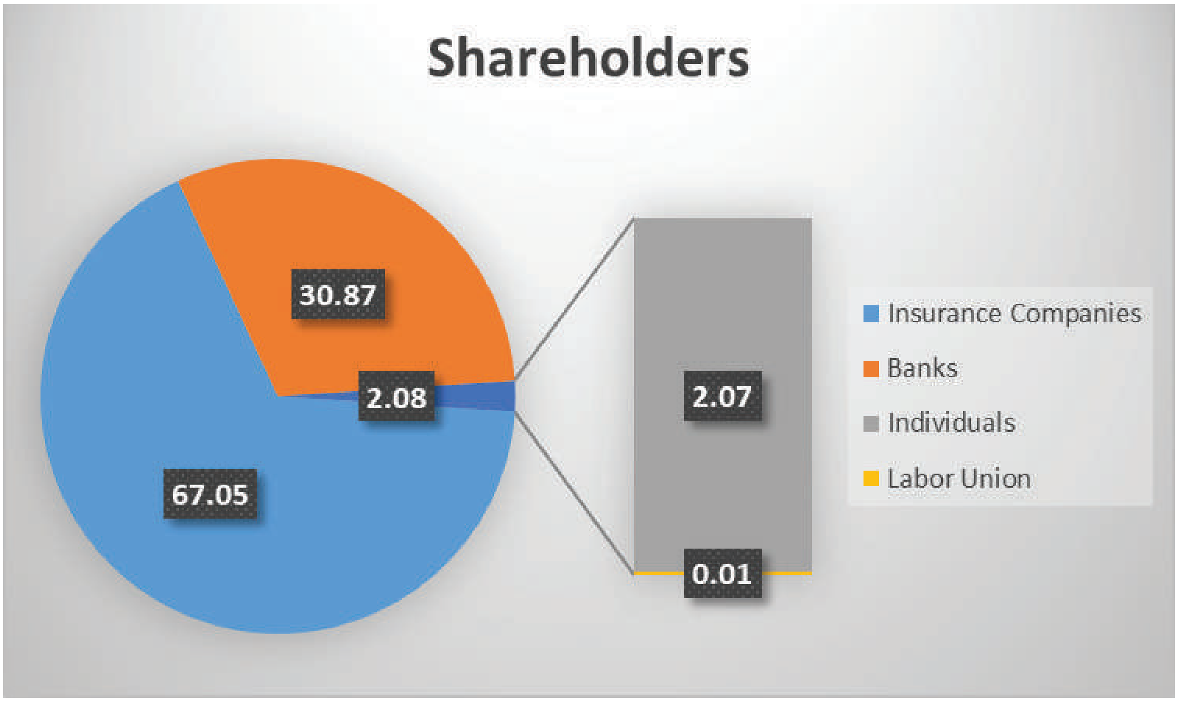
Ethiopian Reinsurance S.C (Ethio-Re) is the first reinsurance Company incorporated following the provisions of Article 5(8) of Insurance Business Proclamation No.746/2012, under license number RB/01/2016 issued by the National Bank of Ethiopia. It started operation on 1 July 2016 authorized to carry on both life and non-life businesses.

Ethio-Re is an organization born out of a long desire of stakeholders to have a national Reinsurance Company. The concept paper for Ethio- Re was written in 2012 initiated by a team of experts under the auspices of the Ethiopian Insurance Corporation (EIC) and later finalized by AEI. The establishment of Ethio Re finally was made possible through Directive No SRIB/1/2014 issued by the National Bank of Ethiopia. The objectives of Ethio Re are, among others, to:

- Measure and retain domestic insured risks thereby increasing the capacity of national insurers to take on risks within comfortable margin;
- Assist the growth of primary insurance business in the country by way of providing technical and advisory back up both in general and long-term insurance;
- Enhance professionalism in the insurance industry;
- Mobilize investment funds by making use of collected reinsurance premium;
- Prevent undue outflow of hard currency; and
- Generate foreign currency through inward reinsurance business.

2. SHAREHOLDING , OWNERSHIP AND CAPITAL STRUCTURE

- Ethiopian Re's capital structure is composed of a concoction of private and public financial institutions as well as individual investors, where government owns 40% through the state owned Commercial bank of Ethiopia (CBE) and Ethiopian Insurance Corporation (EIC). The Company's current shareholders comprise Seven Banks, Seventeen Insurance Companies, Ninety-Three individual shareholders coming from different walks of life, and One Labor Union.



- The subscribed share capital of the Company is Birr 2.5 billion. The Company's paid-up capital at the end of the period under discussion has reached Birr 1.39 billion as of June 30, 2022, and Birr 1.4 Billion, nowadays.

3. GOVERNANCE STRUCTURE

- The Company's Board of Directors comprises of nine members representing individual shareholders and institutional investors appointed by the General meeting of the Company. The Board is responsible for providing strategic leadership and direction on the overall affairs of the Company.

- Relying on a relatively strong capital base, plus sound retrocession protection provided by world-renowned reinsurers, Ethiopian Re aims to provide a comprehensive range of reinsurance covers to domestic insurers, in addition to accepting international business on a selective basis. The Company strives to mobilize financial resources which would be invested to generate additional income, needless to mention the role it plays in reducing hard-earned foreign currency outflow and in earning foreign currency from other countries in the form of cross border reinsurance transactions.

- Moreover, as the first reinsurance company in the country, Ethiopian Re aspires to enhance the underwriting capacity and solvency of direct insurers through providing cover against large and complex risks and availing technical support to bolster underwriting skills. It also strives to simplify treaty negotiations, settlement of claims, and payment of premiums within the shortest time.

4. BOARD OF DIRECTORS

The roles and functions of the Board of Directors and the CEO of the Company are distinct and their respective responsibilities have been clearly defined in the Memorandum and Articles of Association of the Company. The Board comprises of nine directors appointed to serve in their capacity and as representatives of institutional investors. The Board, together with the executive management, defines the Company's strategies, objectives and exercises effective control over strategic, financial, operational, and compliance issues. The directors bring a wealth of experience and knowledge to the Board's deliberations. Except for direction and guidance on general policy, the Board delegates authority to run the Company's day-to-day business to the Chief Executive Officer.

Corporate governance stands for a form of responsible company management and control geared to the long-term creation of value. Ethio-Re strictly complies with the corporate governance Directive set by the National bank of Ethiopia (NBE), Insurance Corporate Governance Directive No. SIB/48/2019 and Company Corporate Governance Guideline prepared and approved by Board of Directors of Ethiopian Re. The Company has the following governance structure:

- General Meeting of Shareholders;
- Board of Directors;
- Chief Executive Officer;
- Executive Management; and
- External Auditors

Board Meetings: The Board holds ordinary meetings to deliberate on institutional affairs, while special meetings are called whenever deemed necessary. The Board held twenty-two regular meetings during the year under review.

Committees of the Board: The Board has set up four principal committees, namely Human Resources Affairs Committee, Risk and Compliance Committee, Audit Committee, and Strategy and Investment Committee which prepared and adopted their respective charters to serve as a guide in the course of discharging their responsibilities. These Committees are intended to expedite efficient handling of and decision-making on matters that normally fall within the scope of the Board's responsibilities.

5. THE BUSINESS ENVIRONMENT

5.1 THE GLOBAL REINSURANCE LANDSCAPE

It is commonly known that the reinsurance market operates in cycles. Accordingly, this year has witnessed a hard market for the reinsurance industry. After years of renewals in favor of insurance companies, the negotiations at the end of 2022 marked a first turning point with more favorable conditions for reinsurers, particularly in terms of natural catastrophe risks.

On the eve of the January 2023 renewal, all analyses lead to the same conclusion, namely an inevitable sharp increase in rates. This increase would be motivated not only by the poor 2022 results but also by a particularly unstable political and economic environment.

The year 2022 has been particularly marked by the Russia-Ukraine war, which is weighing heavily on the insurance and reinsurance market. The resulting energy and grain crisis has profoundly disrupted the world economy and political balance. The resulting high inflation is a new phenomenon for mature markets used to a certain monetary stability. As a result, the cost of capital is rising, interest rates are tightening, and the retrocession market is shrinking. Another notable event in 2022 is that global warming is leading to an increase in the number of natural catastrophes, which is penalizing reinsurers and limiting their margin of maneuver. It is therefore in a very deteriorated economic, political and social environment that the treaty renewals for 2023 begin.

According to the broker Aon, the economic lossesgenerated by natural disasters occurring between 1 January and 30 September 2022 amount to 227 billion USD. Almost 44% of this amount is insured, that is, 99 billion USD. Half of the economic damages are listed in the United States, that is, about 114 billion USD. The Asia-Pacific region arrives in second position with 56 billion USD of economic damages, followed by the EMEA region(1) with 42 billion USD.

These amounts are higher than the average observed in the United States and in the EMEA region, while theyare lower than the average in the Asia Pacific region. According to the "Global Catastrophe Recap Q3 2022" report published by Aon, the amount of economic losses for the first three quarters of the year 2022 is close to the average reported during the 21 set century. On the other hand, the sum of insured claimsduring the same period is well above the average of the years 2000 to 2012, and close to the average ofthe last five years. According to all the forecasts, a strong evolution ofthe amounts of natural catastrophes claims is to beexpected in 2022. This loss ratio deterioration will be seen at two levels :

- at the level of recent tropical events already reported, notably because of the assumption of inflation.
- at the level of future events not yet reported in 2022. The hurricane season not yet closed may be gaffe cited by other events that would aggravate the situation of insurers and reinsurers. This aggravation is all the more feared as inflationary pressures are particularly high.

The first half of 2022 has been marked by so-called secondary catastrophes (2) and in particular by floods and violent storms. Several countries were the scene of unprecedented climatic disasters. This was the case for the terrible floods that affected Australia and South Africa. In continental Europe, Franc e experienced hailstorms that had never been seen before. Swiss Re estimates the total cost of secondary natural catastrophes at 35 billion USD, up by 22% compared to the average of the last years. The floods in Australia alone are estimated at 3.5 billion USD. This is the most expensive flood event for insurers during the first quarter of 2022. This growth of secondary risks is particularly worrying for reinsurers who are getting more and more reluctant to cover this type of risk due to its frequency and severity.

On the other hand, leading reinsurers' capitalization remains solid in the face of the COVID-19 pandemic that did not disrupt their results. As per the AXA's 2022 study for the first time, climate change has become the primary concern for experts from every corner of the world. Second on the list is geopolitical instability. The third most serious concern is cyber risks, followed by energy risks and pandemics.

TABLE 2: TOP 10 GLOBAL RISKS IN 2022

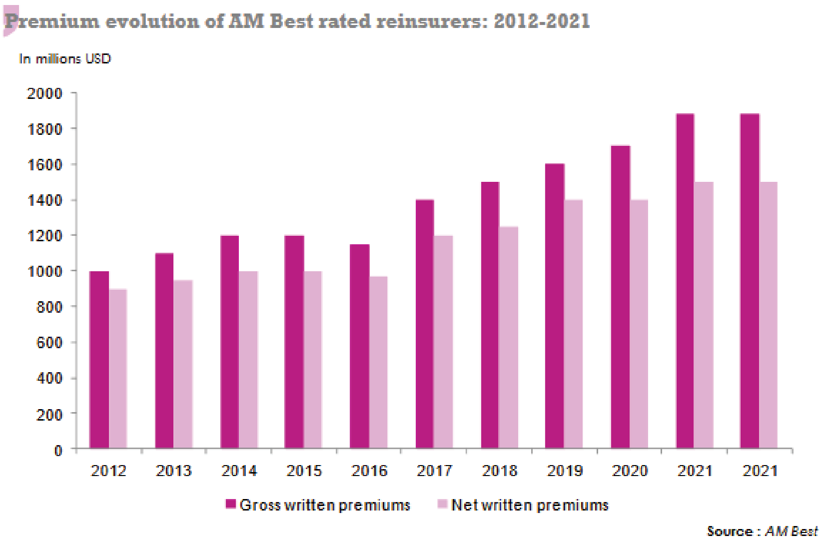
Ranking		Top 10 emerging risks
2022	2021	
1	1	Climate Change
2	4	Geopolitical instability
3	2	Cybersecurity
4	-	Energy risks
5	3	Pandemics and infectious diseases
6	5	Social discontent and local conflicts
7	6	Risks related to biodiversity and natural resources
8	8	Financial stability risks
9	9	Macroeconomic risks
10	-	Risks related to monetary and fiscal policies

Endowed with an amount of 475 billion USD, traditional reinsurance capacity has increased by almost 11% as of 31 December 2021. The good performance of the equity markets during the first nine months of the previous year and the drastic improvement of the technical results have led to the increase of the reinsurers' equity. The good, combined ratios achieved by the industry reflect the improvement of the operating results for the year 2021. In fact, these good results are accounted for by the upward revision of the 2021 renewal conditions imposed by the reinsurers.

REINSURANCE IN SUB-SAHARAN AFRICA

Reinsurers operating in sub-Saharan Africa are up against many challenges. However, with each renewal, their performance is improving. Over a period of 10 years, international investments remain continuous and regular, thus contributing to supporting the economies and in turn the insurance and reinsurance industry. This contribution has enabled the steady growth of reinsurance premiums, which have increased by a factor of 1.8 in ten years (2012-2021).

However, the capacity offered by local players remains low, despite the regular increase in the share capital of reinsurers. This situation is forcing local insurers to turn to foreign reinsurers to place part of their risks.



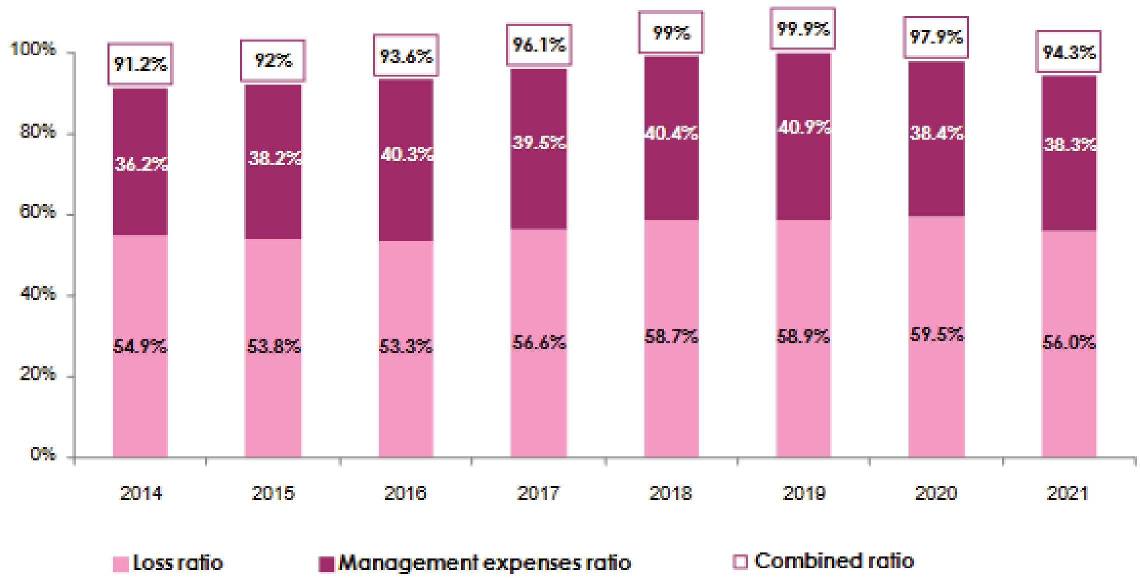
In sub-Saharan Africa, the concentration of risks in certain large countries and the disparity in size between the various markets is likely to result in unreasonable risk accumulation , hindering the establishment of a homogeneous, balanced and diversified reinsurance e market. This is especially true since some African countries have been subje ct to recurrent civil unrest with potential losses for reinsurers.

In addition to that, it is noteworthy to refer to the effects of global warming with the occurrence of frequent and severe natural catastrophe events, in particular floods and droughts. As a recent exam ple, terrible floods have affected the Kwazulu-Natal province in South Africa in April 2022, where in some areas more than 200 mm of rain was reported in 24 hours. This natural disaster, the worst ever recorded in the country, caused colossal damage estimated at hundreds of millions of dollars. It should be noted that this same region has already sustained costlydestruction following a wave of riots and looting in the summer of 2022.

COMBINED RATIOS 2014-2021

The combined ratios posted by local reinsurers show that over a long period of time the technical results remain good.

These results come largely from the main markets, namely South Africa, Nigeria and Kenya.

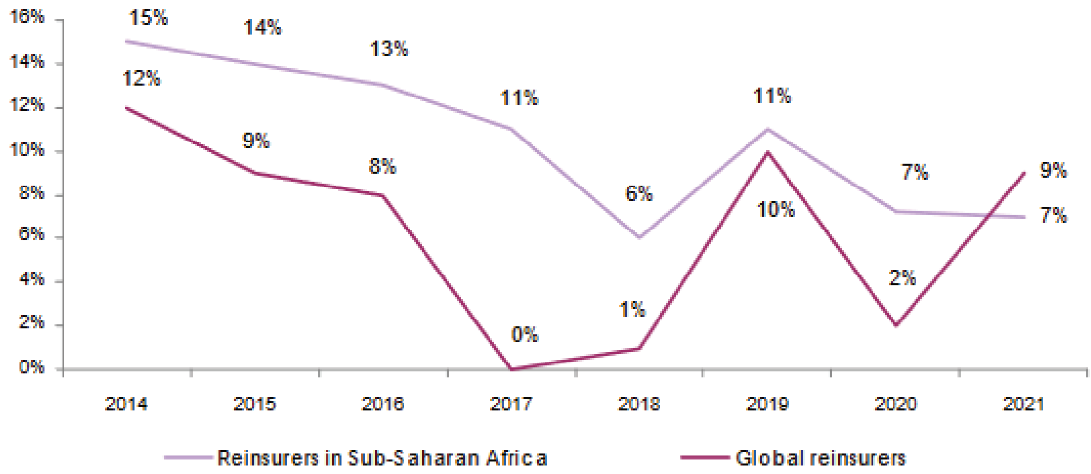


Source : *AM Best*

RETURN ON EQUITY: 2014-2021

In Sub-Saharan Africa, apart from 2021, returns on equity far overshadowed those achieved by reinsurers in other regions.

Despite its continued decline, return on investment remains relatively high, going from 15% in 2014 to nearly 7% in 2021.



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5.2 THE ETHIOPIAN ECONOMIC PROFILE AND THE INSURANCE INDUSTRY

RECENT MACROECONOMIC AND FINANCIAL DEVELOPMENTS

According to the African Economic Outlook (AEO) 2022, Ethiopia's economy decelerated to 5.6% growth in 2021 from 6.1% in 2020, due to civil conflict and the effects of COVID-19 on transport and hospitality. Growth was led by industry and services on the supply side and private consumption and investment on the demand side. Inflation increased to 26.7% in 2021 from 20.4% in 2020, much above the central bank's 8% target, because of domestic credit expansion to revive the economy and COVID-19-induced supply chain disruptions. The fiscal deficit, including grants, declined to 2.6% of GDP in 2021 from 2.8% in 2020 due to expenditure reprioritization and growth in tax revenue. The banking sector is stable but closed to international competition; it accounts for 76% of the financial sector's total capital (with state-owned banks accounting for 51.8% of banking sector assets), followed by microfinance (15%), and insurance and leasing (9%). Public and publicly guaranteed debt was estimated at 57.8% of GDP (external debt, 32.8% of GDP) in June 2021. The current account deficit improved slightly from 4.4% of GDP in 2020 to 4.3% in 2021 on account of subdued imports. The current account deficit was financed by FDI and remittances. International reserves remained low at 2.5 months of import cover in 2020, and 2.2 months in 2021. The $408 million SDR allocation (0.4% of GDP), recorded at the central bank, will boost international reserves. Conflict and the COVID- 19 pandemic increased the number of people requiring humanitarian support to close to 15.8 million in 2021 from about 8 million in 2020.

During the period, Ethiopia opens up banking sector to foreign investors: The Ethiopian Council of Ministers approved the draft policy on opening up the banking sector to foreign investors and decided it to be operational. It is indicated that opening up the sector to foreign investors will enable supporting the sector's service with technology, enhance the networking of the country's economy with the international market, and strengthen the competitiveness and efficiency of the finance sector Ethiopia's banking business proclamation was last amended in 2019 and prohibits foreigners from fully or partially owning or opening banks in the country.

OUTLOOK AND RISKS

GDP growth is projected to fall to 4.8% in 2022 but pick up to 5.7% in 2023, driven by industry and by private consumption and investment. A tourism rebound and liberalization of the telecoms sector are expected to boost the growth outlook. Key downside risks to the growth outlook include the civil conflict in northern Ethiopia, COVID-19, and debt vulnerabilities. Higher global food and oil prices due to the Russia–Ukraine conflict are expected to increase inflation to 32.6% in 2022 before it eases to 24.9% in 2023. The fiscal deficit is projected to remain stable at 2.6% in 2022 and 2023 due to the implementation of the fiscal consolidation strategy and improvement in tax revenue mobilization. The current account deficit is expected to widen to 4.8% of GDP in 2022 but to narrow to 4.1% in 2023. This reflects the slow recovery in merchandise and service exports and FDI, amidst lower imports of capital inputs.

CLIMATE CHANGE ISSUES AND POLICY OPTIONS

Ethiopian insurance market has been affected by the claims incurred due to climate change vulnerabilities include droughts, flooding, desertification, water scarcity, and increased incidence of pests, affecting the agriculture, energy, and health sectors.

FINANCIAL SECTOR DEVELOPMENTS DURING THE YEAR

- **Banks:** By the end of the third quarter of 2021/22, the number of banks operating in Ethiopia reached 21, of which 19 were private and 2 state-owned. These banks have opened 207 new branches during the review quarter thereby raising the total number of bank branches to 8,250. As a result, the population-to-bank branch ratio reached 12,747.41. Of the total bank branches, 33.7 percent were located in Addis Ababa (The total population is 105,166,000 as per CSA estimation for 2022). The share of state-owned bank branches was 25.7 percent and that of private bank branches was 74.3 percent. The total capital of the banking system amounted to Birr 172.7 billion with the two state-owned banks accounting for 47.2 percent and private banks 52.8 percent.

- **Microfinance Institutions**: Following the transition of three microfinance institutions; (Oromia Credit and Savings Institution (MFIs) namely, Amhara Credit & Savings Institution and Somali Microfinance Institutions, to a bank, the number of MFI declined to 37 in the reporting quarter. Hence, their savings deposit declined by 44.6 percent compared with the previous quarter. Similarly, their total outstanding credit shrank by 40.1 percent to Birr 35.2 billion and their total asset to Birr 52.8 billion, showing a 43.1 percent quarterly decline.

- **Insurance companies**: As per data obtained from NBE, during the period under review, the number of insurers in Ethiopia had remained 18: one public and 17 private insurers operating throughout the country. Their branches increased to 690 from 605 a year ago. Of the total branches, about 54.4 percent were located in Addis Ababa.

Similarly, their total capital reached Birr 13.3 billion, of which about 70.7 percent was that of private insurance companies.

TABLE 8: SUMMARY OF FINANCIAL INFORMATION OF INSURERS AS AT JUNE 30, 2022

				In '000 Birr
Item	**Non-Life**	**Life**	**Total June 2022**	**Total June 2021**
Gross Premium	15,313,616	1,351,790	16,665,406	13,873,959
Net Premium	9,378,950	931,353	10,310,303	8,272,387
Ret Ratio (%)	61	69	62	60
Net Earned Premium	8,311,011	901,944	9,212,955	7,719,461
Net Claims Incurred	4,661,007	466,763	5,127,770	4,423,733
Loss Ratio (%)	56	52	56	57
Total Asset	37,814,380	3,043,299	40,857,679	39,063,871
Total Capital	12,085,304	1,294,820	13,380,124	11,065,905
Profit after Tax	2,507,692	316,322	2,824,014	2,291,336

Source: NBE June 30,2022

Gross written premiums of the industry reached Birr 16.7 billion revealing over 20% growth compared with last year's same period result (i.e. the GWP as of June 30, 2021, was Birr 13.8 billion).

TABLE 9: SUMMARY OF FINANCIAL INFORMATION OF INSURERS BY CALLS OF BUSINESS AS OF JUNE 30, 2022: NON-LIFE

In '000 Birr

Item	Classes of Business										
	Accident	Aviation	Fire	Eng.	Emp. Liab	Liability	Marine	Motor	Pecuniary	Others	Total
Gross Premium	536,250	2,266,706	1,086,533	1,155,500	181,451	357,009	968,988	6,856,136	1,014,489	890,554	15,313,616
Net Premium	475,548	23,427	500,307	456,682	172,707	293,688	561,130	6,397,985	369,264	128,212	9,378,950
Ret ratio in (%)	89	1	46	40	95	82	58	93	36	14	61
Net Earned Premium	424,218	34,616	457,114	448,989	168,430	263,205	405,846	5,704,760	312,715	91,118	8,311,011
Net Claims Incurred	90,052	(40,247)	76,942	127,912	29,012	133,576	95,388	4,052,058	92,142	4,172	4,661,007
Loss ratio in (%)	21	(116)	17	28	17	51	24	71	29	5	56

Source: NBE June 30,2022

General insurance (GI) dominates the sector claiming Birr 15.3 Billion or 92%, with motor vehicle insurance continuing to dominate earning – constituting 41.1% of total insurance premiums and 44.8% of the GWP of GI class of insurance. The total assets and total capital of insurers have reached Birr 40 billion and Birr 13.3 billion, respectively which showed an increase of 4.6% and 20.9% respectively.

TABLE 10: FINANCIAL INFORMATION OF INSURERS BY CLASS OF BUSINESS AS AT JUNE 30, 2022: LIFE

Item	WL	End	Term	Perm Heal.	Inv. Linked	Others	Total
Gross Premium	-	120,646	373,789	442,118	1,843	413,394	1,351,790
Net Premium	-	119,627	274,703	424,489	1,727	110,807	931,353
Ret ratio in (%)	-	99	73	96	94	27	69
Net Earned Premium	-	119,563	252,502	418,726	1,727	109,426	901,944
Net Claims Incurred	321	51,067	69,156	338,905	(115)	7,429	466,763
Loss ratio in (%)	-	43	27	81	(7)	7	52

Moreover, the NBE has also issued the following new directives targeting the operation of reinsurers and insurers in Ethiopia that came in to force after the last Annual General Meeting of shareholders (AGM):

- Investing in Development Bank Bond: Directive No. SIB/54/2021
- Requirements for Risk-based Internal Audit- Directive No. SIB/55/2022
- Requirements for Information Technology (IT) Management -Directive No. SIB/56/2022
- Prudential Requirements for Reinsurance Companies- Directive No. SRB/002/2022;
- Minimum Paid-Up Capital for an Insurance Company Directive No. SIB/57/2022;
- Fees on an Insurance Auxiliary Directive No. SIB/59/2022;
- Fees on a Reinsurance Company Directive No. SRB/3/2022; and
- Fees on an Insurance Companies Directive No. SIB/58/2022.

It is expected that the above directive on the prudential requirements would significantly affect the operations of Ethio-Re and it is believed that close discussions with NBE are necessitated to make sure that the deadlines set on the new proclamation can go- in line with the company's operation and strategic direction.

6. RESULTS: THE COMPANY'S PERFORMANCE

6.1 FINANCIAL PERFORMANCE

GROSS WRITTEN PREMIUM

- During the period under review, the Company has generated gross premium income of Birr 1.36 Billion. The total premium generated was higher than last year's similar period figure and the projection by Birr 217 million or 19%.

- Out of total premium for the period, Birr 591 million or 43.5% has been generated by way of Compulsory Treaty Cessions, whereas Birr 688 million or 50.5 has been generated through Compulsory Policy Cessions.

- Moreover, during the period under review, Birr 53.4 million or 4% facultative business has been written which solely came from local market. The registered 61% growth in facultative business is mainly due to businesses obtained from the local market owing to increased capacity, smoothened relationships with the market and willingness of management to absorb businesses from the local market;

- During the period under review, the Company has written businesses from selected African markets, the share of which amounted to Birr 25.3 million or 2%, which registered a growth of 25%.

- Moreover, so far, the business has been written from Africa, Berhan, United and Nile Insurance Companies, NIB, Nyala, Tsehay, Ethiopian Insurance Corporation (EIC), Ethio-Life and General, Lucy, Oromia , Lion, NICE and Zemen, in addition to the Compulsory cession, from the local market voluntarily. Management has found these positive responses encouraging and will work on getting additional shares in future dealings through strengthening the business relationship and offering meaningful support to the local cedants, as early planned and solidly discussed and promised by the industry leaders during this year's training and meeting conducted in Istanbul.

- Out of the total premium for the period under review, Birr 1.3 billion or 95.5% was generated from general insurance class of business whereas the remaining Birr 60.8 million or 4.5% generated from life insurance.

PORTFOLIO MIX

Life Assurance 4.5%

General Insurance 95.5%

CLAIMS PAID

- During the period under discussion, the Company has settled a gross claim of Birr 392.9 million. This amount is higher than the projection as well as last year's similar period experience by Birr 54.4 million or 14%, and by Birr 94 million or 31%, respectively.

- The main claims payment goes to marine claim Walia Industries marine claim(Ethio-Life), Somali region weather index (Africa Insurance), and a bond claim for other various contractors.

IBNR

- During the reporting period the Company's IBNR has reached Birr 87.4 million. Here it has to be noted that the need for outstanding claim reserves arises from the delay in time between the event resulting in the claim to the reporting of that claim to an insurer and the subsequent settlement of that claim. This is irrespective of whether the settlement involves the payment of an amount by the insurer, or whether no payment is made as when a liability is successfully denied.

COMMISSION EXPENSE

- The Company has outlaid Birr 397.6 million as commission expense which is higher than last year's same period experience Birr 87 million or 28%.

GENERAL & ADMINISTRATIVE EXPENSES

- During the reporting period, Birr 78.9 million has been outlaid for general and administrative expenses. This amount has shown a decrease from last year's similar period performance by Birr 16.2 million or 17.07%.

INVESTMENT & OTHER INCOME

- During the period under review, the Company has earned Birr 190 million from investment and other income which is higher than last year's same period performance by Birr 34.7 million or 22%.

- The increase in investment income is explained by smart cash flow management as well as extra cash available following the decision by most shareholders to re-plough their dividends.

- So far, the Company has invested a total of Birr 93 million on equity investment in United Bank SC, Addis-Africa International Convention & Exhibition Center (AAICEC), Awash and Wegagen bank, which requires diversification and entering into different investment portfolio considering the investible fund of the company. Accordingly, Ethio-Re should strengthen its investment portfolio and give due focus to strengthening investment in the coming quarters, especially in real-estate and acquisition of its headquarters, equity investment, and strengthening strategic partnerships.

UNDERWRITING RESULT

- During the reporting period, the company's underwriting result has reached 121 million. The amount has shown a significant decrease from last year's figures by Birr 38.9 million or 24%due to new Bond and PVT outstanding claims and the unearned premium amount increased in the third quarter due to the higher third-quarter premium generated.

PROFIT AND LOSS

- During the period under review, the Company registered Birr 223.5 million profit after tax. The registered profit is higher than last year's similar period by birr 28.9 million or 14.6%.

- Out of the registered profit after tax of birr 223.5 million the share of profit from general insurance amounted to Birr 193.3 million or 86.5% whereas the share of life amounted to Birr 30.2 million or 13.5%.

6.2 NON-FINANCIAL PERFORMANCE

IT PROJECT

- As part of its strategy, the Company has paid special attention to the adoption of technology to enhance its competitiveness and improve the quality of products and services to be delivered to its customers. To this end, it has started the full-scale implementation of the reinsurance and accounting software with SAP East Africa Limited and msg Global Solutions. It is believed that the full-scale implementation of integrated reinsurance management and general ledger software will soon be completed;

INVESTMENT

- As per the investment policy manual of the Company and within the limits set by the National Bank of Ethiopia (NBE) directives, Ethio Re needs to look at how to get a high return by investing its excess funds in other areas of investment. Accordingly, during the year under review, the company has purchased an equity share from awash bank with an amount of Birr 6 million.

HUMAN RESOURCE STRATEGY AND PROFILE

- Our corporate and leadership culture strongly geared to performance and business requirements has a major positive impact on the way our staff approach change, performance, and training. There were currently 33 people working at Ethio-Re (figures from 30 June 2022), Of which the share of female employees accounts to 52%. All of them contribute to our success through their skill, performance, and dedication.

RETRO- PROGRAM ARRANGEMENT

- Retro program arrangement for the year 2022/23 has been finalized during the reporting period. A comprehensive retro program with wider geographical coverage, covering work in the African markets has been arranged.

BUSINESS DEVELOPMENT, PROMOTION, AND COMMUNICATION

- **Participation in the African Insurance Organization (AIO) Annual Conference and General Assembly, the federation of Afro-Asian Insurers and Reinsurers (FAIR), and Organization of African Insurers and Reinsurers(OESAI), to promote Ethio-Re's brand.** These conferences and General Assemblies are annual events that bring together insurance professionals from all over the continent and beyond to discuss insurance issues in addition to creating a forum to establish and/or reinforce business relationships. Throughout the year, representatives and delegates of Ethio-Re have attended all the forums and the events presented the unmatched platform to introduce our newly formed Company to the continental reinsurance arena.

- **Ethio-Re hosted trainings and forums for the insurance industry:** As part of its strategic effort, Ethio-Re hosted forums and trainings to foster the development of the insurance business in Ethiopia. So far, Ethio-Re. has organized and conducted local training in collaboration with Munich Re on the topic of reinsurance accounting and treaties, in which participants drawn from all local insurance companies took part. The other trainings were organized on the topic of Contractors Plant and Machinery, Fire Insurance, Risk Management and Internal Audit, Life Insurance. Moreover, the company has also organized CEO's forum and training for the CEOs of insurance companies in Ethiopia. Ethio-Re would continue to organize similar training on topical industry issues in the future to develop the capacity of cedants in the future.

- **Corporate Social Responsibility (CSR):** Ethio-Re fully sponsored the costs of constructing the feeding center of the needy at Kirkos Sub City. The feeding center named Tesfa Berhan aims to serve a meal for the needy and economically poor people every day. The city administration built the feeding centers to provide a meal for the most vulnerable members of society. Ethio-Re has also donated for the School feeding for the deaf children, and Ethiopian defense forces to discharge its corporate social responsibility.

- Ethio-Re is also participating in a School feeding program designed for the Ethiopian National Association of the Deaf (ENAD), Co-Action Learning Centre for Deaf Children- Under the auspices of the City Government of Addis Ababa Education Bureau. ETHIO-RE as a corporate social responsibility believes in funding acutely vulnerable children to access basic education each year through engaging itself in national school feeding programs organized by the government. The children who benefit from the Programme are disabled children structured by the Ethiopian National Association of the Deaf (ENAD) Co-action school- Under the auspices of the City Government of Addis Ababa Education Bureau. They are from extremely impoverished, broken families who would be unable to send them to school without support from outside sources.

- Ethio-Re is a golden level member of the Ethiopian heritage trust fund. We support the work of the Ethiopian Heritage Trust in Ethiopia, which works to restore and conserve lands of natural beauty and historic buildings in Ethiopia. Our support focuses on their development and guardianship of the Entoto Natural Park Natural Forest. On these sites 29,000 indigenous trees were planted in 2022.

MARKET VISITS

- **Domestic:** A senior management team led by the CEO has visited all local insurance companies to establish smooth business relationships and to explore ways on how to boost business opportunities. Moreover, Finance and investment team has visited all insurance companies to expedite collection performance and create a smooth business relationship.

- **Membership of continental and local institutions:** Ethio-Re is an institutional member of the Organization for Eastern and Southern African Insurers (OESAI) in addition to its established membership in African Insurance Organization (AIO), Federation of Afro-Asian Insurers and Reinsurers (FAIR), and Association of Ethiopian Insurers (AEI).

APPOINTMENT OF ACTUARY AND CONTACTING RATING AGENCIES

- Credit rating: The Company has reassured its credit rating for the second year from Global Credit Rating (GCR) as per the company's strategy. Accordingly, it has obtained a score, of B- (B minus) International Scale and a National Scale (ET) AA (Double A) with Outlook: Stable

- Actuarial services: Ethiopian Re. envisages developing its actuarial knowledge in the long run. However, in the short run, the Company has selected and engaged ACTSERV, a Kenyan-based actuarial firm to perform the required actuarial services.

7. MAJOR CHALLENGES ENCOUNTERED DURING THE YEAR

During the period under review, the achievements made had been tempered by the following challenges that the Company strived to overcome in close collaboration with stakeholders and partners. Some of these challenges were chronic, and the Board and Management undertook measures to adjust and refine relevant policies and strategies, to bring the performance of the company back on track and minimize their adverse impact.

- Shortage of FOREX has an adverse impact on the operation of the company especially in in meeting its obligations and settling retrocession premiums in due course;

- During the period under review, there have been notable changes in the political landscape in the Country. Global and national war and political insanity in the region. These circumstances have affected the economic well-being of the citizens, and have also compromised the infra-structural developments and overall economy in the country and has an adverse impact on the claim settlement of the company;

- In recent years, competition in the insurance sector has been intensified due to the price-based cut-throat rivalry among players. Competition has long played an uneasy role in the insurance industry. If consumers cannot easily observe the financial health of their insurers, competition between insurers may drive premiums down to the point where the risk of failure is high.

- The shortage of skilled professionals in the insurance industry has resulted in intensive headhunt by operators, a situation that is now becoming worrisome to the management of most companies, including Ethio-Re, especially in the actuarial field;

- Shortage of quality and timely data and information. The digital revolution has allowed for the collection and storage of large and diverse amounts of information. However, due to less utilization of information technology in the industry for insurance purposes, data and information shortage is affecting the underwriting,

8. FUTURE PLAN

- The Board in consultation with Deloitte international consultants, the expatriate advisor, and through engaging management and other stakeholders has prepared and approved Ethiopian Re's Vision -2030: Take off for Ethio-Re, 5-year comprehensive strategy and 10-year roadmap which is the second strategic plan covering the years 2021/22-2024/25. Accordingly, the implementation started as planned in July 2021, the strategic plan was later presented to the National Bank of Ethiopia and communicated to all concerned stakeholders to create ownership- buy-in, and engagement. The strategic plan is in its first year of implementation and the subsequent years would enable Ethio-Re to become competitive and earn sustainable growth.

- Hence, having incorporated learnings from the current state assessment, we have asserted our refreshed vision – 'To be the reinsurer of choice in Ethiopia and our chosen markets.

- On top of the above, through a process of studying the company's internal configuration, the SP has developed three distinct 'horizons' of strategic initiatives that are key to the new strategy:

  - **Horizon 1:** Big Five – Five initiatives that consider non-negotiable to the success of all other strategic initiatives as well as Ethio-Re's overall viability. These non-negotiable initiatives are:

    - Enhance communication, stakeholder relationships, brand awareness, and reputation;
    - Obtain credit rating and increase foreign business inflows;
    - Ensure extension of compulsory cessions; and
    - Enhance leadership capabilities
    - Implement technology to support business and operations

  - **Horizon 2:** Quick wins – High impact initiatives that are less complex to implement, meaning that they can be initiated in the current financial year.

  - **Horizon 3:** Other Priority – Other key initiatives that are more complex to implement or longer-term in nature, still being essential to Ethio-Re's long term success

- In the years ahead, the Company should also gear up all its efforts towards the successful implementation of all prioritized strategic initiatives to significantly sharpen its competitive edge in view of the changing business environment. Furthermore, in order to ensure a leading role in offering reinsurance services as stated in its mission and vision statements; the Company will step up the efforts directed at developing the capacity of its workforce, work on Company Rating, strengthening relationships with cedants and implementing state of the art information technology.

- The company has envisaged supporting the market in its efforts for the development of inclusive insurance, agricultural insurance, life insurance, micro-insurance, and other new products that could contribute to the development of the industry. Hence, the company has a plan to provide a due focus for inclusive insurance and organize national forums on the importance of insurance and give support for the development of insurance, as a national reinsurance company.

- The company would also work on strengthening strategic partnership with identified reinsurance companies that have experience in the market;

- The strategic plan has also clearly indicated that Ethio-Re has also a long-term vision to become a "Training and center of excellence" , hence, the Company will provide a prime focus for the capacity development.

- Work on the acquisition of building for Ethio-Re's headquarters come into fruition, and improve its investment income.

9. APPROPRIATION OF RETAINED EARNINGS

- During the financial year 2021/22, the Company has obtained an after-tax profit of Birr 223.5 million. The Board of Directors, therefore, recommends that Birr 200,196,187 be distributed to shareholders in proportion to their respective shares after deducting legal reserve and the remuneration of the Board of Directors.

10. AUDITORS

- The Audit Services Corporation is responsible for auditing the Company's books of accounts in accordance with the resolution of the General Meeting that sanctioned the Corporation as External Auditors to carry out the audit for the year ended 30 June 2022.

11. VOTE OF THANKS

- The Board of Directors, the Executive Management, and employees would like to express their deepest gratitude to all insurers carrying on insurance business in Ethiopia and other stakeholders for their unreserved support and willingness to continue to do business with the Company.

Meseret Bezabih
Chairperson of the Board of Directors

Dawit G/Ammanuel
Chief Executive Officer

FINANCIAL STATEMENTS

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Office of the Federal Auditor General
Audit Service Corporation

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ETHIOPIAN REINSURANCE SHARE COMPANY

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ethiopian Reinsurance Share Company (the Company), which comprise the statement of financial position as at 30 June 2022, 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 Company as at 30 June 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 Company 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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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ETHIOPIAN REINSURANCE SHARE COMPANY (continued)

Key Audit Matters (continued)

Gross premiums written

There is a risk that gross premiums written are understated. In our response to this risk, we verified that the correct periodical reports had been received and recorded in the correct accounting period; we ascertained that confirmation reports had been received from customers; we verified that gross premiums had been computed based on the agreements, the periods covered and on other covenants; and we reviewed annual audit reports of customers. Overall, our assessment is that the basis for incorporating gross premiums written was appropriate.

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

Management is responsible for the other information. The other information comprises the annual report, but does not include the financial statements, our auditor's report thereon and the report of the Board of Directors.

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.

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 International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ETHIOPIAN REINSURANCE SHARE COMPANY** (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 Company'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 Company'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 Company 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 SHAREHOLDERS OF
ETHIOPIAN REINSURANCE SHARE COMPANY (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.

Report on Other Legal and Regulatory Requirements

Report on Other Legal and Regulatory Requirements

As required by the Commercial Code of Ethiopia of 2021, we must report to you in accordance with

Article 349 (1) that we have no comments to make on the report of the Board of Directors; and

Article 349 (2) that we recommend approval of the financial statements.

The engagement director on the audit resulting in this independent auditor's report is Woizero Banchiayehu Tamrat.

audit Services Corporation

Audit Services Corporation
Auditors of
Ethiopian Reinsurance Share Company

Addis Ababa
12 December 2022

ETHIOPIAN REINSURANCE S.C
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The commercial Code of Ethiopia 2021 and the insurance business proclamation number 746/2012 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company at the end of the financial year and its financial performance for the year then ended. The Board of directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company; disclose with reasonable accuracy at any time the financial position of the Company; and that enables them to prepare financial statements of the Company that comply with prescribed financial reporting standards. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of directors accept responsibility for the preparation and presentation of these financial statements in accordance with the Financial Reporting Proclamation No. 847/2014 and in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They also accept responsibility for:

i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
ii. Selecting suitable accounting policies and then apply them consistently; and
iii. Making judgements and accounting estimates that are reasonable in the circumstances.

Nothing has come to the attention of the Board of Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement. The Board of directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Board of directors on December 09, 2022 and signed on its behalf by;

Meseret Bezabih
Chairperson, Board of Directors

[illegible]
ACII, Chartered [illegible]
Chief Executive Officer

ETHIOPIAN REINSURANCE SHARE COMPANY
STATEMENT OF THE FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	General Insurance 2021-22 ETB	Long-Term Insurance 2021-22 ETB	Total 2021-22 ETB	Total 2020-21 ETB
Assets					
Cash	5	356,891,678	85,205	356,976,883	139,526,881
Other Receivables	6	12,332,559	183,341	12,515,900	5,844,981
Due from ceding companies	7	434,937,865	30,323,882	465,261,747	419,101,841
Due from retrocessionaires		1,368,805	-	1,368,805	-
Deferred acquisition costs	8	153,266,730	5,103,559	158,370,288	109,168,613
Time deposits	9	1,502,264,454	218,648,820	1,720,913,273	1,332,881,289
Equity Investment	10	87,055,271	6,000,000	93,055,271	83,427,778
Grand Renaissance Dam Bonds	11	176,782,608	31,196,931	207,979,538	154,237,695
Right of use asset	12	9,175,103	-	9,175,103	987,106
Deferred tax Asset	25.2	3,702,212		3,702,212	-
Property Plant & Equipment	13	14,921,986	-	14,921,986	17,396,988
Intangible Asset in progress	13	25,011,727	-	25,011,727	23,394,786
Total assets		**2,777,710,997**	**291,541,737**	**3,069,252,734**	**2,285,967,958**
Liabilities					
Provision for unearned premiums	14	416,047,641	30,581,689	446,629,330	329,167,465
Interbranch Business		(2,502,079)	2,502,079	(0)	-
Other payables	15	15,155,154		15,155,154	10,754,798
Due to ceding companies	16	56,876,339	4,585,564	61,461,903	59,553,879
Due to retrocessionaires		384,065,530	-	384,065,530	244,988,131
Employee benefits liability	17	527,606	4,192	531,798	281,217
Lease Liability	12	8,269,331		8,269,331	-
Prov for incurred but not reported claims	18	82,092,910	5,330,272	87,423,182	72,476,058
Outstanding claims reserve	18	366,044,926	-	366,044,926	301,851,387
Deferred tax liability	25.2	2,131,545	65,177	2,196,722	1,324,433
Provision for income tax	25.1	8,170,088	3,468,665	11,638,753	25,486,676
Total Liabilities		**1,336,878,992**	**46,537,638**	**1,383,416,630**	**1,045,884,044**
Equity					
Capital: Paid up	19	1,182,010,295	208,590,052	1,390,600,347	996,020,000
Share premium	20	406,492	71,734	478,226	-
Formation fund	19	9,973,000	-	9,973,000	9,973,000
Retained earnings		174,130,744	27,202,943	201,333,687	175,417,109
Legal reserve	20	70,414,798	9,139,370	79,554,168	57,201,814
Other Comprehensive Income		3,896,677	-	3,896,677	1,471,991
Total equity		**1,440,832,005**	**245,004,099**	**1,685,836,104**	**1,240,083,914**
Total liabilities and equity		**2,777,710,997**	**291,541,737**	**3,069,252,734**	**2,285,967,958**

The accompanying notes notes on page 10 to 65 to the accounts are an integral part of thesefinancial statements.

Meseret Bezabih
Chairperson, Board of Directors

Dawit Gebreammanuel
(ACII,Chartered Insurer)
Chief Executive Officer

ETHIOPIAN REINSURANCE SHARE COMPANY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Note	General Insurance 2022	Long-Term Insurance 2022	Total 2022	Total 2021
Income					
Gross premiums written	20	1,296,904,743	60,800,538	1,357,705,282	1,140,252,241
Retrocession Premium		(374,633,050)	-	(374,633,050)	(359,764,212)
Change in net unearned premium	14	(109,964,052)	(7,497,814)	(117,461,866)	(57,544,844)
Net Earned premium		812,307,641	53,302,725	865,610,366	722,943,186
Reinsurance commission income		96,543,033	-	96,543,033	81,647,208
Total Income		908,850,674	53,302,725	962,153,399	804,590,394
Re-Insurance Expenses					
Net claims incurred	21	417,291,085	25,878,575	443,169,660	334,494,895
Cedant Acquisition Cost	22	294,330,021	8,139,863	302,469,884	236,651,100
Profit commission Exp.		89,185,687	6,001,273	95,186,960	73,274,898
Total outgo		800,806,792	40,019,711	840,826,504	644,420,893
Underwriting profit		108,043,882	13,283,013	121,326,895	160,169,501
Net Investment Income	23	169,906,295	20,123,217	190,029,512	155,439,528
Other Income		157,300	-	157,300	13,305
Operating and other expenses	24	(79,219,373)	305,148	(78,914,225)	(95,156,989)
Profit before tax		198,888,104	33,711,378	232,599,481	220,465,345
Tax Expense	25.3	5,590,055	3,485,886	9,075,941	25,486,676
Profit for the year after tax		193,298,048	30,225,492	223,523,541	194,978,669
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurement gains on defined benefit plan		(74,912)	-	(74,912)	49,660
Deferred tax liability/asset on remeasurement gain or loss		-	-	-	(14,898)
Remeasurement gains on defined benefit plan net of tax		**(74,912)**	**-**	**(74,912)**	**34,762**
Remeasurement of fair value gain on equity investment		3,570,853	-	3,570,853	2,027,778
Deferred tax liability/asset on remeasurement fair value		(1,071,256)	-	(1,071,256)	(608,333)
Remeasurement of fair value gain on equity investment Net of tax		**2,499,597**	**-**	**2,499,597**	**1,419,445**
Other Comprehensive income ,net of tax		**2,424,685**	**-**	**2,424,685**	**1,454,207**
Total comprehensive income for the year		**195,722,734**	**30,225,492**	**225,948,226**	**196,432,876**

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ETHIOPIAN REINSURANCE SHARE COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Capital	Formation fund	Retained Earnings	Legal Reserve	Share premium	Other comprehensive Income	Total Equity
Balance at 1 July 2020	**787,620,509**	**9,973,000**	**148,118,784**	**37,703,947**	**-**	**17,785**	**983,434,025**
Profit for the year	-	-	194,978,668	-	-	-	194,978,668
Dividend Paid	-	-	(146,768,783)	-	-	-	(146,768,783)
Directors compensation	-	-	(1,350,000)	-	-	-	(1,350,000)
Transfer to legal reserve	-	-	(19,497,867)	19,497,867	-	-	-
Capital contribution	208,399,491	-	-	-	-	-	208,399,491
Deferred tax expense	-	-	(63,694)	-	-		(63,694)
Remeasurement of Defined benefit Liability net of tax	-	-	-	-	-	34,762	34,762
Equity investment Fair value measurement net of tax	-	-	-	-	-	1,419,444	1,419,444
Balance at 30 June 2021	**996,020,000**	**9,973,000**	**175,417,108**	**57,201,814**	**-**	**1,471,991**	**1,240,083,913**
Balance at 1 July 2021	**996,020,000**	**9,973,000**	**175,417,108**	**57,201,814**	**-**	**1,471,991**	**1,240,083,913**
Profit for the year	-	-	223,523,541	-		-	223,523,541
Share premium					478,226	-	478,226
Dividend paid			(174,067,108)		-	-	(174,067,108)
Directors compensation			(1,350,000)		-	-	(1,350,000)
Transfer to legal reserve	-	-	(22,352,354)	22,352,354	-	-	-
Capital contribution	394,580,347	-	-	-	-	-	394,580,347
Deferred tax expense	-	-	-	-	-		-
Remeasurement of Defined benefit Liability net of tax	-	-	-	-	-	(74,912)	(74,912)
Equity investment Fair value measurement net of tax	-	-	-	-	-	2,499,597	2,499,597
Reversal of Directors share	-	-	162,500	-	-	-	162,500
Balance at 30 June 2022	**1,390,600,347**	**9,973,000**	**201,333,687**	**79,554,168**	**478,226**	**3,896,676**	**1,685,836,104**

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ETHIOPIAN REINSURANCE SHARE COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	2022 ETB	2021 ETB
Cash flows from operating activities:		
Profit for the year	**232,599,481**	**220,465,345**
Depreciation and Amortization	5,327,599	5,060,722
Interest on employer liability	379,635	263,438
Interest on lease liability	492,919	151,037
Interest on staff loan	(352,675)	(232,644)
Unrealized exchange gains	(1,416,857)	(567,209)
Interest income	(188,387,723)	(154,876,954)
	48,642,379	**70,263,735**
Movement in Working Capital		
Change in Receivables and prepayments	(6,670,919)	3,181,228
Change in Due from ceding companies and retrocessionaires	(96,730,386)	(209,466,349)
Change in Insurance provisions	196,602,529	102,066,519
Change in Other provision	250,581	69,066
Change in Payables	4,525,356	3,483,361
Payment to Directors	(1,312,500)	(1,350,000)
Change in Due to ceding companies	140,985,423	129,275,438
Net cash flows from operating activities	**286,292,464**	**97,522,998**
Payment for provision for tax	(25,486,676)	(21,860,771)
Cash flows from investing activities		
Payment for investment in the Grand Renaissance Dam Bond	(51,200,000)	(31,521,288)
Payment for time deposits	(375,457,959)	(167,342,266)
Payment for Equity investment	(6,056,640)	(29,205,000)
Interest received	173,269,523	142,190,682
Acquisition of property, plant and equipment	(2,534,926)	(9,776,495)
Payment of finance lease liability	(2,367,249)	(2,261,893)
Dividend paid	(149,047)	(48,232,042)
Net cash used in investing activities	**(264,496,298)**	**(146,148,302)**
Cash flows from financing activities:		
Capital received	220,662,284	109,862,749
Share premium received	478,226	-
Net cash from financing activities	**221,140,510**	**109,862,749**
Increase in cash and cash equivalents	**217,450,000**	**39,376,674**
Cash and cash equivalents:		
At beginning of the period	139,526,883	100,150,209
At end of the period	**356,976,883**	**139,526,883**

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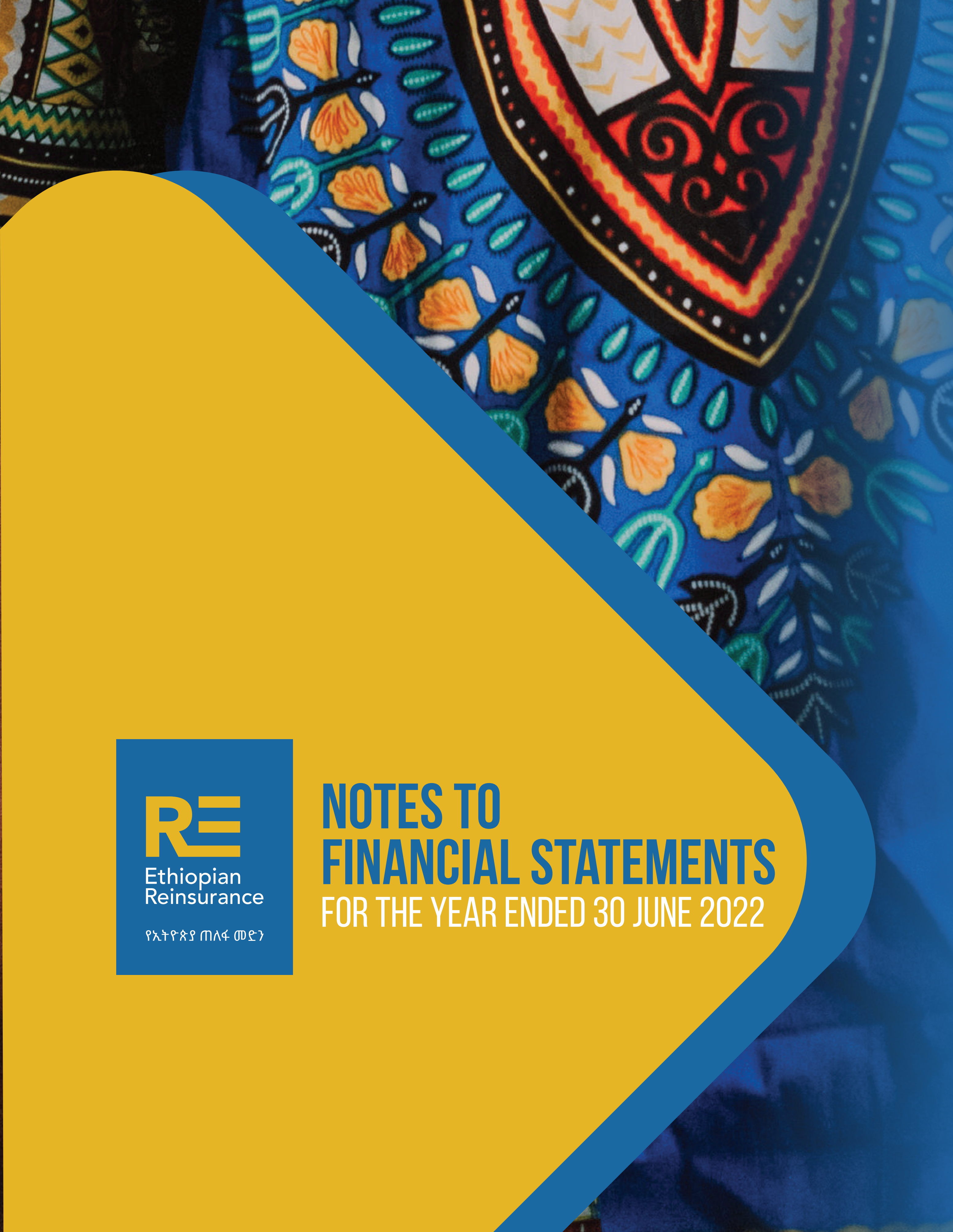

Ethiopian Reinsurance

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

1. REPORTING ENTITY

Ethiopian Reinsurance Share Company ("The Company") is a reinsurance company established on 7 July 2016 with the objective of engaging in the business of rendering general and long-term re-insurance services. The Company's registered office is located in the Federal Democratic Republic of Ethiopia, Addis Ababa City, Kirkos Sub City, Woreda 9, and House No. New.

The registered office is the same as the principal place of business.

2. BASIS OF ACCOUNTING

(A) STATEMENT OF COMPLIANCE

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

(B) FUNCTIONAL AND PRESENTATION CURRENCY

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

(C) USE OF JUDGMENTS AND ESTIMATES

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company'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 note.

NOTE 3 (F) – LEASES: WHETHER AN ARRANGEMENT CONTAINS A LEASE

(D) USE OF JUDGMENTS AND ESTIMATES(CONTINUED)

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 2022 is included in the following notes

Note 3 (b) – measurement of insurance liabilities: Key actuarial assumptions

Note 17 (c) – measurement of employee benefits liability: Key actuarial assumptions

Note 3 (c) (viii) – identification and measurement of impairment for financial instruments;

Note 3 (e) (iii) – useful lives and salvage value of tangible assets;

Note 3 (i) (n),

Note 3 (m), Note 25 – recognition of deferred taxes: availability of future profits against which tax losses carried forward can be used.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Company 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 exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the 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 exchange rate at the date of the transaction.

(B) REINSURANCE CONTRACT

Reinsurance contracts are those contracts that transfer significant reinsurance risk. Ethiopian Re defines reinsurance risk as the risk that it has to settle claims arising from reinsurance contracts held with cedant companies either from treaty reinsurance or facultative reinsurance.

The reinsurance contracts are classified into two main categories:

(i) General reinsurance business - This is for contract durations typically running for one year. The main classes covered in general insurance business are accident, aviation, burglary, engineering, employer liability, fire, goods in transit, liability, marine, medical, motor, and pecuniary.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) REINSURANCE CONTRACTS (CONTINUED)

(ii) Long term business - This is for other business not considered as non-life business. The main classes covered in long term insurance business are term, endowment, whole life, permanent health and others.

RECOGNITION AND MEASUREMENT

The results of the reinsurance business are determined on an annual basis as follows:

PREMIUM INCOME

Premiums and related expenses are accounted for in profit or loss when earned or incurred. Gross earned premiums comprise gross premiums relating to risks assumed in the year after accounting for any movement in gross unearned premiums. Unearned premiums represent the proportion of the premiums written in the year that are attributable to the subsequent accounting period and are calculated using the one-over-eight methods. Gross written premiums are recognized based upon reports from ceding companies. Statements of account are received on a quarterly basis where the statements of account are not received by the year-end, the estimates will be computed through the pipeline method.

CLAIMS INCURRED

Claims incurred comprise claims paid in the period and changes in the provision for outstanding claims. Claims paid represent all payments made during the period. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date. Outstanding claims are computed on the basis of preliminary loss advice from ceding companies and outstanding claims reports sent by cedants. They are also determined on the basis of historical expenses and actuarial analysis.

CEDANT ACQUISITION COSTS AND DEFERRED ACQUISITION COSTS

A proportion of cedant acquisition costs is deferred and amortized over the period in which the related premium is earned. Deferred acquisition costs represent the proportion of cedant acquisition costs and other acquisition costs that relate to the unexpired term of the policies that are in force at the year end.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) REINSURANCE CONTRACTS (CONTINUED)

Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss by establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Long-term reassurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

RETROCESSION CONTRACTS HELD

Contracts entered into by the Company with retrocessionaires under which it is compensated for losses on one or more contracts issued by it and that meet the classification requirements for retrocession contracts are classified as retrocession contracts held. Retrocession premiums payable are recognized in the period in which the related premium income and claims are earned /incurred, respectively.

The benefits to which Ethiopian Re is entitled under its retrocession contracts held are recognized as retrocession assets. These assets consist of short-term balances due from retrocessionaires, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related retrocession contracts. Amounts recoverable from or due to retrocessionaires are measured consistently with the amounts associated with the retrocession contracts and in accordance with the terms of each retrocession contract. Retrocession liabilities are primarily premiums payable for retrocession contracts and are recognized as an expense when due.

Ethiopian Re assesses its retrocession assets for impairment annually. If there is objective evidence that the retrocession assets are impaired, the Company reduces the carrying amounts of the retrocession assets to its recoverable amount and recognizes that impairment loss in profit or loss.

RECEIVABLE AND PAYABLES RELATED TO REINSURANCE CONTRACTS

Receivables and payables are recognized when due. These include amounts due to and from cedants and brokers.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) REINSURANCE CONTRACTS (CONTINUED)

RECEIVABLE AND PAYABLES RELATED TO REINSURANCE CONTRACTS (CONTINUED)

If there is objective evidence that the reinsurance receivable is impaired, Ethiopian Re reduces the carrying amount of the reinsurance receivable accordingly and recognizes the impairment loss in profit or loss. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due.

Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

(C) FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(I) CLASSIFICATION

FINANCIAL ASSETS

The Company classifies its financial assets into one of the following categories:

- Amortized cost;
- Fair value through comprehensive income; and
- At fair value through profit or loss.

AMORTIZED COST

A financial asset is classified as subsequently measured at amortized cost if it:

- meets the SPPI criterion (whether the contractual terms of the financial assets give rise, on specified dates, to cash flows that are Solely for Payment of Principal and Interest); and
- is held within a business model whose objective is to hold assets in order to collect contractual cash flows.

Fair value through Other Comprehensive Income (FVOCI)

A financial asset is classified as subsequently measured at FVOCI if it:

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(I) CLASSIFICATION – CONTINUED

- meets the SPPI criterion (whether the contractual terms of the financial assets give rise, on specified dates, to cash flows that are Solely for Payment of Principal and Interest); and
- is held within a business model in which assets are managed both in order to collect contractual cash flows and for sale.

FAIR VALUE THROUGH PROFIT OR LOSS

All other financial assets i.e., financial assets that do not meet the criteria for classification as subsequently measured at amortized cost or FVOCI are subsequently measured at fair value through profit or loss, with changes in fair value recognized in profit or loss.

FINANCIAL LIABILITIES

The Company classifies its financial liabilities as measured at amortized cost or fair value through profit or loss. Financial liabilities can be designated at FVTPL if managed on a fair value basis or it is eliminated or reduced if an accounting mismatch.

(II) RECOGNITION

The Company recognizes financial instruments when the Company becomes a party to the contractual provisions of the instrument

All financial instruments are initially measured at fair value plus or minus transaction costs, in the case of a financial asset or financial liability not at fair value through profit or loss.

(III) DERECOGNITION

Financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(III) DERECOGNITION (CONTINUED)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of:

a) the consideration received (including any new asset obtained less any new liability assumed) and

b) any cumulative gain or loss that had been recognized in OCI

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

FINANCIAL LIABILITIES

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(IV) MODIFICATIONS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

FINANCIAL ASSETS

If the terms of a financial asset are modified, the Company 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(IV) MODIFICATIONS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES - CONTINUED

FINANCIAL LIABILITIES

The Company 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 Company has a legal right to offset the amounts and intends 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 Company'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, 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 Company has access at that date. The fair value of a liability reflects its non-performance risk.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(VII) FAIR VALUE MEASUREMENT - CONTINUED

When available, the Company 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 Company 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 consider in pricing a transaction.

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

(VIII) IMPAIRMENT

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

- Financial assets measured at amortized cost;

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 results 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 Company is exposed to credit risk.

MEASUREMENT OF EXPECTED CREDIT LOSSES

Expected credit losses are a probability-weighed estimate of credit losses and are measures 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 Company expects to receive; and

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(VIII) IMPAIRMENT – CONTINUED

- 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 Company 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.

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 Company on terms that the Company 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 a 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 Company considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields;
- The rating agencies' assessments of creditworthiness;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(VIII) IMPAIRMENT – CONTINUED

- 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 fulfil the required criteria.

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.

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 Company 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 Company's procedure for recovery of amounts due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 are excluded from the balance of cash and cash equivalents and classified as restricted cash in the separate statements of financial position for each of the periods presented.

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

(E) PROPERTY, PLANT AND EQUIPMENT (PPE)

(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.

If significant parts of an item of property or equipment have different useful lives, then 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 Company. Ongoing repairs and maintenance are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(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 Company will obtain ownership by the end of the lease term. Land is not depreciated.

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

PPE Class	Depreciation rates	Residual value (% on cost)
Building	5%	25%
Computer equipment	25%	1%
Office equipment	20%	1%
Office furniture	10%	1%
Motor vehicles	14%	25%
Office partitions	20%	1%
Intangible Asset	10%	

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

Since all property and equipment of the Company are relatively new and in good conditions, the assets' carrying amount is assumed to be equivalent to the recoverable amount, thus the items are not impaired during the year.

Minor repairs and maintenance costs are expensed as incurred.

(F) LEASES

(I) COMPANY ACTING AS A LESSEE

At inception, the Company determines 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) LEASES (CONTINUED)

(I) COMPANY ACTING AS A LESSEE – CONTINUED

At the commencement date, the Company recognizes a right-of-use asset at cost and a lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company uses the incremental borrowing rate.

After the commencement date, the Company measures the right-of-use asset applying the cost model (cost less any cumulative depreciation and any cumulative impairment). In the case of the lease liability, the Company measures it by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made, and re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

(II) COMPANY ACTING AS A LESSOR – FINANCE LEASES

Where the Company is the lessor, the Company classifies each of its leases as either an operating lease or a finance lease.

FINANCE LEASE

If a lease agreement transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognized and presented within receivable.

At the commencement date, the Company recognizes assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. After the initial measurement, the Company recognize finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

OPERATING LEASE

The Company recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Company applies another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) INTANGIBLE ASSETS

(I) SOFTWARE

Software acquired by the Company 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.

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 is 10 years.

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

The Company amortizes only the cost Microsoft office which is purchased during the year ended 30th June 2022.

(H) IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Company 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 namely 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

The Company'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.

(I) PROVISIONS

A provision is recognized if, as a result of a past event, the Company 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

(J) EMPLOYEE BENEFITS

(I) DEFINED BENEFIT PLANS

A defined benefit plan is a post-employment benefit plan at the termination of the employment relationship, other than a defined contribution plan. The Company accounts not only for its legal obligation under the formal term describe above, but also for any constructive obligation that arise from the Company´s customary practices. A customary practice give arise to a constructive obligation where the Company has no realistic alternatives but to pay employee benefits.

The Company'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 to be used is normally based on the yield on long-term corporate bonds, or in the absence of that, the yield on long-term Government bonds. Due to lack of a liquid market for long term bonds in Ethiopia, including government bonds, the discount rate used in the current year was based on the rate of return of one-year fixed term deposits as determined by an independent actuary.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(J) EMPLOYEE BENEFITS (CONTINUED)

(I) DEFINED BENEFIT PLANS

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 on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

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

(II) DEFINED CONTRIBUTION PLANS

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

(III) 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.

(IV) 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 Company'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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(J) EMPLOYEE BENEFITS (CONTINUED)

(I) TERMINATION BENEFITS

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company 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.

(K) LEGAL RESERVE

According to the National Bank of Ethiopia Directive No. SRB/2/2022, any 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 its paid-up capital. The Company's policy is to transfer 10% of its net profit to the legal reserve.

(L) STATUTORY DEPOSIT

A statutory deposit amounting to 15% of the paid-up capital must be maintained with the National Bank of Ethiopia. This deposit or part thereof may not be withdrawn or be used as a pledge or security for any loan except with the written permission of the National Bank of Ethiopia.

The National Bank of Ethiopia allows a re-insurer to maintain statutory deposits either in cash or in the form of government securities. (Article 5.1.1 of National Bank of Ethiopia Directive No. SRB/2/2022). The bond certificates are held by the National Bank of Ethiopia. Ethiopian Re has classified the statutory deposit as a financial asset at amortized cost.

(M) 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.

(I) CURRENT TAX

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(M) INCOME TAX (CONTINUED)

(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 based on laws enacted or substantially enacted as of the reporting date

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.

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 intend 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 and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which such can be reversed. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(N) 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(O) FINANCE INCOME AND FINANCE COSTS

The Company's financial income and finance cost include interest income, interest expense, dividend income, foreign exchange gains or losses and impairment losses on investments. Interest income or expense is recognized using the effective interest rate method. Dividend income is recognized in profit or loss on the date on which the Company'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.

(P) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Capitalisation 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 Company did not have any borrowings as at 30 June 2022.

(Q) SHARE BASED PAYMENTS

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The Company did not have any share-based payments as at 30 June 2022.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(R) NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(I) EARLY ADOPTED STANDARDS AND INTERPRETATIONS

The company has decided to early adoption of the under listed standards and has applied them in preparing this financial statement:

New standard or amendments
IFRS 9 – Financial Instruments
IFRS 16 – Leases
IAS 7– Disclosure Initiative (Amendments to IAS 7)
IAS 12– Recognition of Deferred Tax Assets for unrealized losses (Amendments to IAS 12)

(II) NEW AND AMENDED STANDARDS AND INTERPRETATIONS ADOPTED DURING THE YEAR ENDED 30 JUNE 2022

Amendments on IAS 1, 'Presentation of financial statements and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(R) NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED)

(III) NEW AND AMENDED STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE DURING THE PERIOD ENDED 30 JUNE 2022– CONTINUED

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2022, and have not been applied in preparing these financial statements. These are summarized as follows:

New standards or amendments	Effective for annual periods beginning on or after
Property, plant and equipment: proceeds before intended use –Amendments to IAS 16	1st January 2022
Onerous Contract –costs of Fulfilling a contract –Amendments to IAS 37	1st January 2022
Classification of Liabilities as current or non-current Amendments to IAS 1	1st January 2023

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(R) NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED)

(III) NEW AND AMENDED STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE DURING THE PERIOD ENDED 30 JUNE 2022 – CONTINUED

INSURANCE CONTRACTS (IFRS 17)

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

(a) discounted probability-weighted cash flows;

(b) an explicit risk adjustment, and

(c) a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period.

The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the Company's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(O) NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED)

(II) NEW AND AMENDED STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE DURING THE PERIOD ENDED 30 JUNE 2022 – CONTINUED

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The standard is effective for annual period beginning on or after 1 January 2023 with retrospective application, early adoption permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 17.

4. FINANCIAL RISK REVIEW

Ethio-Re underwrites risks that natural persons, corporate or other entities wish to transfer to an insurer. Such risks may relate to engineering, aviation, fire, pecuniary, accident (PA & GPA), motor, liability, marine, and other perils which may arise from an insured event. As such, the Company is exposed to uncertainty surrounding the timing, frequency and severity of claims under reinsurance contracts.

Furthermore, the Company is also exposed to financial and operational risks from insurance and reinsurance contracts and financial instruments. Financial risks include credit risk, liquidity risk, market risk, etc. Market risk, in turn, comprises of currency risk, interest rate risk and other price risks.

This report is, therefore, presents information about the Company's risk exposure, and the Company's objectives, policies and processes for measuring and managing risk and capital.

4.1 RISK MANAGEMENT FRAMEWORK

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors oversee that the risk management process is designed and implemented in line with the Company's corporate strategy. The Board Risk and Compliance Committee (BRCC) is responsible for monitoring the Company's risk management policies and reports regularly to the board of directors on its activities.

The BRCC has direct access to all of the Company's information and receives regular reports from management.

The Company has also an independent unit called Enterprise Risk and Compliance Directorate, which is accountable to the Board of Directors – BRCC. There is also a Risk Management Committee of the management who develops and monitors an Enterprise-wide risk management practices on corporate level.

4.2 KEY RISKS ARISING FROM REINSURANCE CONTRACTS AND FINANCIAL INSTRUMENTS:

- Underwriting risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk

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4.2.1 UNDERWRITING RISK

Underwriting risk comprises; insurance risk, retro-cession risk and technical reserve risk.

Insurance risk: Insurance risk is the risk of loss on underwriting activities that may arise from acceptance of business that is not in the scope of Ethio-Re's acceptable business.

Retrocession risk: Retrocession risk is a risk of loss that emanates from failure to arrange appropriate retrocession program.

Technical reserves risk: Technical reserves risk is the risk of holding insufficient technical reserves by the Company.

4.2.1.1 MANAGEMENT OF UNDERWRITING RISK

The Company retrocedes all classes of insurance business exceeding its retention limit that include; engineering, aviation, fire, pecuniary, accident (PA & GPA), motor, liability, marine and other perils. The bulk of the business written is short-tail in nature. There is no retrocession program arranged for Long Term Insurance, as it all are under our retention limits.

The risk under any one insurance contract is two-fold: **underwriting** – the possibility that the insured event occurs, and **reserving** – the uncertainty of the amount of the resulting claim.

The Company has developed a detailed underwriting manual covering risk acceptance criteria, pricing, accumulation control, authority levels, and reinsurance protection, among others. It guides the underwriters in their acceptances, on the principles of prudence and professionalism within the overall objective of diversifying 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. 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 unit, Internal Audit, ensures adherence to these guidelines through periodic review of the activities of operations. The reports of the review are submitted to management and the Audit Committee.

The Company enters into retrocession arrangements with reputable Reinsurance Company (retrocessionaires) to diversify its risks and reduce the risk of catastrophic loss on reinsurance assumed. The retrocession does not relieve the Company of its obligations to the ceding companies. As part of its annual renewals, the financial condition of retrocessionaires is reviewed. As a result, retrocession is placed with a selected group of financially secure and experienced companies in the industry.

The retrocession arrangements existing as at 30 September 2023, which are renewed for 15 months' time.

4.2.1.2 CONCENTRATION OF UNDERWRITING RISK

The Company's concentration of reinsurance risk is determined by class of business. The shared characteristic that identifies each concentration is the insured event and the key indicator is the gross premium as indicated here below:

Class of business	General Insurance	Long term Insurance	Total 2021/22	Total 2020/21
Accident	29,556,680		29,556,680	26,830,648
Aviation	23,275,510	-	23,275,510	120,098,995
Burglary	5,169,306	-	5,169,306	3,906,346
Eng.	132,411,600	-	132,411,600	86,817,649
Emp. Liability	10,277,367	-	10,277,367	10,061,344
Fire	186,981,384	-	186,981,384	155,255,685
Goods in Transit	2,975,390	-	2,975,390	1,594,178
Liability	34,741,505	-	34,741,505	27,706,792
Marine	137,326,549	-	137,326,549	91,125,937
Medical	319,552	-	319,552	617,397
Motor	383,373,770	-	383,373,770	308,750,645
Pecuniary	164,465,130	-	164,465,130	124,188,395
Others	186,030,999	-	186,030,999	137,399,142
Group term life assurance	-	39,500,894	39,500,894	30,874,757
Health insurance	-	21,219,502	21,219,502	14,952,633
Funeral expense insurance	-	80,142	80,142	71,698
Total	**1,296,904.743**	**60,800,538**	**1,357,705,282**	**1,140,252,241**

As can be observed from the above table the share of motor class of business as compared to all other general insurance is raised to 29.6% from its last year position of 28.2%. This upward movement was observed for the first time after the concentration in this class of business was continuously shows improvements for the past four fiscal years.

4.2.2 MARKET RISK

Market risk is the risk that changes in the market prices – e.g., foreign exchange rates and interest rate fluctuations; real-state and equity prices volatility will affect the fulfilment of cash flows of insurance and reinsurance contracts as well as the fair value of 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.

- **Exchange rate risk** principally arises on the change of Company's interest-bearing financial assets and financial liabilities denoted in foreign currencies.
- **Interest rate risk** will also arise if the interest rate applies on time deposit increases or decreases.
- The increase and decrease on the fair value of equity investment is an **equity price risk**, which have an impact on the profitability of the company.

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The nature of the Company's reinsurance contracts and financial instruments means that it is exposed to market risk in the form of interest rate risk; currency rate risk and equity price risk.

4.2.2.1 MANAGEMENT OF MARKET RISK

Ethiopian Re manages market risk based on the diversification of investments within the frame work put in Proclamation Number 746/2012 article 25 and existing directives, prescribing investments of re/insurers, by National Bank of Ethiopia.

The Company's investment plan is devised on a yearly basis based on the strategic investment direction put by the Board of directors and NBE's investment directives which specifies investment in treasury bills, fixed time deposits, shares etc.

(I) INTEREST RATE RISK

The Company's exposure to interest rate changes is primarily concentrated in the actively managed fixed income portfolio, which is reported at fair value. Changes in interest rate will have an immediate impact on the Company's reported net income and consequently the shareholders' funds.

Banks	Fixed Time Deposit amount June 30, 2022			2021 Total
	General Ins	Life Ins	Total	
Abyssinia Bank	245,600,207	38,706,545	284,306,752	239,478,356
Addis International bank	17,465,267	-	17,465,267	15,560,128
Awash International bank	356,259,169	45,523,490	401,782,659	279,953,647
Enat Bank	50,959,760	15,005,075	65,964,836	0
Coop. Bank of Oromia	74,682,078	33,221,340	107,903,417	68,923,047
Dashen Bank	215,415,852	29,952,468	245,368,320	187,646,086
Debub Global Bank	53,490,144	-	53,490,144	25,812,055
Nib International bank	160,270,432	34,116,784	194,387,215	177,950,342
Oromia International bank	225,760,560	15,088,548	240,849,109	230,231,427
United Bank	39,505,154	-	39,505,154	37,415,916
Wegagen Bank	62,855,831	7,034,570	69,890,401	69,910,285
Total	**1,502,264,454**	**218,648,820**	**1,720,913,273**	**1,332,881,289**

Bond Description	Bond amount June 30, 2022			2021
	General Ins	Life Ins	Total	Total
Government Bond	170,716,656	30,126,469	200,843,125	149,643,125
Interest receivable on bond	6,074,487	1,071,968	7,146,455	4,602,282
ECL Impairment allowance for Bond	(8,535)	(1,506)	(10,042)	(7,712)
Total	**176,782,608**	**31,196,931**	**207,979,538**	**154,237,695**

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

Financial Instruments	Effect on Profit/Loss		Effect on Equity	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Time deposits	8,604,566	-8,604,566	8,604,566	-8,604,566
Government Bond	1,039,898	-1,039,898	1,039,898	-1,039,898
Total (ETB)	**9,644,464**	**-9,644,464**	**9,644,464**	**-9,644,464**

(II) EQUITY PRICE RISK

Equity price risk refers to the potential gain or loss in fair value resulting from positive or adverse changes in the fair value of stocks/ shares/ that the Company has invested in.

Investment Entity	Principal investment as at 30/06/22					30/06/21
	G. Insu.	Life Assu.	Share premium	Fair Value Adjustment	Total	Total
United Bank S. Co.	50,000,000	0	5,000,000	5,598,631	60,598,631	57,027,778
Addis-Africa international convention and exhibition centre (AAICEC)	20,000,000	0	400,000	0	20,400,000	20,400,000
Awash Bank	2,804,000	0	3,252,640	0	6,056,640	0
Wegagen Bank S. Co.	0	5,000,000	1,000,000	0	6,000,000	6,000,000
Total	**72,804,000**	**5,000,000**	**9,652,640**	**5,598,631**	**93,055,271**	**83,427,778**

The Company considers the following justifications for the above Fair Value (FV) of Equity investment.

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UNITED BANK

As per the Bank's draft report for the year 2021/22, Dividend per share is expected to be 21.21%. Based on the dividend growth model, during the period, the FV of the equity Investment at United Banks is expected to increase by Birr 3,570,853.49

AWASH BANK

Since the shares are purchased during the year, the Acquisition cost is considered as Fair value of the equity investment.

WEGAGEN BANK

As per the Bank's draft report for the year 2021/22, the bank performance is improved and achieved a gross profit of 1.4 billion. Due to huge provision during last year and as per National Bank of Ethiopia commendation there was no dividend. Thus, considering the improvement, we consider the Initial Investment as Fair value of the equity investment.

ADDIS-AFRICA INTERNATIONAL CONVENTION & EXHIBITION CENTRE (AAICEC)

This project is under progress and not operational, but as per the activity report, the project is in good progress. Thus, we consider the Acquisition cost as Fair value of the equity investment.

As at June 30, 2022 the exposure to equity price at fair value was Birr 93.1 million, which shows an increase of 12% from last year equity investment. An increase/decrease of 15% in the value of these equities would result in an increase/ decrease in Other Comprehensive Income (OCI) of Birr 13.96 million as depicted here below.

Financial Instruments	Effect on OCI	
	15% increase	15% decrease
Equity/ Share investment	**13,958,291**	**-13,958,291**
Total (ETB)	**13,958,291**	**(13,958,291)**

As per the policy of the Company such variation in fair value is accounted through Other Comprehensive Income (OCI) and hence it has no effect on retained earnings.

(III) CURRENCY RISK

The Company is exposed to currency risk to the extent that currencies in which reinsurance contracts are denominated differ from functional currency of the Company. These contracts are primarily denominated in US Dollars.

The summary quantitative information about the Company's exposure to currency risk arising from reinsurance contracts at the reporting date was as follows:

Reinsurance contracts	June 30, 2022
Reinsurance assets (receivables)	USD 224,745
Reinsurance liability (payables)	USD 227,331

A reasonably possible strengthening or weakening of **Ethiopian Birr** against the **US Dollar** at the reporting date would have affected the measurement of insurance and reinsurance contracts and financial instruments and affected the profit or loss and equity by the amounts shown below: The analysis assumes that all other variables remain constant.

Reinsurance contracts	Effect on Profit/Loss		Effect on Equity	
	10% Strengthening	10% Weakening	10% Strengthening	10% Weakening
Receivables	(1,168,537)	1,168,537	(1,168,537)	1,168,537
Payables	1,205,625	(7,569,888)	1,205,625	(7,569,888)
Total (ETB)	**37,088**	**(37,088)**	**37,088**	**(37,088)**

The following exchange rate has been applied

		June 30, 2022 Closing rate	
		Selling	**Buying**
USD 1	**=**	**Br. 51.9938**	**Br. 53.0337**

(https://combanketh.et/en/exchange-rate/)

As the balance in receivable and payable is almost the same the impact is very minimal as observed above, which shows a tremendous improvement as compared to last year balances.

4.2.3 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. The Company is exposed to credit risk through its financial assets, which include bank deposits, fixed time deposits and receivables.

4.2.3.1 MANAGEMENT OF CREDIT RISK

Ethio-Re's credit risk philosophy considers ceding companies adhere to the reinsurance terms and conditions and submits statement of account and settle premium due in time. Any investment undertaken by Ethio-Re shall be undertaken in a manner that seeks to ensure the preservation of the principal investment.

Bank deposits are placed within local Ethiopian banks and are spread over several banks to avoid undue concentration.

Credit risk relating to receivables is mitigated by the large number of cedants and largely limited only in Ethiopia. A significant number of the companies from whom receivables are due are equally shareholders of the Company. In addition, the liability for outstanding claims is in respect of insurance contracts with the same counter parties. *Receivables are presented at present value net of impairment*

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provision. A periodic evaluation of cedants and retrocessionaires is carried out to minimize exposure to significant losses from insolvencies.

4.2.3.2 EXPOSURE TO CREDIT RISK

The carrying amount of financial assets and insurance contracts represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Carrying amount	ETB
Time deposits	1,720,913,273
Government Bond	207,979,538
Staff loans	2,951,233
Insurance Receivables – Ceding	465,261,747
Insurance Receivables – Retrocession	1,368,805
Cash and cash equivalents (bank balances)	356,976,883
Balances at 30 June 2022	**2,755,451,479**

4.2.3.3 IMPAIRMENT LOSSES

The ageing of reinsurance debtors' net balance at the reporting date was as follows:

Description	Gross Amount
	ETB
Current (0-29 days)	82,104,783
Past due (30-90 days)	71,997,461
Past due (91 – 180 days)	87,337,269
Past due 181 – 360 days	39,057,322
Past due 1 – 2 years	104,897,948
Past due 2 – 3 years	15,921,200
Past due 3 – 4 years	1,877,766
Past due more than 4 years	9,243,233
Total	**412,436,982**
Impairment	**8,976,380**

The allowance account in respect of insurance receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible. At that point the amount is considered irrecoverable and is written off against the financial asset directly.

The Company opted to use the simplified approach in applying the ECL model, which uses historical provision rate to measure lifetime expected credit losses at all times.

During the year ended 30 June 2022, the Company's management has assessed the collectability & decided that all net receivables from cedants to be categorized in to two major groupings i.e., receivables below two years and above two years and impair 1.5% for the first category and 100% for the second category.

Considering subsequent collections and the Cedant Companies agreement to settle the outstanding balance, the Company impaired Birr 8.98 million as indicated above.

4.2.3.4 AMOUNT ARISING FROM EXPECTED CREDIT LOSSES (ECL)

The following amounts were subject to ECL as they were classified at amortised cost:

Description	2021/22 ETB	2020/21 ETB
Staff loans	2,951,233	1,269,726
Cash at bank	356,976,883	139,526,881
Time deposits	1,720,913,273	1,332,881,289
Government Bond	200,843,125	149,643,125
Total As at 30 June 2021	**2,281,684,514**	**1,623,321,021**

When determining whether the credit risk (i.e., risk of default) on a financial instrument has increased significantly since initial recognition, the Company 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 Company's experience, expert credit assessment and forward-looking information.

Whenever available, the Company monitors changes in credit risk by tracking published external credit ratings. Where external credit ratings are not available, the Company 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 Company 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.

Key inputs into the measurement of expected credit losses (ECL) are performance default rates (PD), loss given default (LGD) and exposure at default (EAD). PD estimates the likelihood of a default happening over a specified period. LGD is the magnitude of the likely loss if there is default. EAD represents the expected exposure in the event of default. The Company measures ECL considering the risk of default over the maximum contractual period.

The Company assumed a **zero percent rate** of default on its time deposit and cash at bank. This was based on the following factors and circumstances:

- The Company considers time deposits 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 Company 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 observed.

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- Subsequent to 30 June 2022 the Company had already collected all its dues from the financial institutions it held financial assets with.

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

The Statutory deposit was considered as sovereign debt and recoverable in full, but for the sake of doubt 0.005% rate was applied in calculating expected credit losses.

Accordingly, Birr 10,042 is taken as ECL impairment allowance for the Government bond.

Staff loans were considered recoverable in full as the amounts are set to be deducted from salaries and in the event of employees leaving before settling their debts, all are obliged to have one other employee to sign as a surety and outstanding amounts will be deducted from their severance pay.

4.2.4 LIQUIDITY RISK

The table below analyses the Company's key financial and insurance assets and liabilities into relevant maturity groupings based on the remaining period at 30th June 2022 to the earlier of the re-pricing or contractual maturity date.

Description	Below 1 year	1 – 5 years	> 5 years	Total
1 Assets				
Cash and cash equivalent	10,000			10,000
Reinsurance Premium Receivables - Ceding (Net of provision of impairment)	465,261,747			465,261,747
Reinsurance Premium Receivables - Retro	1,368,805			1,368,805
Investments	82,500	200,760,625		200,843,125
Bank Deposits (current and saving)	356,966,883			356,966,883
Fixed time deposit at amortized cost	1,720,913,273			1,720,913,273
Deferred tax Asset	3,702,212			3,702,212
Staff loans	1,446,831	1,504,402		2,951,233
Advance Tax	8,004,856			8,004,856
Total Assets 'A'	**2,557,757,107**	**202,265,027**	**0**	**2,760,022,134**

2. Liabilities				
Due to ceding companies	61,461,903			61,461,903
Due to Retro-Reinsurers	384,065,530			384,065,530
Provision for unearned premiums	446,629,330			446,629,330
Provision for incurred but not reported claims (IBNR)	87,423,182			87,423,182
Outstanding Claims Reserve	366,044,926			366,044,926
Other payables	16,145,596			16,145,596
Lease Liability	2,261,893	6,007,438		8,269,331
Employees Benefit Liability	531,798			531,798
Deferred tax liability	2,196,722			2,196,722
Provision for Income Tax	11,638,753			11,638,753
Total Liability 'B'	**1,379,241,565**	**6,007,438**	**0**	**1,384,275,793**
Liquidity gap A - B	**1,178,515,542**	**196,257,589**	**0**	**1,375,746,341**
Liquidity Ratio A: B	**1.85: 1.00**			**1.99: 1.00**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with reinsurance contracts and other obligations as and when due. As can be seen from the above table for every one Birr current liability the Company maintains one birr and 85 cents in current assets, which is far above the regulatory threshold.

4.2.4.1 MANAGEMENT OF LIQUIDITY RISK

The Company manages its liquidity risk by holding an adequate liquidity buffer to pay out unexpected claims. Investment in short term securities, like treasury Bills, and Certificate of Deposits, shall be evenly distributed over 12 months to enable the Company to meet its unexpected liquidly problem without forfeiting interest accrued on Certificate of Deposits.

The Company also prepares a one-year projected cash flow broken down in four quarters and this cash flow performance is monitored and evaluated.

4.2.5 OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk such as non-compliance with legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all the Company operations.

Generally, Ethio-Re follows the Emerging Risk Initiative (ERI) risk radar updates. Moreover, it uses the following techniques to identify possible risk events in each respective work units and corporate level:

- Brainstorming sessions among appropriate staff members of respective Offices and with all Senior Management members;

- Monthly reports received from different units of the Company;
- Discussions with the Company internal and external auditors;
- Analysis of key processes and systems at corporate level;
- Different local and international media reports/ news;
- Technical conferences and workshops;
- Industry, Trade and Professional journals;
- Assessing past experience of the Company (for example, using internal databases) and from experience in the local and international market.
- Establishing Administrative Organization and Internal Control Systems to control risks during the operational process.
- To mitigate risks like fraud and errors, the Company has established internal control systems whereby approval limits for underwriting, reinsurance, claims handling, payment authorization for major capital expenditures and general expenses, investment/divestment, cheque signatories are authorized by different levels of executive management aligned with the hierarchy of Ethio-Re's structure.

4.2.6 CAPITAL MANAGEMENT

Capital requirements are set and regulated by the National Bank of Ethiopia (NBE). These requirements are put in place to ensure solvency margins are maintained in the insurance industry. Further, objectives are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximize shareholders value.

STRUCTURE OF CAPITAL

The Company is wholly owned by Ethiopian nationals and/or organizations wholly owned by Ethiopian nationals. All shares rank equally with regard to the Company's residual assets and shareholders are entitled to one vote per share.

As of 30 June 2022, the Company's capital was as follows:

SUBSCRIBED SHARE CAPITAL

250,000 shares of Birr 10,000 each	ETB	2,500,000,000

4.2.7 REGULATORY CAPITAL

The Company registers Birr 1,390,600,347 paid up capital as at 30-06-2022 which is above the statutory limit of Birr 500 million set by the National Bank of Ethiopia.

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5. CASH AND CASH EQUIVALENTS

	Gen.Ins	Long Term Ins	Total	Total
	2022	2022	2022	2021
Saving accounts				
Commercial Bank of Eth.	197,824,133	-	197,824,133	57,743,891
Current accounts				
Abay Bank	669,093	-	669,093	-
Abyssinia Bank	17,857,674	-	17,857,674	458,094
Addis International Bank	119,600	-	119,600	6,404
Awash International Bank	31,092,929	-	31,092,929	6,356,449
Buna International Bank	900		900	930
Commercial Bank of Ethiopia	16,185,168	-	16,185,168	3,524,779
CBE Interest free Account	492,156		492,156	162,166
CBE Foreign Ex.Retention A	1,667,872		1,667,872	50,508
Coop. Bank Of Oromia	4,802,512	-	4,802,512	1,414,315
Dashen Bank	10,380,038	-	10,380,038	17,037,228
Debub Global Bank	50,024,323		50,024,323	30,918,495
Enat Bank	872,177		872,177	-
Nib International Bank	315,475	-	315,475	4,802,135
Oromia International Bank	13,540,819	-	13,540,819	402,555
United Bank	10,951,402		10,951,402	7,243,639
Zemen Bank	85,406		85,406	114,077
Wegagen Bank	-	85,205	85,205	3,855,563
Cash on Hand	10,000	-	10,000	5,436,653
Total	356,891,678	85,205	356,976,883	139,527,881

6. OTHER RECEIVABLES

	Gen.Ins	Long Term Ins	Total	Total
	2022	2022	2022	2021
Staff loans	2,951,233	-	2,951,233	1,269,726
Sundry debtors	558	-	558	-
Prepayment	1,559,252	-	1,559,252	844,828
Advance tax	7,821,515	183,341	8,004,856	3,730,427
Total	12,332,559	183,341	12,515,900	5,844,981

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7. DUE FROM CEDING COMPANIES

	Gen. Ins	Long Term Ins	Total	Total
	2022	2022	2022	2021
Due from ceding companies	443,383,987	30,832,292	474,216,279	432,772,670
Provision of impairment	8,446,122	508,410	8,954,532	13,670,829
	434,937,865	30,323,882	465,261,747	419,101,841

8. DEFERRED ACQUISITION COSTS

	Gen. Ins	Long Term Ins	Total	Total
Class of Business	2021	2021	2021	2020
Accident	4,362,163		4,362,163	3,637,084
Aviation	903,209		903,209	235,001
Burglary	404,346		404,346	485,866
Engineering	20,972,490		20,972,490	12,871,291
Employers Liability	1,576,304		1,576,304	1,427,320
Fire	16,347,859		16,347,859	12,020,501
Goods in transit	584,753		584,753	303,934
Liability	3,891,373		3,891,373	4,332,476
Marine	33,512,174		33,512,174	17,964,146
Medical	201,278		201,278	37,319
Motor	19,457,755		19,457,755	15,323,990
Pecuiniary	32,607,576		32,607,576	22,928,117
Others	18,445,450		18,445,450	14,242,236
Life	-	5,103,559	5,103,559	3,359,333
Total	153,266,730	5,103,559	158,370,288	109,168,614

A proportion of cedant acquisition costs is deferred and amortized over the period in which the related premium is earned. Deferred acquisition costs represent the proportion of cedant acquisition costs and other acquisition costs that relate to the unexpired term of the policies that are in force at year end.

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9. TIME DEPOSITS

	Gen.Ins	Long Term Ins	Total	Total
Name of Bank	2022	2022	2022	2021
Abyssinia Bank	245,600,207	38,706,545	284,306,752	239,478,356
Addis Int.	17,465,267	-	17,465,267	15,560,128
Awash	356,259,169	45,523,490	401,782,659	279,953,647
Enat Bank	50,959,760	15,005,075	65,964,836	-
Coop. Bank of Oromia	74,682,078	33,221,340	107,903,417	68,923,047
Dashen Bank	215,415,852	29,952,468	245,368,320	187,646,086
Debub Global	53,490,144	-	53,490,144	25,812,055
Nib Int.	160,270,432	34,116,784	194,387,215	177,950,342
Oromia	225,760,560	15,088,548	240,849,109	230,231,427
United Bank	39,505,154	-	39,505,154	37,415,916
Wegagen Bank	62,855,831	7,034,570	69,890,401	69,910,285
	1,502,264,454	218,648,820	1,720,913,273	1,332,881,289

Time deposits have been recognized as financial assets at amortized cost. The effective interest rate on time deposits ranges from 12% to 13.5% per annum. The time deposits have a maturity of one year from the date of investment.

The interest receivable related to time deposits is calculated using the effective interest rate method and is shown as follows;

	Gen.Ins	Long Term Ins	Total	Total
	2022	2022	2022	2021
	77,498,310	13,102,335	90,600,645	78,026,619

10. EQUITY INVESTMENT

The equity investment is measured at fair value through other comprehensive income as of June 30,2020. The Company has invested in the under listed companies during the period 2019/20.

	Gen.Ins	Long Term Ins	Total	Total
	2022	2022	2022	2021
United Bank at Fair Value	57,027,778	-	57,027,778	55,000,000
FV adjustments	3,570,853	-	3,570,853	2,027,778
United Bank at Fair Value	60,598,631	-	60,598,631	57,027,778
Addis-Africa International Convention & Exhibition Center(AAICEC)	20,400,000	-	20,400,000	20,400,000
Awash Bank	6,056,640	-	6,056,640	-
Wegagen Bank	-	6,000,000	6,000,000	6,000,000
	87,055,271	6,000,000	93,055,271	83,427,778

The Company has purchased new equity shares from Awash Bank during the current year through auction, thus the Company has considered the acquisition cost as Fair Value.

11. GRAND RENAISSANCE DAM BONDS

A statutory deposit amounting to 15% of the paid-up capital must be maintained with the National Bank of Ethiopia. This deposit or any part thereof may not be withdrawn except with the written permission of the National Bank of Ethiopia, or be used as a pledge or security for any loan.

The statutory requirement has been fulfilled by the deposit of Grand Renaissance Dam Bonds.

	Gen.Ins	Long Term Ins	Total	Total
	2022	2022	2022	2021
Statutory deposit	170,716,656	30,126,469	200,843,125	149,643,125
Interest Receivable	6,074,487	1,071,968	7,146,455	4,602,282
ECL Impairment allowance for bond	8,535	1,506	10,042	7,712
	176,782,608	31,196,931	207,979,538	154,237,695

The bond has been recognized as a financial asset at amortized cost. The effective biannual interest rate on the bond has changed from 2.75% to 3.75% effective from October 2020.

12. LEASES

RIGHT OF USE

	Gen.Ins	Long Term Ins	Total	Total
	2022	2022	2022	2021
Cost				
Balance at beginning of the year	8,931,953	-	8,931,953	8,931,953
Addition	10,143,660	-	10,143,660	-
FV adjustments	-	-	-	-
Balance at end of the year	19,075,613	-	19,075,613	8,931,953
Depreciation				
Balance at beginning of the year	(7,944,847)	-	(7,944,847)	(6,054,643)
Additions	(1,955,663)	-	(1,955,663)	(1,890,204)
Balance at end of the year	(9,900,510)	-	(9,900,510)	(7,944,847)
Net carrying value	9,175,103	-	9,175,103	987,106
The right of use asset has been depreciated over 5 years which is equivalent to the lease term.				
	Gen.Ins	Long Term Ins	Total	Total
Lease liability	2022	2022	2022	2021
Balance at beginning of the year	-		-	2,097,405
Lease liability Addition	7,776,412		7,776,412	-
Interest expense on Lease	492,919		492,919	164,486
settlement & unrealized gain	-		-	(2,261,893)
Balance at end of the year	8,269,331	-	8,269,331	-

The Company recognizes a lease liability at the present value of the lease payments that are not paid at that date. The Company uses an incremental borrowing rate that is based on the interest rate that the Company would have to pay on the commencement date of the lease for a loan of a similar term, and with a similar security, to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The rate used to compute the present value of this lease liability was 14.25%.

13. PROPERTY, PLANT AND EQUIPMENT

	Balance		Balance	Balance
COST	01/07/21	Additions	30/06/22	30/06/21
Partition work	2,489,846	-	2,489,846	2,489,846
Motor Vehicles	22,121,073	-	22,121,073	22,121,073
Office Equipment, furniture and fittings	3,046,337	434,472	3,480,809	3,046,337
Computers & accessories	1,126,013	462,462	1,588,475	1,126,013
Sub total	28,783,269	896,934	29,680,203	28,783,269
	Balance		Balance	Total
DEPRECIATION	01/07/21	Additions	30/06/22	30/06/21
Partition work	2,136,738	329,560	2,466,298	2,136,738
Motor Vehicles	7,556,803	2,370,826	9,927,629	7,556,803
Office Equipment & furniture	1,017,571	425,588	1,443,159	1,017,571
Computers & accessories	675,169	245,962	921,131	675,169
Sub total	11,386,281	3,371,936	14,758,217	11,386,281
NET BOOK VALUE	17,396,988		14,921,986	17,396,988

B-Intangible Asset				
	Balance		Balance	Total
COST	01/07/21	Additions	30/06/22	30/06/21
Intangible asset in progress	23,394,786	1,616,941	25,011,727	23,394,786

14. UNEARNED PREMIUM

	Gen. Ins	Long Term Ins	Total	Total
	2022	2022	2022	2021
Provision for Unearned Premium	564,589,470	30,581,689	595,171,159	471,943,302
Less: Retrocess. Share of Provision for UPR	148,541,829	-	148,541,829	142,775,837
Net Provision for Unearne	416,047,641	30,581,689	446,629,330	329,167,465

The Unearned Premium Reserve (UPR) was determined by an independent actuary using the 8ths method which assumes quarterly reserving and is internationally accepted for reinsurers.

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15. OTHER PAYABLES

	Gen.Ins	Long Term Ins	Total	Total
	2022	2022	2022	2021
Employees Income tax payable	566,737	-	566,737	514,867
Withholding tax payable	666,338	-	666,338	1,451,630
Pension Payable	257,414	-	257,414	192,961
Sundry creditors	9,583,812	-	9,583,812	5,924,446
Accrued staff leave	2,821,173	-	2,821,173	1,681,665
Provision for audit fee	799,250	-	799,250	385,250
Other accruals	460,430	-	460,430	603,980
	15,155,154	-	15,155,154	10,754,799

16. DUE TO CEDING COMPANIES

	Gen.Ins	Long Term Ins	Total	Total
	2022	2022	2022	2021
Due to Insurance Companies	56,876,339	4,585,564	61,461,903	59,553,879

17. EMPLOYEE BENEFITS

17.1 DEFINED BENEFIT PLANS

The Company employees are entitled to a Severance Benefit. The Severance Benefit Entitlement is provided for under the Proclamation No. 377/2003. This benefit is required by law for employees who serve the Company for more than five years and who resign on their own initiation, or, where their employment contract is terminated by the Company. An employee whose contract of employment is terminated on his own initiative is entitled to normal severance pay. An employee whose contract of employment is terminated without notice by the Company shall be entitled, in addition to the normal severance pay, to two months' latest basic salary. The severance pay obligation highlighted below relates to its first year of operation from 1 July 2016.

Ethio-Re provides bonus upon successful performance and profitability in a given fiscal year and upon approval by the BoD. All bonus requests shall be prepared and proposed by management and approved by the Board of Directors.

The obligation is determined by an independent actuarial valuation carried out on an annual basis.

(A) PRESENT VALUE OF FUNDED OBLIGATIONS

	Gen.Ins	Long Term Ins	Total	Total
	2022	2022	2022	2021
Active Members	527,606	4,192	531,798	281,217
Net Liability on Statement of Financial Position	527,606	4,192	531,798	281,217

(B) RECONCILIATION OF BENEFIT OBLIGATIONS

			Total	Total
			2022	2021
Opening benefit obligation			281,217	212,152
Current service cost net of employees' contributions			149,105	82,608
Interest cost			26,564	36,117
Actuarial Gain (loss)			413,641	(49,660)
Benefits and expenses paid			(338,729)	-
Closing benefit obligation			531,798	281,217

(C) ACTUARIAL ASSUMPTIONS

The principal actuarial assumptions at the reporting date used for the purpose of the severance benefit actuarial valuation are detailed below:

Discount rate	14.25%
Rate of salary increase	10%

The discount rate was based on the rate of return of fixed term deposit due to lack of a deep and liquid market for long-term bonds in Ethiopia. The salary increase assumption rate of 10% per annum is the weighted average rate based on the job grades as provided by management.

(D) SENSITIVITY ANALYSIS

Reasonably possible changes at the reporting date, in any of the actuarial assumptions and assuming that all the other variables remain constant, would have affected the funded obligations as of 30 June, 2021 by the amounts shown below:

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YEAR ENDED 30 JUNE 2022

	SENARIO 1,BASE	SENARIO 2,DISCOUNT RATE INCREASE BY 1%	SENARIO 3,SALARY RATE INCREASED BY 1%	SENARIO 4,DISCOUNT RATE DECREASED BY 1%	SENARIO 5 SALARY RATE DECREASE BY 1%
Discount rate salary increase	14.250% 12.250%	15.250% 12.250%	14.250% 13.250%	13.250% 12.250%	14.250% 11.250%
net liability at start of period	281,217	281,217	281,217	281,217	281,217
Total net expense recognized in income statement	175,669	175,669	175,669	175,669	175,669
Net finance costs recognized in profit and loss	74,912	43,502	109,200	110,421	44,223
Employer contribution					
Net liability at end of period	531,798	500,388	566,086	567,307	501,109

17.2 DEFINED CONTRIBUTION PLAN

Pensions are provided for employees by a separate pension fund to which both the company and employees contribute in accordance with Proclamation No. 715/2011. Under the arrangement, both the company and employees contribute defined percentages of employees' salaries. This pension fund is a defined contribution plan under which retirement benefits are determined by reference to the contributions to the fund. The Company's contributions for the schemes for the year amounted to ETB 1,778,965.41.

18. OUTSTANDING CLAIMS RESERVE

Outstanding claims are computed on the basis of preliminary loss advice from ceding companies and outstanding claims reports sent by cedants. They are also determined on the basis of historical expenses and actuarial analysis.

18.2 Outstanding Claims Reserve				
	Gen.Ins	Long Term Ins	Total	Total
	2022	2022	2022	2021
Gross Outstanding Claims Reserve	807,688,663	-	807,688,663	654,656,817
Less: Retro cess. Share of Outstanding Claims Reserve	441,643,736	-	441,643,736	352,804,430
Net Outstanding Claims Reserve	366,044,926	-	366,044,926	301,852,387

During the year, few major losses were reported by cedants in respect of Bond and PVT classes of businesses which amounts to Birr 72.7 million.

As a result, the net outstanding claims has increased to from Birr 302 million to Birr 366 million.

19. CAPITAL

(A) STRUCTURE OF CAPITAL

The Company is wholly owned by Ethiopian nationals and/or organizations wholly owned by Ethiopian nationals. All shares rank equally with regard to the Company's residual assets and shareholders are entitled to one vote per share.

As of 30 June 2022, the Company's capital was as follows:

	2022
Subscribed Share Capital	
250,000 shares of Birr 10,000 each	ETB 2,500,000,000

	Gen.Ins	Long Term Ins	Total	Total
	2022	2022	2022	2021
Issued and Fully paid	1,182,010,295	208,590,052	1,390,600,347	996,020,000

(B) NATURE AND PURPOSE OF RESERVES

In accordance with National Bank of Ethiopia Directive No SRB/2/2022, any reinsurer at the end of each year, is required to transfer to its legal reserve an amount not less than 10% of its net profit until such reserve equals its paid-up capital.

(C) FORMATION FUND

The Company had set aside Formation fund amounting to ETB 9,973,000 equivalent to 1% of the authorized share capital. This fund was intended to finance the pre-establishment costs.

20. GROSS PREMIUM

Premiums and related expenses are accounted for in profit or loss when earned or incurred. Gross earned premiums comprise gross premiums relating to risks assumed in the year after accounting for any movement in gross unearned premiums. Unearned premiums represent the proportion of the premiums written in the year that are attributable to the subsequent accounting period.

The Company has two main divisions, General reinsurance and Long-term business. General reinsurance business is for contract durations typically running for one year, while Long- term business is for other business not considered as non-life business.

The gross premium for the financial year 2021/22 is analyzed as below:

Class of Business	Gen.Ins 2022	Long Term Ins 2022	Total 2022	Total 2021
Accident	29,556,680		29,556,680	26,830,648
Aviation	23,275,510	-	23,275,510	120,098,995
Burglary	5,169,306	-	5,169,306	3,906,346
Eng.	132,411,600	-	132,411,600	86,817,649
Emp. Liability	10,277,367	-	10,277,367	10,061,344
Fire	186,981,384	-	186,981,384	155,255,685
Goods in Transit	2,975,390	-	2,975,390	1,594,178
Liability	34,741,505	-	34,741,505	27,706,792
Marine	137,326,549	-	137,326,549	91,125,937
Medical	319,552	-	319,552	617,397
Motor	383,373,771	-	383,373,771	308,750,645
Pecuniary	164,465,130	-	164,465,130	124,188,395
Others	186,030,999	-	186,030,999	137,399,142
Group term life assurance		39,500,894	39,500,894	30,874,757
Health insurance	-	21,219,502	21,219,502	14,952,633
Funeral expense insurance	-	80,142	80,142	71,698
Total	1,296,904,743	60,800,538	1,357,705,282	1,140,252,241

21. CLAIMS INCURRED

The expected loss ratio method was used to determine the provision for incurred but not reported (IBNR) claims for General business. An equivalent of one month of the annual gross premium was used to calculate the IBNR for long-term business. The valuation was performed by an independent actuary.

As per the NBE Directive No. SRB.2.2022, IBNR claims shall be 10% of net earned premium or the amount determined by an actuary or the method proposed in writing by an actuary whichever is higher.

	Gen. Ins	Long Term Ins	Total	Total
Class of Business	2022	2022	2022	2021
Accident	10,133,095		10,133,095	8,499,128
Aviation	3,836,009	-	3,836,009	(14,275,967)
Burglary	95,291	-	95,291	442,077
Eng.	17,904,770	-	17,904,770	12,360,322
Emp. Liability	1,701,052	-	1,701,052	3,015,235
Fire	29,165,004	-	29,165,004	32,546,201
Goods in Transit	87,690	-	87,690	218,735
Liability	9,099,721	-	9,099,721	14,693,975
Marine	14,957,081	-	14,957,081	6,918,604
Medical	207,127	-	207,127	358,934
Motor	269,475,237	-	269,475,237	225,937,703
Pecuniary	20,709,518	-	20,709,518	13,561,655
Others	39,919,490	-	39,919,490	11,555,843
Group Term Life Assurance	-	7,684,743	7,684,743	5,464,255
Health Insurance	-	17,675,205	17,675,205	13,197,331
Funeral Expense Insurance	-	518,627	518,627	864
Total	417,291,085	25,878,575	443,169,660	334,494,895

22. CEDANT ACQUISITION COSTS

	Gen. Ins	Long Term Ins	Total	Total
Class of Business	2022	2022	2022	2021
Accident	10,960,119		10,960,119	9,169,106
Aviation	1,198,553		1,198,553	4,717,789
Burglary	1,914,071		1,914,071	1,369,967
Engineering	36,363,095		36,363,095	29,898,821
Employers Liability	3,523,356		3,523,356	3,445,613
Fire	63,456,862		63,456,862	53,109,414
Goods in Transit	849,213		849,213	596,567
Liability	10,004,197		10,004,197	7,557,870
Marine	39,868,546		39,868,546	33,572,357
Medical	58,255		58,255	271,179
Motor	37,309,561		37,309,561	31,203,001
Pecuniary	53,978,096		53,978,096	34,220,259
Others	34,846,099		34,846,099	21,078,748
Life	-	8,139,863	8,139,863	6,440,410
Total	294,330,023	8,139,863	302,469,886	236,651,101

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23. NET FINANCE COSTS

	Gen.Ins	Long Term Ins	Total	Total
	2022	2022	2022	2021
Interest on Saving Accounts	7,569,012	-	7,569,012	3,066,529
Interest on Fixed timed deposits	144,316,452	18,434,031	162,750,483	139,004,804
Interest on Grand Ren. Dam Bond	9,658,104	1,704,371	11,362,475	9,068,901
Dividend income	6,181,230	-	6,181,230	3,158,411
Interest on current account	524,522	-	524,522	578,309
Interest on staff loan	352,675	-	352,675	232,644
Realized/Unrealized exchange gains	2,161,668	-	2,161,668	744,405
Investment and finance Income	170,763,663	20,138,402	190,902,065	155,854,003
Interest on lease liability	492,919	-	492,919	151,037
Interest on employee benefits liability	364,449	15,185	379,635	263,438
Investment and finance Costs	857,368	15,185	872,553	414,475
Net Investment Income	169,906,295	20,123,217	190,029,512	155,439,528

24. OPERATING AND OTHER EXPENSES

	Gen.Ins	Long Term Ins	Total	Total
	2022	2022	2022	2021
Administrative and general	46,788,881	(957,863)	45,831,018	72,538,009
Staff costs	27,824,154	587,969	28,412,123	18,077,262
Depreciation	3,328,241	64,746	3,392,987	3,170,518
Directors allowance	880,000	-	880,000	1,040,000
Audit fees	398,098	-	398,098	331,200
Total expenses	79,219,373	(305,148)	78,914,225	95,156,989

25. INCOME TAXES

The Company is subject to income taxes in Ethiopia. The rate of business income tax applicable to a Company is 30%. In accordance with tax legislation, the taxpayer is allowed a number of deductible expenditures in determining taxable income.

25. 1 INCOME TAX EXPENSE

The Current income tax expenses for the year ended 30 June 2022 is computed as follows:

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INCOME TAX COMPUTATION
For the year ended June 30th, 2022
Adjusted tax calculation

			Total
	Gen.Ins	Long Term Ins	2022
PROFIT PER ACCOUNTS	198,888,104	33,711,378	232,599,481
Add:			
Amortization of Right Of Use (ROU)	1,880,813	74,850	1,955,663
Interest on least liability & Interest on employee benefits liability	857,368	15,185	872,553
Depreciation of fixed assets per IFRS	3,328,241	64,746	3,392,987
	-	-	-
Less:			
Depreciation of fixed assets per I.Tax Proc.	(4,294,088)	(178,920)	(4,473,008)
Rent Expenses for the year 2021-22	(2,259,237)	(94,135)	(2,353,372)
Amortization of differed establishement cost			-
Disallowed expenses:			
Loss on exchange unrealized	1,774,368	-	1,774,368
Entertainment	1,452,034	60,501	1,512,536
unrealized Exchange gain	(648,165)	-	(648,165)
Severance pay provision	143,141	5,964	149,105
Provision for annual leave	1,369,319	23,564	1,392,882
Employee vehicle Benefit in kind	183,725		183,725
Provision for Receivable	(2,788,853)	(1,925,113)	(4,713,967)
Tax exempted Income			
Interest Income	(168,249,320)	(20,138,402)	(188,387,723)
Taxable Profit Current year	31,637,447	11,619,619	43,257,066
Current Income Tax @ 30%	9,491,234	3,485,886	12,977,120
Less:Tax Refund from ERCA	1,338,366		1,338,366
Income Tax payable	8,152,868	3,485,886	11,638,753

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25.2 DEFERRED TAX EXPENSES

		2022
Deferred tax Asset (liability)		**(1,324,433)**
Movement in Deferred tax Asset (liability)		
FV of Equity		
Increase in Fair Value of Equity Inv.-United Bank	3,570,853	
Deferred tax liability - @ 30%		(1,071,256)
Movement accounted in OCI		**(1,071,256)**
PPE		
Carrying amount	15,232,128	
Tax base	11,480,575	
Temporary difference	(3,751,553)	
Deferred tax liability - @ 30%		(1,125,466)
Annual Leave & Severance Pay		
Carrying amount	3,352,971	
Tax base	-	
	(3,352,971)	
		1,005,891
Dam Bond		
Carrying amount	207,979,538	
Tax base	207,989,580	
	10,042	
		3,013
Debtor		
Carrying amount	464,756,856	
Tax base	473,734,550	
	8,977,694	
		2,693,308
Movement accounted in PL		**2,576,746**
Deferred tax Asset (liability) CF		**1,505,490**
Total Movement in Deferred tax Expense		2,829,923
Deferred tax Asset CF		3,702,212
Deferred tax Liability CF		2,196,722

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25.3 TOTAL INCOME TAX EXPENSE FOR THE YEAR ENDED 30 JUNE 2022 IS AS FOLLOWS:

Tax Expense			
Current Income Tax Expense			
	Gen.Ins	Long Term Ins	Total
Current Income Tax (Note 25.1)	9,491,234	3,485,886	12,977,120
Deferred Tax Expense			
Movement in deferred tax (Note 25.2)	(3,901,179)	-	(3,901,179)
Total Tax Expenses	**5,590,055**	**3,485,886**	**9,075,941**

26. EARNINGS PER SHARE (EPS)

Earnings per share is calculated by dividing the profit/loss for the year by the weighted average number of ordinary shares in issue during the year.

			2022 ETB	2021 ETB
Profit attributable to Shareholders			223,523,541	194,978,668
Weighted average number of ordinary shares issued			106,890	86,581
Basic and diluted Earnings Per Share			2,091	2,252
Basic and diluted EPS in %			20.91%	22.52%

There were no potentially dilutive shares outstanding at 30 June 2022. The diluted earnings per share is therefore the same as the basic earnings per share.

27. RELATED PARTIES

For the purposes of these financial statements, a party is considered to be related to the Company if:

- The party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating policy decisions, or has joint control over the Company;
- The Company and the party are subject to common control; and
- The party is a member of key management personnel of the Company or the Company's parent, or close family member of such an individual.

ULTIMATE PARENT COMPANY

The entity has no ultimate parent company. The Company's shareholdings comprise various insurance companies, banking institutions and individuals in Ethiopia. The shareholding as at 30th June 2022 is as follows:

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Shareholder Category	Composition	Percentage Shareholding
Insurance companies	Seventeen insurance companies. Ethiopian insurance Corporation (EIC) is a major shareholder in this category with 20.07%	67.05%
Banks	Seven banks in Ethiopia. Commercial Bank of Ethiopia (CBE) is a major shareholder with 20.07%	30.87%
Individuals	Eighty Eight individuals.	2.07%
Trade unions	One trade union	0.01%
Total		**100.00%**

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions with the exception of loans provided to staff at below market rates. These transactions include loans, deposits and foreign currency transactions. The volumes of the related party transactions, outstanding balances at the end of the year and the related expenses and incomes for the year are as follows:

(A) OTHER RELATED PARTY TRANSACTIONS

			2022	2021
			ETB	ETB
BBF			146,513,932	75,199,571
Premiums written			361,349,643	393,146,539
Claims paid			(109,771,515)	(67,666,565)
Commission			(97,304,270)	(88,433,924)
Profit commission			(22,613,225)	(22,613,225)
Net amount			278,174,565	289,632,395
Amounts paid by EIC			(225,431,654)	(143,118,463)
Amounts outstanding from EIC			52,742,911	146,513,932

*Commercial Bank of Ethiopia (*CBE is a major shareholder with 20.07% shareholding and holds saving and current bank accounts for Ethiopian Re)*

			2022	2021
			ETB	ETB
Savings account			197,824,133	57,743,891
Current account			16,185,168	3,524,779
Total Balance			214,009,302	61,268,670

Other shareholder banks (Other six shareholder banks hold saving and current accounts and Time Deposits for Ethiopian Re)

			2022	2021
			ETB	ETB
Savings account			197,824,133	57,743,891
Interest free Account			492,156	-
Foreign Ex.Retention A			1,667,872	-
Current account			16,185,168	3,524,779
Total Balance			**216,169,330**	**61,268,670**

Other shareholder insurance companies are cedants for Ethiopian Re. All business related to gross premiums written (both for General and Life business) is attributable to the shareholder insurance companies.

Birr 4,731,830 is paid for travel and accommodation for the local CEOs' of Insurance Companies to strength the business relationship with the cedants.

(B) REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

The directors of the Company are paid monthly transport allowance of Birr 10,000 in addition to the annual remuneration of up to Birr 150,000 upon the approval of the annual general meeting.

The table below displays the annual transport allowance paid during the reporting year

			2022	2021
			ETB	ETB
Directors allowances			880,000	1040,000

Key management members received the following remuneration during the financial year ended 30 June, 2022:

			2021	2020
			ETB	ETB
Short-term benefits			11,556,902	8,364,517
Post-employment benefits			143,141	101,087

Compensation of the Company's key management personnel includes salaries, medical benefit, housing allowance, pension contribution, executive allowance, transport allowance, bonus payment, annual leave expense and life insurance. These amounts are also included in staff costs (see note 24).

The Company also provides emergency loans to all employees.

The loan balance at 30th June 2022 in respect of Key management is Birr 1,880,994-.

Apart from the employee benefits provided above, there were no other transactions between the Company and its key management personnel.

28. EMPLOYEES

The number of employees of the company at the end of the year is as follows:

	30th June 2022
Number of employees	27
New entrants	6
Total number of employees	**33**

29. CONTINGENT LIABILITY

In the opinion of the Directors, there were no contingent liability.

30. COMMITMENTS

The Company has the following commitment as at 30th June 2022:

- MSG GLOBAL (related with IT software implementation) **Birr 13,760,014**

31. EVENTS AFTER THE REPORTING DATE

In the opinion of the Directors, there were no significant post balance sheet events which could have material effect on the state of affairs of the company as at 30th June 2022 and on the profit for the period ended on that date which have not be adequately provided for or disclosed.

AWARD FOR SUPPORT GIVEN
FOR THE ASSOCIATION OF THE DEAF

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የእውቅና ምስክር ወረቀት

ለ ኢትዮጵያ ጠለፋ መድህን ኢንሹራንስ ድ.

ለማኅበሩና ለመስማት የተሳናቸው ኢትዮጵያውን እድገት ላደረጉት ለየት ያለ አስተዋጽኦ የማኅበሩን 50ኛ አመት ክብረ በዓል ምክንያት በማድረግ ጥቅምት 24 ቀን 2015 ዓ.ም. ይህ የምስክር ወረቀት ተበርክቷል፡፡

የማኅበሩ ዳይሬክተር

Ethiopian National Association of the Deaf

Certificate of Recognition

This certificate is given to

ETHIOPIAN REINSURANCE

in recognition of the exceptional contribution made to the development of ENAD and the Ethiopian Deaf Community on the occasion of ENAD's Golden jubilee celebration on the 3rd of November 2022.

ENAD President

ETHIO RE SENIOR MANAGEMENT

CEO FORUM: WE STRIVE FOR MARKET CAPACITY BUILDING

RECOGNITION AWARD FOR THE INSURANCE MONTH

"BREATHING LIFE INTO THE LIFE ASSURANCE BUSINESS" THE FIRST GLOBAL LIFE ASSURANCE FORUM ORGANIZED IN PARTNERSHIP WITH ADDIS ABABA UNIVERSITY, PUBLIC FINANCIAL INSTITUTIONS AGENCY AND ASSOCIATION OF ETHIOPIAN INSURERS.

ENTOTO NATURAL PARK: RESTORING NATURE WITH THE MAIN PROJECT OF THE ETHIOPIAN HERITAGE TRUST.

GREEN LEGACY PROJECT: ETHIO-RE EMPLOYEES PLANTING THEIR PRINT FOR FUTURE GENERATIONS

ETHIO-RE STRIVING FOR MARKET CAPACITY BUILDING

HANDS-ON PRACTICAL TRAINING –IN PARTNERSHIP WITH RIES ENGINEERING.

PRACTICAL TRAINING ON EML, AND CPM FOR NICE STAFFS.


Ethiopian Re insurance S.Co, (Ethio-Re)
Master Class Training on Basics of Risk Based Internal Auditing
August 1 and 2 ,2022

Ethiopian Reinsurance

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