



ዓባይ ኢንሹራንስ አ.ማ ABAY INSURANCE S.C.

የአዕምሮዎ ሰላም!
Your Peace of Mind!

ANNUAL REPORT
2024/2025



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Your Peace of Mind!



TABLE OF CONTENTS

Company Highlights	3
Report of the Board of Directors	4
1. Global Economic Condition	5
2. Domestic Economic Situation	5
3. The Ethiopian Insurance Industry	5
4. Company's Performance Review 2024/25	9
4.1 Premium Production	9
4.2 Reinsurance and Premium Cession	11
4.3 Branch Networks	12
4.4 Claims	12
4.5 Loss Ratio	12
4.6 Underwriting Result	13
4.7 Investment Result	13
4.8 Trade Debtors	14
4.9 Expenses	14
4.10 Profit	15
4.11 The Life Assurance Fund	15
4.12 Asset Structure	15
4.13 Equity	16
4.14 Proposal on Dividend and Capital	16
4.15 Human Resource	16
4.16 IT Project Status	17
4.17 Corporate Social Responsibility	18
5. Challenges	18
6. The way forward	18
Acknowledgment	19
Independent Auditors Report	20

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ACRONYM

“AISCO”, which stands for Abay Insurance Share Company.

ESTABLISHMENT

July, 2010

AUTHORIZED CAPITAL

1,000,000,000

PAID UP CAPITAL AS AT JUNE 30, 2025

Birr 770,960,000

ABAY INSURANCE S.C.



MISSION

To provide diversified Insurance services tailored to meet the ever changing risk exposure of the public and maximize shareholders value by using competent staffs and technology enablers in an innovative and responsible manner.

VISION

Being the preferred & iconic insurance solution provider in all markets we serve by 2035.

MOTTO

“Your peace of mind!”

CORE VALUES

- Diversity (D)
- Integrity (I)
- Customer focus (C)
- Teamwork (T)
- Achieve in quality (A)
- Thrive to be a learning organization (T)
- Ensure professionalism (E)

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Website: <http://www.abayinsurance.com//>

Email: info@abayinsurance.com

Physical Address: Addis Ababa, Bole Sub City, Woreda 3,

House No. 377

ABAY INSURANCE S.C. BOARD OF DIRECTORS



Ato Abate Sitotaw

Board Chairman



Ato Mitiku Beyene

Vice Chairman



Ato Alemayehu Birbirsa

Director



Ato Aragaw Tadesse

Director



Ato Desalegn Ayalew

Director



W/ro Monaliza shiferaw

Director



Ato Mulugeta Abate

Director



Prof. Yilkal Adamu

Director



Ato Zemene Tsehay

Director



Ato Getnet Girum

Company Secretary

ABAY INSURANCE S.C. EXECUTIVE MANAGEMENT



Yohannes Zewdie
Chief Executive Officer



Solomon Seifu
Deputy Chief Executive
Officer, General
Insurance



Paulos Tadesse
Manager, Underwriting
& Reinsurance
Department



Behailu Betsha
Manager, Finance
& Investment
Department



Tewodros Lemma
Manager, Claims
Management
Department



Aduugna Belay
Manager, Marketing
& Corporate Planning
Department



Moges Tesfaye
Manager, Human Resource
& Facility Management
Department



Tadesse Worku
Manager,
Engineering Service



Birhanu Getachew
Manager,
Corporate Risk Management
& Compliance Service



Damenech Sileshi
Manager,
Audit Service



Tamirat Belay
Manager,
IT Service



Tibebe Sirak
Manager,
Legal Service

MESSAGE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



Distinguished Shareholders,
Honorable Board Members,
Esteemed Management and Staff,
Ladies and Gentlemen,

It is my great honor and privilege to welcome you all to the **15th Annual General Meeting of Abay Insurance S.C.** This AGM is a significant milestone in our corporate journey--one that reflects fifteen years of dedication, resilience, and steady growth driven by the collective efforts of our shareholders, Board, management, and employees.

Over the past financial year, our Company operated in a challenging macroeconomic environment characterized by increased competition in the insurance sector, rising operational costs, evolving customer expectations, and continued regulatory reforms introduced by the National Bank of Ethiopia (NBE). Despite these challenges, **Abay Insurance S.C. delivered commendable performance**, demonstrating the strength of our strategic direction and the solidity of our governance framework.

During the year under review, the Board of Directors focused on:

- Strengthening corporate governance and oversight mechanisms;
- Ensuring full compliance with NBE directives and industry standards;
- Supporting management in implementing operational efficiency initiatives;
- Overseeing ongoing investments in digitalization and customer-centric service delivery;
- Monitoring financial performance to safeguard profitability and long-term stability.

Our Company continued to expand its customer base and diversify its product offerings while maintaining prudent underwriting, sound risk management practices, and responsible claims handling. These efforts have contributed to sustainable premium growth, improved operational efficiency, and enhanced stakeholder confidence.

As we mark our 15th year, it is evident that Abay Insurance S.C. has matured into a strong and reliable insurer committed to protecting lives, assets, and businesses across the country. The Board recognizes that the years ahead will bring both opportunities and challenges, including the need for deeper digital transformation, modernization of business processes, and continued regulatory compliance under evolving NBE frameworks.

Looking forward, the Board remains committed to providing strategic leadership that enhances competitiveness, strengthens financial resilience, and positions the Company for long-term success. We will continue to work closely with management to drive innovation, improve operational excellence, and ensure that the interests of our shareholders remain at the center of all decisions.

On behalf of the Board of Directors, I would like to express my heartfelt appreciation to our shareholders for your continued trust and support. I extend our sincere gratitude to the management team, and all employees for their hard work and dedication throughout the year. Your collective efforts have been the foundation of our progress.

As we begin our 15th Annual General Meeting, I wish us all fruitful deliberations and another successful year ahead for Abay Insurance S.C.

Thank you!



Abate Sitotaw

Chairman, Board of Directors

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Abay Insurance S.C. is pleased to present the annual report along with the audited financial statements for the year ended on June 30, 2025 to the 15th annual general ordinary meeting of shareholders.

The Business Environment

1. Global Economic Condition

Global growth is projected at 3.3% both in 2025 and 2026, below the historical (2000–19) average of 3.7%. The forecast for 2025 is broadly unchanged from that in the October 2024 World Economic Outlook (WEO), primarily on account of an upward revision in the United States offsetting downward revisions in other major economies.

Global headline inflation is expected to decline to 4.2% in 2025 and to 3.5% in 2026, converging back to target earlier in advanced economies than in emerging market and developing economies (www.imf.org).

World trade growth is projected to grow by 4.0% in 2025 and 4.1% in 2026, well below baseline projections of 5.1% and 4.8%. The outlook for global trade has deteriorated sharply due to a surge in tariffs and trade policy uncertainty (TPU). Due to the suspension of “reciprocal tariffs” by the United States, the volume of world merchandise trade is now expected to decline by 0.2% in 2025 before posting a modest recovery of 2.5% in 2026.

According to the U.S. Energy Information Administration (EIA, annual average crude oil price is projected to decrease to \$66 per barrel in 2025 and \$59 per barrel in 2026.

According to the World Bank, global non-fuel commodity prices is expected to decline by 12% in 2025 and an additional 5% in 2026, falling to levels not seen since 2020. This decline is attributed to improving supply conditions, coupled with expectations of slower global growth.

estments as inflation cools down and currencies stabilize. However, growth is still not strong enough to significantly reduce poverty and meet people’s aspirations.

the outlook is subject to numerous downside risks including high debt, infrastructure deficits, corruption, and dependence on commodity exports. These challenges, coupled with political instability and climate change, could hinder economic growth and development.

2. Domestic Economic Condition

The International Monetary Fund (IMF) projects Ethiopia's economic growth at 6.5% in 2025 and 6.6% in 2026. This is actually lower than the government's forecast of 8% growth in 2024. The IMF also anticipates inflation to drop to 18.2% in 2025.



According to the International Monetary Fund, Ethiopia faces inflationary pressures, supply chain disruptions, rising fuel prices, and a depreciating currency, which could impact its economic growth. The IMF recommends that countries like Ethiopia focus on strengthening domestic revenue mobilization, improving public spending efficiency, and reinforcing fiscal frameworks to manage debt.

The World Bank projects Ethiopia's real GDP growth to be 6.4% for 2025/2026 financial year. This growth is expected to be driven by the industry and services sectors. While inflation is projected to remain high, the fiscal deficit is expected to decrease, and revenue as a percentage of GDP is expected to increase.

GDP in Ethiopia is expected to reach 174.34 Billion USD by the end of 2025, according to Trading Economics global macro models and analysts expectations. In the long-term, the Ethiopia GDP is projected to trend around 186.37 Billion USD in 2026 and 200.16 USD Billion in 2027, according to our econometric models.

The African Development Bank projects Ethiopia's real GDP growth to be around 6.2% in 2024 and 6.6% in 2025/26. It also estimates that Ethiopia's GDP will reach 232.82 billion USD in 2030. The ADB's 2023-2027 strategy for Ethiopia focuses on improving economic and financial governance and developing infrastructure. The bank also projects that Ethiopia's economy will be the fourth-largest in Africa by 2043.

According to the Ministry of Finance, the government is forecasting economic growth of 8.9% in the fiscal year of 2025/26, up from an estimated 8.4% in the current fiscal year.

Ethiopia's economic growth faces numerous challenges including political instability, a reliance on agricultural commodity exports, high levels of debt, and limited infrastructure. These issues are accompanied by climate change, shortages of foreign exchange, and high inflation, which have adversely affected the living standards of both urban dwellers and rural (www.researchgate.net).

The Ethiopian Parliament has passed a bill of record breaking budget, 1.93 trillion birr for 2025/26 fiscal year government spending. This huge budget exceeds by 34 % compared to the previous year budget. Out of the total budget, 415.2 billion birr is allocated for capital expenditure; 1.2 trillion birr is allocated for recurrent expenditures, 315 billion birr for regional budgetary support, and 14 billion birr for supporting Sustainable Development Goals.

3. The Ethiopian Insurance Industry

The Insurance Industry in Ethiopia constitutes 18 Insurance companies. According to the data obtained from NBE, over the last ten years (2014/15-2023/24) the average annual growth rate of the insurance industry in terms of total GWP of Non-life and Life insurance is 19.2% & 22.9% respectively.

As per the data collected from each insurance company, a total of Birr 41.9 BL GWP has been collected in the just ending year. Out of which Birr 38.7 BL is from non-life, Birr 2.8 BL from life and 346 ML from Takaful business. About 32.7% of the market share is over taken by the State-owned company followed by Awash (10.9%), Nyala (7.6%) & Oromia & United (6.6% each). The remaining 37.8% is collected by the remaining 13 insurance companies.

According to the 2024/25 budget year 4th quarter report of Association of Ethiopian Insurers (AEI), the total number of branches has reached 833 out of which 492 branches are located in the capital and the rest 341 in different regions. In addition, 70 contact offices and 2019 sales agents have been registered. The average annual capital growth rate of the industry for the last ten years (2014/15 - 2023/24) is 27.8%. The total capital of the Industry as at June 30, 2024, is Birr 21.9 Billion, out of which 20.3 Billion is Non-life & 1.6 Billion is Life business.

Insurance industry in Ethiopia is struggling to survive in an increasingly competitive environment. It is characterized by relatively lower profit margins, higher costs for distribution and product development with consistently low investment returns. The lack of effective and transparent legal and regulatory systems in combination with immature financial markets and the common usage of informal types of insurance contribute to the low penetration.

Besides, unethical practices in the industry focusing on price cutting, declining FDI & shortage of foreign currency, increasing number of price sensitive customers, higher claim costs due to expensive spare parts, and the prevalence of local conflicts & displacements have been seriously hampered the industry.

However, there could be a number of underlying positive factors that support the outlook for a booming insurance market. The continued growth of private investments and the rising awareness to insure the natural and political disasters in the country has become driving the demand for insurance product. Furthermore, insurers are benefiting from positive changes in regulation and compliance systems.

4. Company's Performance Review 2024/25

In order to enhance its ambition for better performance and reach its vision, Abay Insurance S.C has developed a five year strategic plan and advanced organizational structure which begun to be implemented in the just ending fiscal year.

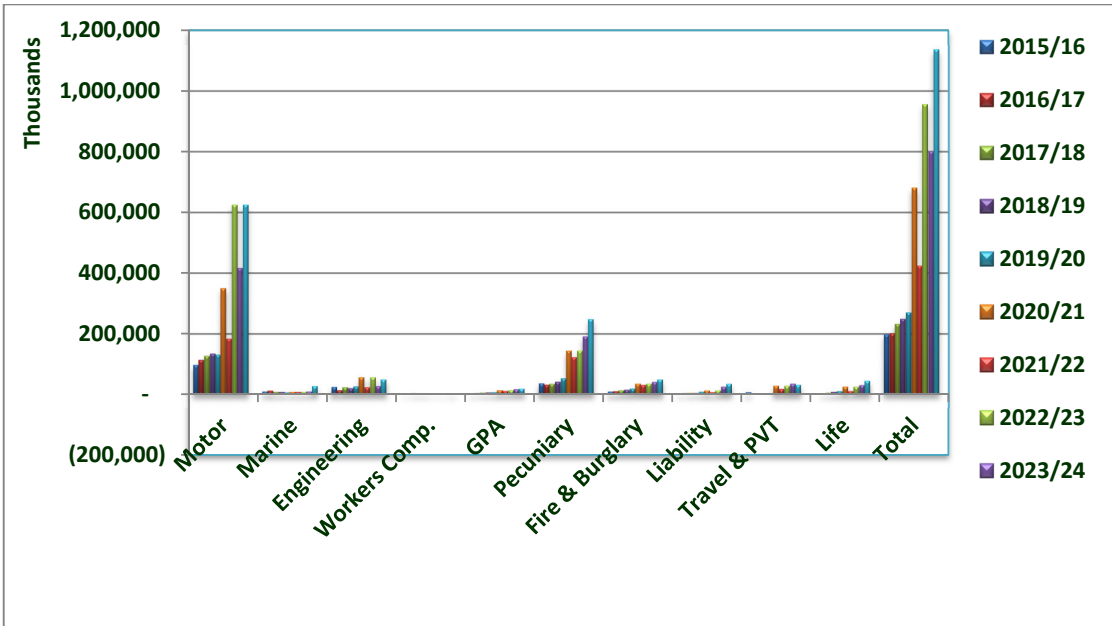
4.1 Premium Production

In the budget year under review, the company has registered a Gross Written Premium of Birr 1,091,580,712 from the General Insurance Business. This achievement shows a growth rate of 42% compared to the previous year's performance.

From the total production of the year 2024/25, Motor class of business took the lion share (55%) followed by pecuniary class of business (22%). The Company's annual average growth rate of premium productions for the past ten years is 24%.

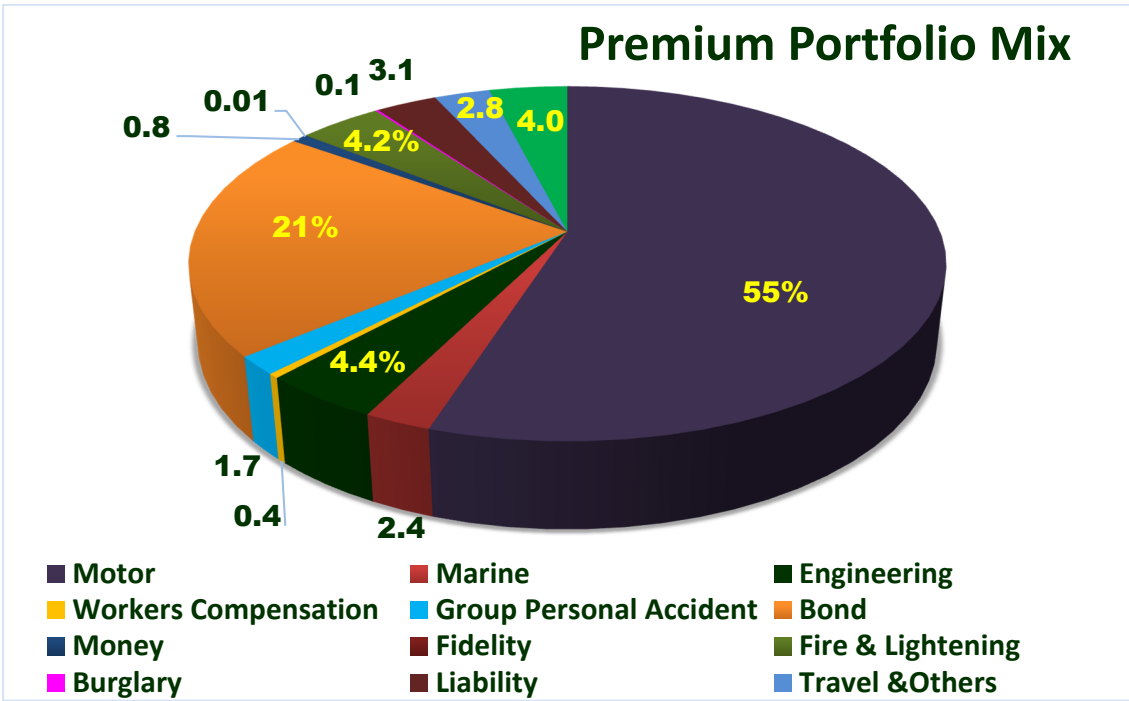
Insurance revenue from General Insurance Business for the period under review is Birr 864,175,636, which shows a 15% increment from the previous year's performance. The Company has sold 56,086 policies in 2024/25, out of which 30,940 new policies and 25,146 are renewed policies.

Chart 1: Gross Written Premium Portfolio Mix Trend (2015/16 to 2024/25)



Except travel & PVT all other classes have registered growth compared to last year same period performance. This growth is significantly acquired from the motor and pecuniary classes of business.

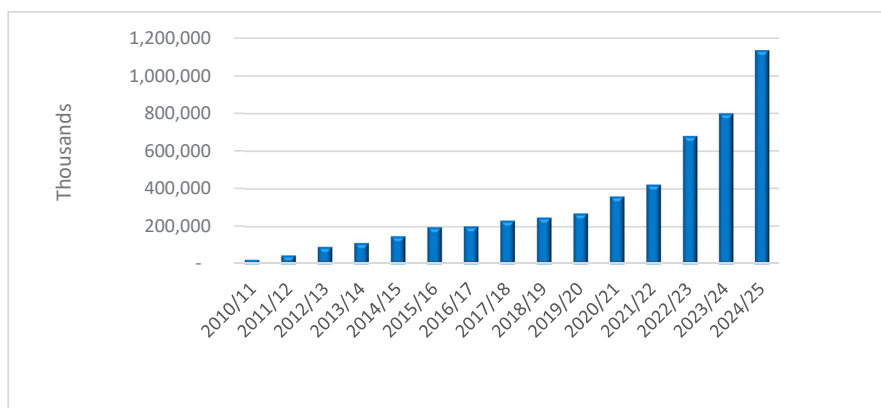
Chart 2: Premium Portfolio Composition 2024/25



As chart 2 depicts the Company’s portfolio is dominated by Motor and Bond businesses. Conversely, underwriting measures have been taken to discourage loss-making categories of vehicles such as Sino Truck and Dump Truck, Isuzu Trucks, Mini Buses, etc. In some cases, however, the company accepts such vehicles when proposed in packages.

The long-term business of the company has registered a total premium of Birr 45,091,892 with a growth of 45% compared to last year same period performance of Birr 31,124,720. Insurance revenue, which is part of the gross written premium, amounted to Birr 20,556,873 showing a 34% decline from the previous year performance

Chart 3: Premium Growth Trend from 2010/11 to 2024/25 Budget Year



The above graph shows that annual premium growth of the Company since its establishment. In 2024/25 budget year premium production shows 42% growth from the preceding year. This achievement is resulted mainly from the cumulative efforts of committed employees, the competent skills of management along with resilient leadership of the board of directors

4.2 Reinsurance and Premium Cession

The reinsurance treaty has been led by Africa Re as per A.M. best ratings rated “A” followed by Zep/PTA-Re (rated “B+”), and a young indigenous Ethio- Re (rated “B”).

The general insurance premium cession amount recorded in 2024/25 is Birr 310,897,410 with a growth of 36% compared from last year same period performance of Birr 228, 483, 438. Since the gross written premium is Birr 1,091,580,712 the cession ratio became 28%. The ratio is closer to the standard ratio set by the regulators that is up to 30%. The net expense incurred from reinsurance contract during the period under review is Birr 170,982,014 which is by far higher than the previous year Birr 41,339,339.

The reinsurance backing is mainly to safeguard the company against unexpected catastrophes. Accordingly, the company retains more by increasing its capital and free reserve.

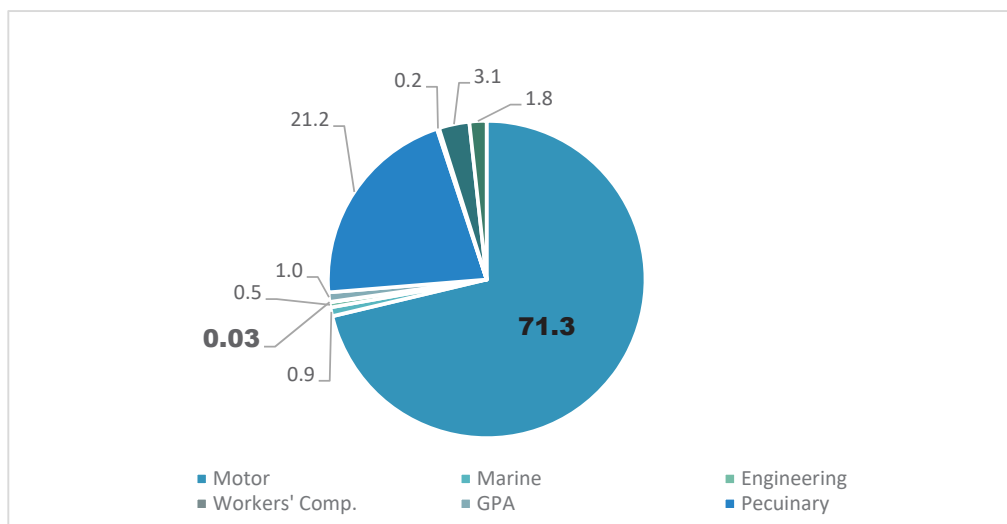
4.3 Branch Networks

One of the main objectives of Abay Insurance S.C. is addressing its customers throughout the country. In the just ending year the company is operating through 50 branches out of which 29 are located in Addis Ababa and the remaining 21 are found in various regional states. Currently the company is offering different types of general and long-term insurance products to the public.

4.4 Claims

During the period under review, the total net claim incurred of general insurance business is Birr 312,750,799. It shows 3.7% increment from last year same period of Birr 295,946,325. The net claim paid is Birr 281,580,136 which has increased by 46% from last year same period performance of Birr 192,879,704. Motor class of business dominates all other classes of business constituting 71.3% of the total net claim paid.

Chart 4: Net Claim Paid by Class of Business 2024/25



The above chart shows that 71.3% of the net claim expense emanated from Motor class of business and all others constitute together 28.7%. The insurance service expense stood at Birr 487,216,075, representing 16% decline from last year Birr 580,172,022, which is driven by strong technical performance & cost containment measures.

4.5 Loss Ratio

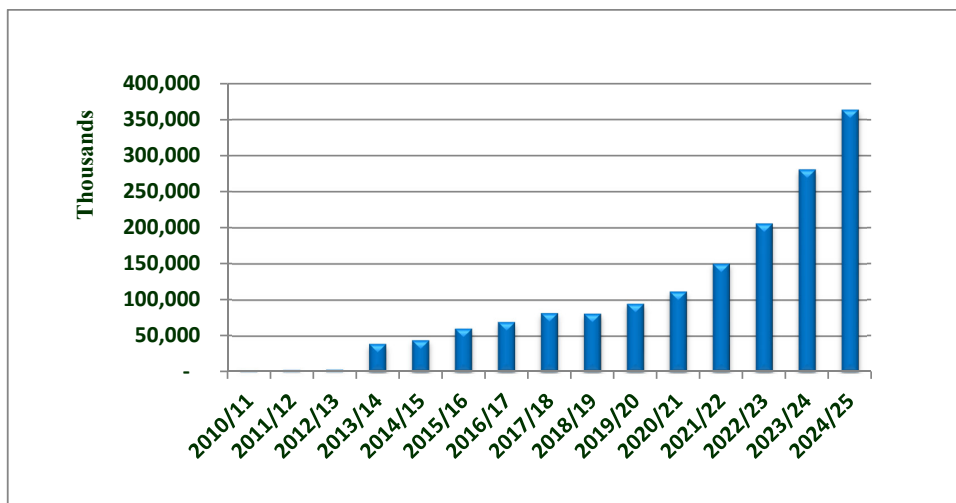
It is the ratio of net earned premium and net claims incurred. The net earned premium of non-life insurance business for the year 2024/25 is Birr 617,009,540 and the net claims incurred for the same period is Birr 312,750,799. This has resulted in an overall loss ratio of 50% which is 6.2% lower than the preceding year performance. The loss ratio of the Company is also below the industry's ten years average ratio of 62%. This achievement is mainly resulted from the company's prudent and selective underwriting practice. The prudent and professional underwriting philosophy will persist to maintain profitable growth.

4.6 Underwriting Result

The insurance service result is a direct result of the core operation that clearly indicates the strength of an insurance company. Consequently, the achievement is regarded as a significant operational success on the sustainability of the company.

The insurance service result for the period is amounted to Birr 205,977,546. This performance is increased by 55% from the preceding year’s performance of Birr 132,695,909. This achievement is due to the implementation of prudent underwriting practice and utmost professionalism.

Chart 6: Underwriting Surplus Growth Trend (2010/11-2024/25)



4.7 Investment Result

The Company has acquired investment return of Birr 224,782,394 from non-life insurance business. It shows an increment of 31% from the previous year’s performance of Birr 171,736,000. This is mainly attributed to the careful proceedings taken in order to have a better return on the investment activities specifically from interest income on time deposit, dividend income & rent income.

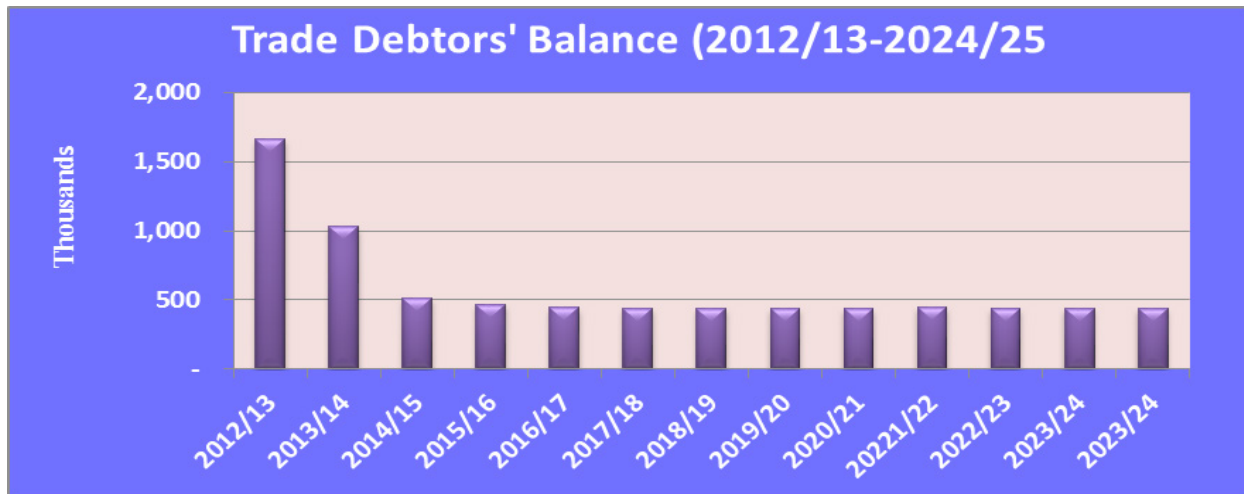
Chart7: Investment Income 2010/11-2024/25



4.8 Trade Debtors

The balance as at June 30, 2025 from trade debtors is Birr 439,741. The Company is still determined towards collecting the remaining balance even though it is difficult since the time is very long and the amount is very small (less than Birr 10,000) per customer. It has already set 100% provision and significant amount of this figure is still under pending legal process; the write-off process will proceed when the pending finalized.

Chart 8: Trade Debtors' Balance 2010/11-2024/25



4.9 Expenses

The total expense for the year, encompassing both attributable and non-attributable from the non-life business is Birr 305,461,131. It shows a 45% growth from the previous year's Birr 209,999,948. Being cost conscious in all activities, the Company's expansion and increased volume of activities along with salary increment and associated costs has contributed to the rising of administrative expenses.

4.10 Profit

The Company's non-life business has registered a profit before tax of Birr 295,631,850 for the year 2024/25. The profit shows 36% increment from the previous year's result of Birr 216,918,939. The Company has a clear and practical strategy with respect to profit and the whole team quite directed towards executing the same.

The Earnings per share during the year under review is 37%. As the company had issued ordinary shares during the current year, there was dilutive effect on the earning per share during the year under review.

4.11 The Life Assurance Fund

The Gross Written Premium from Long Term Insurance business stood at birr 45,091,892 showing an increment of 45% from last year performance of Birr 31,124,720. Insurance revenue from Long-term Business for the period under review is Birr 20,556,873, which shows a decline of 34.4% from the previous year's performance.

The investment & other income from life business for the period amounted to 13,708,626 reflecting 70% growth from the preceding year.

The insurance service expense from life business stood at Birr 15,335,891, representing 16% decline from last year Birr 18,306,914, which is driven by prudent underwriting & effective claims management.

The company has recovered Birr 759,972 from reinsurance contract during the period under review which is 38% lower than the previous year Birr 1,225,618.

The total expense of the year, encompassing both attributable and non-attributable from the life business is Birr 4,320,159. It shows a 2% increase from the previous year's Birr 4,400,282.

The Company's life business has registered a profit before tax of Birr 17,163,463 for the year 2024/25. The profit shows 15% decline from the previous year's performance of Birr 20,192,967.

4.12 Asset Structure

The registered total asset of the company reached Birr 2,959,247,861 showing 21% increment from the previous year same period of Birr 2,438,414,613. The company cash & bank balance constitutes 57% followed by reinsurance assets, investment securities and property plant and equipment with contribution of 15%, 15% and 10% respectively. The total liability of the Company for the year under review is Birr 1,749,289,682 which shows 18% increment from the previous year same period of Birr 1,487,944,370.

4.13 Equity

As at June 30, 2025, the total paid-up capital of the company reached Birr 770,960,000 which shows 27% increment from the previous year same period of Birr 608,047,000. Share premium, Legal reserve, Retained earnings, and fair value gain/loss on equity investment of the Company are Birr 1,351,000, Birr 113,595,936, Birr 246,401,460, Birr 6,734,953 and 70,915,096 respectively.

4.14 Proposal on Dividend and Capital

The proposal which was issued by the management and Board of Directors to sale new shares worth Birr 500,000,000 that would be paid within three years in order to raise the total paid-up capital Birr 1,000,000,000 has been approved by shareholders at the 13th Annual General Meeting.

Furthermore, the Management and Board of Directors recommend distributing the net profit after tax, legal reserve, Board member annual remuneration of Birr 242,442,770 to the shareholders as a dividend in cash or used for purchasing of the Company's shares depending upon the choice of shareholders.

5. Human Resource

The employee's number during the year end has reached 344 out of which 51.2% are females. The employees are composed of different educational levels and qualification. The majority share, 54.8% of employees is first-degree holders. The remaining share goes to Second Degree, Diploma holders, Certificate, and Vocational/TVET level with a share of 12.5%, 22.7%, 2%, and 8% respectively.

The company believes that employees are its key strategic resources. It has also a strong belief in providing multi-dimensional capacity building training and development programs for staff. Owing to this fact, the Company has already studied and begun to implement a new organizational structure & salary scale. Even though the consultant is not yet finalized its study on fringe benefit packages, the Company has also offered up to 2 months' salary for head office staff and up to 3 months' salary for branches as bonus.

Above all the company has been strongly believed in merit-based carrier development and promotion and is determined to continue on the same principle.

6. IT Project Status

Information technology is one of the five major pillars in the recently developed strategic plan which is vital to the overall Company success. This pillar focuses on the acquisition, adaptation and implementation of core insurance software that facilitates efficient and effective operations both for core and non-core functions of the company.

After several years of challenges and continuous refinements, the core insurance system officially went live on May 7, 2025 across the head office and all branch offices covering prioritized products.

Since then, thousands of policies have already been processed through the system, marking a significant milestone in the company's digital transformation journey.

In 2025/26 fiscal year, the IT service has also planned to expand the go-live by incorporating the remaining insurance products and branches so as to be fully operational throughout the Company. Besides, we have been working with Informatics to alleviate any difficulties that we face during implementation of the system.

Furthermore, IT service will continue to focus on implementing integrated and secured insurance management system, enhancing the overall user experience, developing appropriate IT enablers, and upgrading the service provision mechanism of the company.

7. Corporate Social Responsibility

The success of a Company mainly depends on the wellbeing and goodness to the society where it operates. The company has participated in different community based developmental activities including the support in risk management and awareness creation endeavors. In addition, the company has been fulfilling its responsibility in supporting displaced people from different conflict areas of the country and people affected by drought & famine. Besides, it has also been contributing for mega projects like "The Great Renaissance Dam". Furthermore, the Company has been timely settling its respective tax obligations and participating in various membership activities.

8. Challenges

The nation faces challenges from macro-economic imbalances, high rate of inflation, and lack of foreign currency, and socio-political unrest. The Ethiopian insurance industry is also continued to face challenges from a variety of factors, including a lack of public awareness of risk management, a shortage of qualified insurance professionals, strict regulation, and lack of cooperation among insurers and unprofessional competition and unfair practices within the industry.

Most of all, it's evident that Ethiopia's economy has been seriously affected by the extended conflict within the country which in turn hits every economic sector leaving the macro-economic imbalance throughout the period under review. Most of the branches in the Amhara region have failed to achieve their respective targets in the budget year. The social unrest and displacement elsewhere in the country highly affected the sales performance of some of our branches. The company has always attempted to resolve issues pleasantly and professionally in order to reduce the likelihood of unfavorable consequences.

9. The way forward

Despite the industry's acquisition of sufficient capital, professionalism, profitability, and fair claim treatment, the industry has been suffering unethical competition that will not benefit the consumer, the regulator, even the insurance companies themselves. Fewer players will be able to maintain the existing level of profit margin. As a result, they will either implement a strict underwriting strategy or potentially even leave the industry. The Board and management of Abay Insurance S.C will keep up the current risk management and sensible prudent underwriting practices.

The potential of this insurance sector is still unrealized. Many insurable risks continue to be uninsured. We will therefore focus on increasing client awareness in order to increase the penetration rate and subsequently the market share of our company. In addition, the business needs to keep growing and expanding its distribution networks to be closer to clients. It's known that good corporate governance is a key pillar for market economy & strengthen consumers' trust & loyalty. Hence, the Board of Directors and Management will continue to uphold the systems of check and balance and will strengthen Corporate Risk Management & Compliance, and Internal Audit to handle the unanticipated scenarios.

Global supervision is moving in the direction of risk-based supervision, which means capital requirements vary depending on the risk profile of a particular insurance company and even the nation at large. The ongoing regulatory change and opening up the financial sector for foreign operators necessitates more funding. By offering shares to both its current owners and the general public, Abay Insurance S.C. has been able to strengthen its capital base while assessing its own risk and solvency margin.

Finally, in response to the implementation of a newly developed five-year strategic plan, the company has built a solid organizational structure along with competitive salary scale. The new salary scale would help the Company to retain its existing employees and even to attract new faces from the labour market. The five-year strategic plan, the organizational structure, and policy manuals will be continuously inspected and analyzed through a well maintained monitoring and evaluation scheme. In order to maximize the effectiveness of its risk management activities, AISCO shall continue to update, review, and implement its procedure manuals. It will also regularly examine, measure, and evaluate the economic and socio-political environment in which it is operating.

Acknowledgment

The Board of Directors of Abay Insurance S.C. would like to thank all of the Company's respected clients for their ongoing patronage and support. Shareholders, Sister Companies, intermediaries, commercial partners, reinsurers, and the regulatory body are all acknowledged and thanked on an equal basis.

The Board of Directors especially grateful for the accomplishments of the management and staff, whose important contributions helped the organization, succeed despite the difficult socioeconomic conditions and numerous conflicts in some regions. In order to offer a superb service to consumers, they have demonstrated exceptional devotion, knowledge, dedication, and ambition, which has led to a remarkable success. The Board of Directors is therefore incredibly pleased of them and wants to express high praise for their unreserved effort.

Finally, the Board of Directors would like to reassure the Company's management and staff that they will continue to receive assistance as they work to realize the anticipated objectives of the following years of the strategic phase.



Abate Sitotaw
Chairman, Board of Director
December 19, 2025

ABAY INSURANCE S.C. ANNUAL IFRS FINANCIAL STATEMENTS 30-JUN-25



ABAY INSURANCE S.C.
ANNUAL IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025
REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the year ended 30 June 2025, to the members of Abay Insurance S.C. This report discloses the financial performance and state of affairs of the Company .

Incorporation and address

Abay Insurance S. C. was incorporated in Ethiopia in July 2010 as a Share Company. The Company was established by diversified groups of shareholders, Cooperatives, Micro Finance Institutions (MFIs), other business organizations and individual citizens.

Principal activities

The principal activity of the company is to provide insurance services to manufacturing and services, international trade businesses, low income people and society at large.

Results and dividends

The Company's results for the year ended 30 June 2025 are set out on page 4. The profit for the year has been transferred to retained earnings. The summarised results are presented below.

	30-Jun-25 Birr'000	30-Jun-24 Birr'000
Insurance Revenue	884,733	785,579
Profit before income tax	312,884	237,112
Income tax expense	(39,353)	(31,774)
Profit after income tax for the year	273,531	205,321

Directors

The directors who held office during the year and to the date of this report are set out on page 1.



Abate Sitotaw
Board Chairman
December 16, 2025



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
ABAY INSURANCE SHARE COMPANY*****Opinion***

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

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

Basis for Opinion

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

Responsibilities of Directors and Management for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as directors determine 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, Directors are 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 Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Directors are responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 based on these financial statements.

Report on Other Legal and Regulatory Requirements

We have no comment to make on the report of the board of directors and the proposal for distribution of profit submitted by the directors insofar as it relates to these financial statements and pursuant to Proclamation No.1243/2021 Article 349 of the Commercial Code of Ethiopia, and hence we recommend approval of the financial statements.

Tafesse, Shisema & Ayalew

Tafesse, Shisema and Ayalew Certified Audit Partnership (TMS ^{PLUS})
Chartered Certified Accountants (UK)
Authorized Auditors (Eth)

Addis Ababa
20 December 2025





**ABAY INSURANCE S.C.
ANNUAL IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024
DIRECTORS, PROFESSIONAL ADVISERS AND REGISTERED OFFICE**

Directors (as of 30 June, 2025)		<i>Date of Appointment</i>
Abate Sitotaw	Board Chairman	2022
Mitiku Beyene	Vice Chairman	2022
Prof. Yilkal Adamu	Member	2022
Mulugeta Abate	Member	2022
Zemene Tsehay	Member	2022
Alemayehu Birbisa	Member	2022
Desalegn Ayalew	Member	2022
Aragaw Tadesse	Member	2022
Monaliza Shiferaw	Member	2022
Getnet Girm	Board Secretary	2017
Executive management (as of 30 June, 2025)		<i>Date of Appointment</i>
Yohannes Zewdie	Chief Executive Officer	29-Jan-19
Solomon Seifu	Dupty, Chief Executive Officer Operation	15-Oct-18
Behailu Betseha	Manager, Finance & Investment Department	14-Dec-16
A dugna Belay	Manager, Marketing, Corporate Planning & Branch Operations Department	20-May-23
Paulos Tadesse	Manager, Underwriting and Branch Operations Department	02-Nov-18
Tewodros Lema	Manager - Claims Manangment Department	04-Jun-19
Moges Tesfaye	Manager, HRM & Facilities Management Department.	01-Aug-21
Birhanu Getachew	Manager - Enterprise Risk Management & Compliance Service	01-Aug-23
Tadesse Worku	Manager, Engineering and Inspection Service	26-Aug-13
Damenech Sileshi	Manager, Audit Service	22-Jun-16
Tamirat Belay	Manager, IT Service	27-May-19
Tibebe Sirak Tesfa	Manager, Legal Service Ethiopia	12-Feb-24
Independent auditor		Company secretary
TMS Plus Chartered Certified Accountants (UK) Authorized Auditors (Ethiopia) 22 Matoria Street Addis Ababa Ethiopia		Abay Insurance Head Quarters Building 7 th floor Bole Sub City (Atlas) Addis Ababa, Ethiopia
Corporate office		Principal bankers
Abay Insurance Head Quarters Building Atlas Area Bole Sub City (Atlas) Addis Ababa,		Abay Bank S.C. Enat Bank S. C. Commercial Bank of Ethiopia Tseday Bank S.C. Amhara Bank S.C. United Bank S. C. Awash International Bank S. C. Bunna International Bank S. C. Global Bank Ethiopia NIB International Bank



In accordance with the Financial Reporting Proclamation No. 847/2014 and the Insurance Business Proclamation No. 746/2012, the National Bank of Ethiopia (NBE) has directed the Company to prepare financial statements in accordance with IFRS, whether their designation changes or they are replaced, from time to time.

The Company's Board of Directors are responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in Ethiopia and in the manner required by the Commercial Code of Ethiopia of 1243/2021, 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. The Company is required to keep such records as are necessary to:

- a) exhibit clearly and correctly the state of its affairs;
- b) explain its transactions and financial position; and
- c) enable the National Bank of Ethiopia to determine whether the Insurance company had complied with the provisions of the Insurance Business Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

The Company's Board of Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards, Insurance Business Proclamation, Commercial code of 1243/2021 and the relevant Directives issued by the National Bank of Ethiopia.

The Board is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss.

The Board further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Board to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:


Alemnew Tegen
Chief Executive Officer
December 19, 2025


Abate Sitotaw
Board Chairman
December 19, 2025

**ABAY INSURANCE S.C.
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024**

		30 June 2025	30 June 2024
	Notes	Birr'000	Birr'000
ASSETS			
Cash and bank balances	21	1,521,001	1,127,558
Investment securities:		-	-
– Available for sale	22a	383,967	362,308
– Loans and receivables	22b	71,644	39,863
Trade receivables	23	-	-
Reinsurance Contract Assets	29	449,902	495,009
Insurance Contract Assets		-	-
Other assets	24	88,368	38,856
Intangible assets	26	18,780	5,980
Current Income tax asset		-	-
Deferred tax asset		2,658	2,658
Property, plant and equipment	27	301,358	266,829
Statutory deposit	28	121,572	99,354
Total assets		2,959,248	2,438,415
LIABILITIES			
Reinsurance liabilities		-	-
Insurance liabilities	29	1,354,224	1,266,544
Trade payables		-	-
Other liabilities	31	317,020	157,480
Branch account		-	-
Current income tax liabilities	20c	27,572	15,905
Retirement benefit obligations	32	7,793	5,152
Deferred tax liabilities	20d	42,680	42,863
		-	-
Total liabilities		1,749,290	1,487,944
EQUITY			
Share capital	33	770,960	608,047
Share premium	33	1,351	1,351
Retained earnings	36	246,401	172,151
Fair value gain/loss on equity investment	19	70,915	75,644
Life fund reserve/Actuarial reserve		6,735	6,735
Legal reserve		113,596	86,541
Total equity		1,209,959	950,470
Total equity and liabilities		2,959,248	2,438,415

The notes on pages 30 to 127 are an integral part of these financial statements.

The financial statements on pages 26 to 127 were approved and authorised for issue by the board of directors on December 19, 2025 and were signed on its behalf by:



Alemnew Tegen
Chief Executive Officer
December 19, 2025



Abate Sitotaw
Board Chairman
December 19, 2025

ABAY INSURANCE S.C. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS AT JUNE 30, 2024

		30 June 2025	30 June 2024
	Notes	Birr'000	Birr'000
Insurance Revenue	6	884,733	785,579
Insurance Service Expense	7	(502,552)	(598,479)
Net Expenses from Reinsurance Contracts Held	8	(170,222)	(40,114)
Insurance Service Result		211,959	146,986
Investment income	13	207,540	154,964
Net finance expense from insurance contracts	9	16,019	23,221
Net finance income from reinsurance contracts	10	(6,888)	(11,381)
Net Financial Result		216,671	166,803
Other Income	14	30,951	24,833
Other Expenses (Non Attributable)	18	(144,457)	(100,128)
IFRS 9 Impairment	11	(2,239)	(1,382)
Profit Before Tax		312,884	237,112
Transfer from Life fund		-	-
Income Tax Expense	20b	(39,353)	(31,774)
Profit for the Year		273,531	205,338
Other comprehensive income (OCI) net of income tax		-	-
Items that will be subsequently reclassified into profit or loss:			
Net fair value gain/loss on equity investment	19	(6,757)	7,585
Deferred tax (liability)/asset on remeasurement gain or loss	20d	2,027	(2,276)
FVOCI (Equity Investments) re-measurement gain or loss (net of tax)		(4,730)	5,310
Items that will not be subsequently reclassified into profit or loss:		-	-
Remeasurement gain/(loss) on retirement benefits obligations	32	(1,674)	(694)
Deferred tax (liability)/asset on remeasurement gain or loss	20d	502	(208)
Defined benefit obligations re-measurement gain or loss (net of tax)		(1,172)	(902)
		(5,902)	4,408
Total comprehensive income for the year		267,629	209,746
Basic & diluted earnings per share (Birr)		365.34	347.76

The notes on pages 30 to 127 are an integral part of these financial statements.



Alemnew Tegen
Chief Executive Officer
December 19, 2025



Abate Sitotaw
Board Chairman
December 19, 2025



**ABAY INSURANCE S.C.
STATEMENT OF CHANGES IN EQUITY
AS AT JUNE 30, 2025**

		Share capital	Share premium	Life fund reserve	Retained earnings	Fair Valuation	Legal reserve	Total
	Notes	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
As at 1 July 2023		448,823	1,351	5,280	136,599	70,334	66,105	728,492
Profit for the year	36	-	-	-	211,463	-	-	211,463
Other comprehensive income:								-
Re-measurement gains on defined benefit plans (net of tax)	20	-	-	-	(902)	-	-	(902)
Total comprehensive income for the year		-	-	-	210,563	-	-	210,563
Issue of shares	33	159,224	-	-	-	-	-	159,224
Statutory reserve - IBNR (10%)		-	-	-	-	-	-	-
Transfer to legal reserve	37	-	-	-	(19,876)	-	19,876	-
Transfer to life fund liability of policyholders		-	-	-	(7,543)	-	-	(7,543)
Dividend paid	36	-	-	-	(137,414)	-	-	(137,414)
Directors compensation		-	-	-	(1,227)	-	-	(1,227)
Revaluation of equities		-	-	-	176	5,309	-	5,485
Prior years Adjustment		-	-	-	2,375	-	560	2,935
Prior years adjustment (IFRS 17&IFRS9)		-	-	-	(10,042)	-	-	(10,042)
Transfer to Life fund	31	-	-	1,455	(1,455)	-	-	0
Sub-total		159,224	-	1,455	(175,006)	5,309	20,436	11,418
As at 30 June 2024		608,047	1,351	6,735	172,155	75,642	86,541	950,472
					3		0	
As at 1 July 2024		608,047	1,351	6,735	172,155	75,642	86,541	950,469
Profit for the year	36	-	-	-	273,531	-	-	273,531
Other comprehensive income:								-
Re-measurement gains on defined benefit plans (net of tax)	20	-	-	-	(1,172)	-	-	(1,172)
Total comprehensive income for the year		-	-	-	272,359	-	-	272,359
Issue of shares	33	162,913	-	-	-	-	-	162,913
Transfer to legal reserve	37	-	-	-	(27,055)	-	27,055	-
Increase in actuarial liability - Long term Insurance		-	-	-	-	-	-	-
Dividend paid	36	-	-	-	(180,697)	-	-	(180,697)
Directors compensation		-	-	-	(1,300)	-	-	(1,300)
Revaluation of equities		-	-	-	-	(4,727)	-	(4,727)
Prior years Adjustment		-	-	-	10,942	-	-	10,942
Prior years adjustment (IFRS 17&IFRS9)		-	-	-	-	-	-	-
Transfer from Life fund	31	-	-	-	-	-	-	-
Sub-total		162,913	-	-	(198,110)	(4,727)	27,055	(12,869)
As at 30 June 2025		770,960	1,351	6,735	246,402	70,915	113,596	1,209,959

The notes on pages 30 to 127 are an integral part of these financial statements.



Alemnew Tegen
Chief Executive Officer
December 19, 2025



Abate Sitotaw
Board Chairman
December 19, 2025

ABAY INSURANCE S.C. STATEMENT OF CASH FLOWS AS AT JUNE 30, 2025

		30 June 2025	30 June 2024
	Notes	Birr'000	Birr'000
Cash flows from operating activities			
Cash generated from operations	38	598,255	438,211
Interest and dividend income	13	(207,540)	(154,964)
Rent Income		(7,118)	(4,388)
Interest paid		138	1,238
Income tax paid		(25,340)	(21,580)
Net cash (outflow)/inflow from operating activities		358,395	258,517
Cash flows from investing activities			
Purchase of equity investments	22	(28,416)	(49,780)
Dividend received	13	36,861	32,455
Interest received	13	170,679	122,509
Rent income received		7,118	2,647
Purchase of Intangible assets		(12,799)	(27)
Purchase of property, plant and equipment	27	(47,373)	(51,967)
Purchase of DBE Bond	16	(31,780)	(24,100)
Interest on Government bonds			-
Proceeds from sale of property, plant and equipment	38	47	616
Additional investment in fixed time deposit	21	(186,584)	(214,069)
Increase in Statutory deposit	28	(22,244)	(29,303)
Net cash (outflow)/inflow from investing activities		(114,491)	(211,019)
Cash flows from financing activities			
Proceeds from issues of shares	33	162,913	159,224
Payment of lease liability		(17,585)	(16,270)
Interest paid		(138)	(1,238)
Directors compensation		(1,300)	(1,227)
Dividend paid	36	(180,697)	(137,414)
Net cash (outflow)/inflow from financing activities		(36,807)	3,075
Net increase/(decrease) in cash and cash equivalents		207,097	50,572
Cash and cash equivalents at the beginning of the year	21	284,821	234,249
Cash and cash equivalents at the end of the year	21	491,918	284,821

The notes on pages 30 to 127 are an integral part of these financial statements.

Alemnew Tegen
Chief Executive Officer
December 19, 2025

Abate Sitotaw
Board Chairman
December 19, 2025



ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

1 General information

Abay Insurance S.C. ("the Company") is a private commercial Insurance company domiciled in Ethiopia. The Company was established on January 1, 2010 in accordance with the provisions of the Commercial code of Ethiopia of 1960 and it is licensed by the National Bank of Ethiopia on July 31, 2010 (G.C) to underwrite non-life insurance risk. On June 20, 2016, the Company received the license from the National Bank of Ethiopia to start Long term (Life) Insurance business. The company's registered Head office is at:

Bole Kifle Ketema
Wereda 3
House No. 377
Addis Ababa,
Ethiopia

The Company is principally engaged in the provision of insurance services to a wholesale, retail and SME clients base in Ethiopian market.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Basis of preparation

The financial statements for the year ended 30 June 2025 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations are included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept.

All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in thousands of Ethiopian Birr (Birr' 000).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

2.2.1 Going concern

The financial statements have been prepared on a going concern basis. The management have no doubt that the Company would remain in existence after 12 months.

2.2.2 Changes in accounting policies and disclosures

New Standards, amendments, interpretations issued & to be applied in the financial year ended.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 30 June 2024, as set out below. Although numerous new standards, interpretations, and amendments to existing standards were released, the Company evaluated their significance to its operations and adopted only those that were relevant. Unless stated otherwise, the adoption of these new standards did not have a significant impact on the Company's operations.

Amendment to IAS 1 Presentation of financial statements

Amendment to IAS 1, "Presentation of financial statement" effective for annual periods beginning on or after 1 January 2024. These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'statement' of liability. The Company is currently assessing the impact of this amendment.

Disclosure of accounting policies (Amendments to IAS 1, Presentation of financial statement, and IFRS practices statement 2, making materiality judgments.)

The amendments seek to promote improved accounting policy disclosures that provide more useful information to investors and other primary users of the financial statements. Apart from clarifying that entities are required to disclose their 'material' rather than 'significant' accounting policy, the amendment provides guidance on applying the concept of materials to accounting policy disclosures.

Amendment to IAS 8, accounting policies, change in accounting estimates and errors -definitions of accounting estimate.

The amendments clarify the distinction between changes in accounting policies and changes in accounting estimates. Among other things, the amendment now defines accounting estimate as monetary amounts in financial statements that are subject to measurement uncertainty, and clarifies that the effects of change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. Entities are required to apply the amendment prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting periods in which the entity applies the amendments.



ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Amendment to IAS 12, income taxes. "deferred tax related to assets and liabilities arising from a single transaction.

The amendments narrow the scope of the recognition exemption in paragraph 15 and 24 of IAS 12 so that it does not apply to such transactions as leases and decommissioning provisions that, on initial recognition, give rise to equal taxable and deductible temporary differences. Consequently, entities will need to recognize a deferred tax liability for temporary differences arising on this transaction.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. Entities should apply the amendment to transactions that occur on or after the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date.

Amendment to IAS 1, Non current Liabilities with covenants.

Amendment to IAS 1, Non current Liabilities with covenants. These amendments clarify how conditions with an entity must comply within twelve months after the reporting period affect the classification of liabilities. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. Published January 2022 and November 2022, with effect date annual periods beginning on or after 1 January 2024. The adoption is not expected to have a material impact on the insurance's financial statements.

IFRS S1 General Requirements for Disclosure of Sustainability- related financial information

IFRS S1 sets out overall requirements for sustainability'-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. An entity is required to apply IFRS for annual reporting periods beginning on or after January 2024.

IFRS S2 –Climate-related Disclosures

IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. An Entity is required to apply IFRS S2 for annual reporting periods beginning on or after 1 January 2024.

IFRS 18

The objectives of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (Financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. IFRS 18 applies to all financial statements that are prepared and presented in accordance with International Financial Reporting Standards (IFRS).

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

IFRS 18 replaces IAS 1 and responds to investor demand for better information about and Entity's financial performance. IFRS 18 sets out the general and specific requirements for the presentation of financial statements and for disclosures in the notes. The new requirements of the standards include:-

- *Required totals, subtotal and new categories for the income and expense included in the statement of profit or loss
- *Disclosure about management-defined performance measures
- *Enhanced guidance on the grouping and location of information (aggregation and disaggregation)

Limited, but widely applicable, amendments have been made too other IFRS accounting standards, most notably IAS 7, IAS 33 and IAS 34. Some requirement previously include in IAS 1 have been moved to IAS 8, and that standard has also been renamed. IFRS 18, and the consequential amendments to other standards, are effective for reporting periods beginning on or after 1 January 2027, with earlier application permitted. Retrospective application is required in both annual and interim financial statements along with specified reconciliations for certain comparative period.

Amendment to IFRS 16-Leases on sale and Leaseback

The amendments to IFRS 16 introduce a new accounting model for variable lease payments in sale- and –leaseback transaction. This new model requires seller-lessees to reassess and potentially restate these in to since 2019. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

Key points of the amendments include:-

New accounting model for variable lease payment: The amendment introduce a new model that simplifies the accounting treatment of variable lease payments in sale-and -leaseback transaction.

Retrospective application: seller-lessees will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 potentially resulting in the need to restate their financial statements.

Potential impact on financial statement: The amendments may have a significant impact on the financial statement of entities that have entered into sale-and-leaseback transaction due to the potential need to restate prior periods.

Amendment to supplier Finance arrangements (IAS 7 and IFRS 7)

The amendments introduce two new disclosure objectives-one in IAS7 and another in IFRS7-for a Company to provide information about its supplierfinance arrangements that would enable users (investors) to assess the effects of these of these arrangements on the Company's liabilities and cash flows, and the Company's exposure to liquidity risk.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

The amendments to IAS 21 (The Effects of Changes in Foreign Exchange Rates) regarding the lack of exchangeability of foreign currency provide clearer guidance on how entities should account for foreign exchange transactions in situations where the foreign currency is not readily convertible into other currencies.

Key Implication:

Lack of Exchangeability: When a foreign currency is not readily convertible, it is considered to be "lacking exchangeability." This could be due to various reasons, such as government restriction or market limitations.

Functional Currency: The functional currency of an entity is the currency in which the entity primarily generates and expends cash. If the functional currency is different from the currency in which transactions are denominated, the entity needs to translate those transactions in to the functional currency.

Translation Adjustments: when translating foreign currency transactions in to the functional currency, entities may need to recognize translation adjustments. These adjustments are recognized in to other comprehensive income (OCI).

Lack of Exchangeability and Translation Adjustments: The amendments clarify that when a foreign currency lacks exchangeability, entities should not recognize translation adjustments for transactions denominated in that currency. This is because there is no reliable exchange rate available to translate the transactions.

Disclosures Requirements: Entities are required to disclose the reasons for the lack of exchangeabilities of a foreign currency and the impact on the financial statements.

Detailed Summary:

1. **Identify Lack of Exchangeabilities:** Entities need to assess whether a foreign currency is readily convertible. If it is not, the currency is considered to lack exchangeabilities.
2. **Determine Function Currency:** The functional currency of the entity is the primary currency used for generating and expending cash
3. **Translate Transactions:** Transaction denominated in foreign currencies are translated into the functional currency using appropriate exchange rates.
4. **Recognize Transaction Adjustment:** When translating transaction, entities may need to recognize translation adjustments in OCI.
5. **No Translation Adjustments for Lack of Exchangeabilities:** If a foreign currency lacks exchangeabilities, entities should not recognize translation adjustments for transition denominated in that currency.
6. **Disclosure Requirements:** Entities must disclose the reason for the lack of exchangeabilities and the impact on the financial statements.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Overall, the amendments to IAS 21 provide clearer guidance on the accounting treatment of foreign exchange transaction in situations where the foreign currency lacks exchangeabilities. This helps to ensure that financial statements accurately reflect the impact of foreign exchange fluctuations.
The above standards are not expected to materially affect the company's financial statements.

IFRS 17 & IFRS 9

On a global scale, IFRS 17 and IFRS 9 were implemented for the insurance industry on January 1, 2023. Although our organization initially intended to adopt these standards in July 2023, the need to align with our financial year and various internal challenges prompted us to postpone implementation until the 2024/2025 Fiscal year. This choice was influenced by the considerable complexity and costs associated with the new standards, as well as our objective to facilitate a smoother transition and reduce operational and reporting disruptions. In spite of the initial hurdles, we are pleased to announce that the implementation has now been successfully finalized. The financial statements for 2024, which include restated comparative figures, have been fully prepared in accordance with IFRS 17 and IFRS 9. This accomplishment represents a significant milestone in aligning our financial reporting with international standards and showcases the ongoing collaboration and commitment of all stakeholders involved.

IFRS 9 - Financial Instruments

This section outlines the accounting policies applied in accordance with IFRS 9 - Financial Instruments. The company applies IFRS 9 for all financial assets and financial liabilities.

The accounting policies for financial instruments are set out below:

a) The Company's Financial Instruments

The Company's financial instruments include cash and cash equivalents, deposits with financial institutions, government securities, trade and insurance receivables, staff loans and other payables.

b) Classification and Measurement

On initial recognition, financial assets are classified into one of the following categories:

Amortised cost

Financial assets held to collect contractual cash flows, where such cash flows represent solely payments of principal and interest (SPPI). Examples: deposits, government securities held to maturity, trade and insurance receivables.

Fair value through other comprehensive income (FVOCI)

Debt instruments held to collect contractual cash flows and for sale, meeting the SPPI criteria. Equity instruments not held for trading may also be designated as FVOCI at initial recognition.

Fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria for amortised cost or FVOCI.

Financial liabilities are measured at amortised cost, unless designated at FVTPL to eliminate accounting mismatches.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

c) Recognition, Reclassification and Derecognition

Financial assets and liabilities are recognised when the Company becomes a party to the contractual terms of the instrument.

A financial asset is derecognised when contractual rights to cash flows expire or are transferred and the Company has transferred substantially all risks and rewards.

A financial liability is derecognised when the obligation is discharged, cancelled or expires.

d) Subsequent Measurement

Amortised cost: Measured using the effective interest method, less any impairment losses.

FVTPL: Measured at fair value, with gains and losses recognised in profit or loss.

FVOCI: Measured at fair value, with changes recognised in OCI (except for impairment and interest on debt instruments, which are recognised in profit or loss).

e) Fair Value Measurement

Fair values are determined in accordance with IFRS 13 using the following hierarchy:

Level 1: Quoted prices in active markets.

Level 2: Observable inputs other than Level 1 prices.

Level 3: Unobservable inputs.

Carrying amounts of financial assets and liabilities measured at amortised cost approximate their fair values due to their short-term nature.

f) Impairment of Financial Assets (Expected credit loss (ECL) model)

The Company applies the expected credit loss (ECL) model to financial assets measured at amortised cost and debt instruments at FVOCI.

General approach:

Stage 1: 12-month ECL for assets without significant increase in credit risk.

Stage 2: Lifetime ECL where credit risk has increased significantly.

Stage 3: Credit-impaired assets (objective evidence of default).

ECL Calculation: ECLs are calculated based on three probability-weighted scenarios (e.g., base case, optimistic, pessimistic) to measure expected cash shortfalls. Key elements include:

- **Probability of Default (PD):** Estimate of likelihood of default over a given time horizon.
- **Exposure at Default (EAD):** Estimate of exposure at a future default date.
- **Loss Given Default (LGD):** Estimate of the loss incurred if default occurs.

Expected Credit loss will be computed as below

$$ECL = PD * EAD * LGD$$

Simplified approach for trade and insurance receivables:

Loss allowances are measured at lifetime ECL using a provision matrix based on historical default rates and forward-looking information. The National Bank of Ethiopia issued the following directive:

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Table1: Regulator's directive on trade receivables (SIB-52-2020)

S.N	Pase due date	Loss allowance
1	1-90 days	0%
2	91 - 180 days	25%
3	181 - 360 days	50%
4	More than 360 days	100%

Write-off:

Financial assets are written off when there is no reasonable expectation of recovery. Write-offs requires management approval and reduce the asset's carrying amount and impairment allowance. Recovery efforts may continue post write-off, and any recoveries are recorded as income.

g) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the company has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legal enforceable right must not be contingent on the future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the company or the counterparty.

General Business

30 June 2025

Exposure to credit risk

Financial Assets	Exposure	Stage 1	Stage 2	Stage 3	Impairment
Statutory deposit & Loans and receivables	119,195,461	178,793			178,793
Treasury Bonds					-
Cash at Bank	1,335,535,223	1,014,986			1,014,986
Unidentified cash balances					-
Trade receivables	30,969,139		2,641,668		2,641,668
Staff Loan	22,816,655			141,463	141,463
Placements					-
Corporate bonds					-
Total	1,508,516,478	1,193,780	2,641,668	141,463	3,976,910

30 June 2024

Exposure to credit risk

Financial Assets	Exposure	Stage 1	Stage 2	Stage 3	Impairment
Statutory deposit & Loans and receivables	82,618,325	127,712	-	-	127,712
Treasury Bonds	-	-	-	-	-
Cash at Bank	1,024,316,603	778,465	-	-	778,465
Unidentified cash balances	-	-	-	-	-
Trade receivables	10,430,612	-	889,316	-	889,316
Staff Loan	17,883,899	30,724	-	79,562	110,286
Placements	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Total	1,135,249,439	936,901	889,316	79,562	1,905,779



**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**
Life Business
30 June 2025
Exposure to credit risk

Financial Assets	Exposure	Stage 1	Stage 2	Stage 3	Impairment
Statutory deposit & Loans and receivables	7,227,676	10,842			10,842
Treasury Bonds					-
Cash at Bank	108,813,108	4,134			4,134
Unidentified cash balances					-
Trade receivables	3,264,568			1,705,737	1,705,737
Staff Loan	271,027			72,988	72,988
Placements					-
Corporate bonds					-
Total	119,576,379	14,976	-	1,778,724	1,793,700

30 June 2024
Exposure to credit risk

Financial Assets	Exposure	Stage 1	Stage 2	Stage 3	Impairment
Statutory deposit & Loans and receivables	3,811,397	5,893	-	-	5,893
Treasury Bonds	-	-	-	-	-
Cash at Bank	74,485,689	2,830	-	-	2,830
Unidentified cash balances	-	-	-	-	-
Trade receivables	2,983,029	-	-	1,558,632	1,558,632
Staff Loan	218,195	-	-	58,767	58,767
Placements	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Total	81,498,310	8,723	-	1,617,399	1,626,122

IFRS 15 - Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company is yet to assess the expected impact on this standard.

IFRS 17 - Insurance contracts

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

IFRS 17 was issued in May 2017 and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

This standard requires a company that issues insurance contracts to report insurance obligations and risks on the balance sheet as the total of:

- (a) the fulfilment cash flows—the current estimates of amounts that the insurer expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those cash flows; and
- (b) the contractual service margin—the expected profit for providing future insurance coverage (ie unearned profit).

The measurement of the fulfilment cash flows reflects the current value of any interest-rate guarantees and financial options included in the insurance contracts. The standard replaces IFRS 4 'Insurance contracts'. The standard is effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. The Company is currently assessing the expected impact on this standard.

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS)

The financial statements comprise statements of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows, and notes to the financial statements. Income and expenses, excluding the components of other comprehensive income, are recognized in profit or loss. Other comprehensive income comprises items of income and expenses that are not recognized in profit or loss as required or permitted by IFRS. Transactions with the owners Company in their capacity as owners are recognized in the statement of changes in equity.

Transition Adjustments

The measurement adjustments (transitional adjustments) relate to the following:

The adjustments relate to:

- Discounting, which include present value of liability for incurred claims, representing the time value of money for claims expected to be settled in periods longer than one year
- The recognition of a risk adjustment for non-financial risk, a new concept required by IFRS 17, compared to the prudent margins required by IFRS 4:-



ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Changes To Classification and Measurement

IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company. The company being engaged in insurance business classifies its contracts into insurance contracts and reinsurance contracts. Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the Premium Allocation Approach (PAA). The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognized as revenue for insurance services provided.

Measurement of the liability for remaining coverage involves an explicit inclusion of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component.

Measurement of the liability for incurred claims is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability for incurred claims includes the Group's obligation to pay other incurred insurance expenses.

The liability for remaining coverage and liability for incurred claims are presented separately for insurance contracts issued and reinsurance contracts held.

Changes to Presentation and Disclosure

For presentation of statement of financial position for the year, the Company aggregates insurance contracts issued, and reinsurance contracts held, respectively and presents separately:

- Portfolio of insurance issued that are assets.
- Portfolio of insurance issued that are liabilities.
- Portfolio of reinsurance contracts held that are assets.
- Portfolio of reinsurance contracts held that are liabilities.

The portfolio referred to above are those established at initial recognition in accordance with IFRS 17 requirements.

The line-item description in the statement of profit or loss and other comprehensive income that have been changed significantly compared with the last year are as follows:

Previously Reported Under IFRS 4:

- Gross premiums written.
- Net earned premiums.
- Gross claims incurred and policyholder benefits expenses.
- Net claims and benefits

Instead, IFRS 17 requires a separate presentation of:

Insurance revenue
Insurance service expenses

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Net Expenses From reinsurance Contracts Held

Finance Expenses from Insurance Contracts

Finance Expenses from Reinsurance Contracts

Insurance and Reinsurance Contracts

Definition and Classification

Insurance contracts are contracts under which the Company accepts significant insurance risk from an insurer by agreeing to compensate the insurer if a specified uncertain future event adversely affects the insurer.

In making this assessment, all substantive rights, and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk (i.e. if there is scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

The Company uses reinsurance agreements, to reduce its exposure to risks assumed, to increase its aggregate underwriting capacity. The ceding of risk to reinsurer does not relieve the Company from its direct obligations to its insured.

The Company does not write any investment contract with discretionary participation features or reinsurance contracts with direct participation features.

Recognition

The Company recognizes groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstance indicate that the group is onerous.

The Company recognizes a group of reinsurance contracts held, it has entered into, from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held.
- The date the company recognizes an onerous group of underlying reinsurance contracts held at or before that date.

Contract Boundary

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

The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of the benefits that fully reflects those risks. Both of the following criteria are satisfied:



ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as result, can set a price or level of benefits that fully reflects the risks of that portfolio.
- The pricing of the premiums up to the date when risks are assessed does not take into account the risks that relate to periods after reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognized. Such amounts relate to future insurance contracts.

Insurance Contracts Initial Measurement

The Company applies the premium allocation approach (PAA) to all the insurance contracts that it issue and reinsurance contracts it holds, as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary; or
- For contracts longer than one year, the Company has done Simple PAA Eligibility test to check the proportion of the premium of these contracts compared to the entire premium.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for the remaining coverage as follows:

- The premiums. If any, received at initial recognition,
- Minus any insurance acquisition cashflow at the date
- Plus or minus any amount arising from the de-recognition at the date of the asset recognized for insurance acquisition cashflow and
- Any other assets or liability previously recognized for cashflow related to the group of contracts that Company pays or receives before the group of insurance contracts recognized.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if net outflows is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognizes a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfillment cashflow. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognized.

Subsequent Measurement

The Company measures the carrying amount of the liability for the remaining coverage at the end of each reporting period as the liability for the remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Minus insurance acquisition cashflow
- Plus or minus any amount arising from the de-recognition at that date of the asset recognized for insurance acquisition cashflow
- Plus any amounts relating to the amortization of the insurance acquisition cashflow recognized as an expense in the reporting period for the group

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

- Plus any adjustment to the financing component, where applicable
- Minus the amount recognized as insurance revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims.

The Company estimates the liability for incurred claims as the fulfillment cashflow related to incurred claims. The fulfillment cashflow incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cashflow, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (risk adjustment).

Reinsurance Contracts Initial Measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognizes a loss on initial recognition of an onerous contract group of underlying reinsurance contracts or when further underlying onerous reinsurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for the remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognized on the underlying insurance contracts and the percentage of Reinsurance UPR on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held.

Subsequent Measurement

The subsequent measurement of reinsurance contracts held follows the same principle as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Modification & De-recognition

The Company de-recognizes insurance contract when:

- The rights and obligations relating to the contract are extinguished (i.e. discharged, canceled or expired), or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company de-recognizes the initial contract and recognizes the modified contract as a new contract.

Insurance Acquisition Cashflow

Insurance acquisition cashflow arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.



ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

PRESENTATION

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognized for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows under (iii)) are included in the carrying amount of the related

The Company dis-aggregates amounts recognized in the statement of profit or loss and OCI into:

A insurance service result, comprising insurance revenue and insurance service expenses; and insurance finance income or expenses.

Income and expenses from insurance contracts are presented separately from income and expenses from insurance contracts

Income and expenses from reinsurance contracts, other than reinsurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the reinsurance service result.

The Company does not disaggregated changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investments component) allocated to the period. The Company allocated the expected premium receipts to each period of the insurance contract services on the basis of the passage of time. But if the expected patter of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. For the periods presented, all revenue has been recognized on the basis of passage of time.

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognized in profit or loss generally as they are incurred. They comprise the following items. Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Net Income Or Expenses From reinsurance Contracts Held

The Company presents separately on the face of statement of profit and loss, the amounts expected to be recovered from insurers, net of allocation of the insurance premiums paid.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Insurance Finance Income And Expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

Future Cash flows Flow (FCF) and comprising the Present Value of Future Cash Flow (PVFC) with an appropriate

The effect of the time value of money and changes in the time value of money; and

The effect of financial risk and changes in financial risk.

The Company allocates reinsurance finance income or expenses on insurance contracts issued to profit or loss.

Discount Rate

The Company adopts a bottom-up approach in deriving the appropriate discount rates.

Under this approach, this discount rate determined is the risk-free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cashflow (known as illiquidity premiums).

Risk Adjustment

IFRS 17 requires entities to measure reinsurance contracts at initial recognition as the sum of the following items:

- Future Cash Flow (FCF) and comprising the Present Value of Future Cash Flows (PVFCF) with an appropriate
- Risk Adjustment (RA) for non-financial risk.

The risk adjustment for non-financial risk is the compensation that the entity requires for bearing the uncertainty about the amount and timing of cashflow that arises from non-financial risk.

Derivation Of The Risk Adjustment

The Company has determined that the derivation of the risk adjustment shall be performed at the operating level using an appropriate methodology that is in line with IFRS17 guidelines.

The Risk Adjustment for the Liability for Incurred Claims (LIC) has been estimated Value at Risk Method.

The Company applies judgment to determine the appropriate Risk Adjustment based on the non-financial risks associated with their portfolios of insurance and reinsurance contracts to determine the desired Risk Adjustments.

The Company will set confidence level in the range of the 60th to 90th percentile.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

2.3 Foreign currency translation

a) **Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The functional currency and presentation currency of the Company is the Ethiopian Birr (Birr).

b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognised in profit or loss within other (loss)/income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value, such as equities classified as available for sale, are included in other comprehensive income.

2.4 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in income statement as incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Asset class	Depreciation rate (years)	Residual value (%)
Buildings	2% (50 Years)	5%
Motor vehicles	10% (10 Years)	5%
Furniture & fittings	10% (10 Years)	1%
Office equipment	14.29% (7 Years)	1%
Computer & accessories	14.29% (7 Years)	1%
Lift	6.67% (15 Years)	1%

The Company commences depreciation when the asset is available for use.

Capital work-in-progress is not depreciated as these assets are not yet available for use. They are disclosed when reclassified during the year.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.5 IFRS 16 - Leases

i) Company acting as a lessee

At the inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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 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 substance fixed lease payments.

The company has elected not to recognize right-of-use assets and lease liability for short term leases of branch office rent that have a lease term of 12 months or less and leases of low-value assets. The company recognizes the lease payments associated with these leases as an expense on straight-line basis over the lease term.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

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 recognizes 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.

2.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expenses on intangible assets with finite lives is presented as a separate line item in the income statement.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follow:

Intangible assets class Useful lives (years)

Core application software 12.5% (8 Years)

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

2.7 Statutory deposits

Statutory deposits are cash balances held with the National Bank of Ethiopia in line with Article 20 of Insurance Business Proclamation No. 746/2012 and may not be withdrawn except with the written permission of the National Bank, or be used as pledge or security for any loan. They have been separately disclosed due to their nature and liquidity. Statutory deposits are measured at cost.

The company has acquired saving bonds from the government of the federal democratic republic of Ethiopia bearing interest at rate of 6% &/or 8% per annum. Interest income from these bonds are exempted from income tax.

2.8 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

2.10. Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.



ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

2.10.1 Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement of the Company's financial assets are classified into two categories:

- Loans and receivables
- Available-for-sale financial investments

a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest and similar income in income statement. The losses arising from impairment are recognised in income statement in loan impairment charge.

The Company's loans and receivables comprise of trade receivables, investment securities and other financial assets. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

b) *Available-for-sale (AFS) financial assets*

AFS investments include equity investments. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to income statement in impairment loss on financial instrument. Interest earned whilst holding AFS financial instrument is reported as interest and similar income using the EIR method. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets to held to maturity (HTM) if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category e.g debt instruments, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss. Refer to the information below under reclassification.

'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Company immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Other operating income'.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

Reclassification of financial assets

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Company does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

The Company may reclassify a non-derivative trading asset out of the 'held-for-trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

If a financial asset is reclassified, and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from date of change in estimate.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) the Company has transferred substantially all the risks and rewards of the asset, or
 - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as loans and receivables), the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of 'Interest and similar income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'loan impairment charge'.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Available-for-sale (AFS) financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

2.10.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss and other financial liabilities.

All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. The Company's financial liabilities include customer's deposits, margin held on letter of credits, and other liabilities. Interest expenditure is recognised in interest and similar expense.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortised cost

These are financial liabilities issued by the Company, that are not designated at fair value through profit or loss but are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities at amortised cost are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

All financial liabilities of the Company are carried at amortised cost.

Derecognition of financial liabilities

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.10.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Company has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legal enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11 Reinsurance assets

The Company cedes business to reinsurers in the normal course of business for the purpose of limiting its net loss potential through the transfer of risks as described in note 2.12. Premium ceded comprise gross written premiums. Reinsurance arrangements do not relieve the Company from its direct obligations to its policy holders.

Reinsurance assets are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract. The Company has the right to set off reinsurance payables against amounts due from reinsurers and brokers in line with the agreed arrangements between both parties.



ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

2.12 Other assets

Other assets are generally defined as claims held against other entities for the future receipt of money or other benefits. The other assets in the Company's financial statements include the following:

(a) **Prepayments**

Prepayments are payments made in advance for services to be enjoyed in future. The amount is initially capitalized in the reporting period in which the payment is made and subsequently amortised over the period in which the service is to be enjoyed.

(b) **Other receivables**

Other receivables are recognised upon the occurrence of event or transaction as they arise and cancelled when payment is received. The Company's other receivables are rent receivables and other receivables from debtors.

(c) **Staff loan**

Staff loans are given to staffs free of interest. The loans are measured at amortised cost using the effective interest rate. Loans granted to staff at below market rates are fair valued by reference to expected future cash flows and current market interest rates for instruments in a comparable or similar risk class and the difference between the historical cost and fair value is accounted for as employee benefits under staff costs.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with Banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents include cash and bank balances.

2.14 Insurance contracts

Classification

The Company enters into insurance contracts as its primary business activity. Insurance contracts are those that the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary, if a specified uncertain future event (the insured event) adversely affects the policyholder or the other beneficiary.

Recognition and measurement

In line with IFRS 4 p37(a), the Company's Insurance contracts are classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

i) Short-term insurance contracts

These contracts are accidents and casualty, property and short-duration life insurance contracts.

Accidents and casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Short-duration life insurance contracts protect the Company's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. the Company does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

ii) Long-term insurance contracts

These contracts insure events associated with human life (for example, death or survival) over a long duration.

Premiums are recognised as revenue when they are paid by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.



ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums paid over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contracts in force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid. The liabilities are recalculated at each end of the reporting period using the assumptions established at inception of the contracts.

2.15 Liability adequacy test of insurance contracts liabilities and related assets

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred acquisition costs. 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 initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

As set out in (a) above, long-term insurance 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. Any DAC written off as a result of this test cannot subsequently be reinstated.

2.16 Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 2.12 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

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

In certain cases, a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Company's property or accident and casualty insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Company for the related claim, the difference is amortised over the estimated remaining settlement period.

The Company assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets. These processes are described in Note 2.9.

2.17 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables.

The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.9.

2.18 Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). the Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2.19 Revenue recognition

a) Grosspremiums



ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Gross recurring premiums on life and non-life contracts are recognised as revenue when paid by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective. Gross general insurance written premiums comprise the total premiums received for the whole period of cover provided by contracts entered into during the reporting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the reporting period for premiums received in respect of business written in prior accounting periods. Rebates that form part of the premium rate, are deducted from the gross premium; others are recognised as an expense.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated using 1/24th method. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Based on National Bank of Ethiopia's "No Premium No Cover" guidelines which state that "all insurance covers shall be provided on a strict 'no premium no cover' basis", only cover for which payment has been received are recognised.

b) Reinsurance premiums

Gross outward reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are paid or when the policy becomes effective. Gross general reinsurance premiums ceded comprise the total premiums paid for the whole cover provided by contracts entered into in the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums ceded in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts. Reinsurance premiums and claims on the face of the statement of profit or loss have been presented as negative items within premiums and net benefits and claims, respectively, because this is consistent with how the business is managed.

c) Fees and commission income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. Policy administration service is considered as other operating income as per IFRS 17.

d) Investment income

Investment income comprises interest income earned on short term deposits and dividend income.

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the EIR method. Fees and commissions that are an integral part of the effective yield of the financial asset are recognised as an adjustment to the EIR of the instrument.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

e) Dividend income

This is recognised when the Company's right to receive the payment is established, which is generally when the shareholders approve and declare the dividend.

2.20 Gross benefits and claims

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared. Changes in the gross valuation of insurance are also included. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

2.21 Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

2.22 Finance cost

Finance cost is recognised in the statement of profit or loss as it accrues and is calculated by using the EIR method. Accrued interest is included within the carrying value of the interest bearing financial liability.

2.23 Employee benefits

(a) Wages, salaries and annual leave

Wages, salaries, bonuses, other contributions, paid annual leave are accrued in the year in which the associated services are rendered by employees of the Company.

(b) Defined contribution plan

Defined contribution plans is a plan where an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Company operates two defined contribution plans;

i) pension scheme in line with the provisions of Ethiopian pension of private organisation employees proclamation 1268/2022. Funding under the scheme is 7% and 11% by employees and the Company respectively;

ii) provident fund contribution, funding under this scheme is 7% and 11% by employees and the Company respectively based on the employees' salary.

The Company has no further payment obligations once the contributions have been paid. Employer's contributions to this scheme are charged to profit or loss in the year in which they relate.



ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

(c) *Defined benefit plan*

The Company operates a defined benefit severance scheme in Ethiopia where members of staff who have spent 5 years or more in employment are entitled to benefit payments upon retirement. The benefit payments are based on final emolument of staff and length of service. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of gratuity benefit that an employee will receive on retirement usually dependent on one or more factors such as age, years of service and compensation.

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past-service costs are recognised immediately in income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

2.24 Fair value measurement

The Company measures financial instruments classified as available-for-sale at fair value at period end/or year end. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are, summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Note 4.7.1 and Notes 3
- Quantitative disclosures of fair value measurement hierarchy Note 4.7.2
- Financial instruments (including those carried at amortised cost) Note 4.7.3

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level1 —Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level2— Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as available-for-sale financial assets. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.25 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as other operating expenses.



ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

2.26 Share capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds. The excess of the issue price over the par value is recorded in the share premium reserve.

2.27 Dividend

Dividend on the Company's ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividend distribution to the Company's shareholders is recognised as equity in the financial statements in the period in which the dividend is paid to the Company's shareholders.

2.28 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding for the efforts of all diluted potential ordinary shares.

2.29 Income taxation

(a) Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

(b) Deferred tax (continued)

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.30 Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The company's primary format for segment reporting is based on business segment.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Capital management Note 4.6
- Financial risk management and policies Note 4
- Sensitivity analyses disclosures Note 4.5.2

3.1 Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Valuation of insurance contract liabilities

The liability for life insurance contracts is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time together with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflects management's best current estimate of future cash flows.

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs (DAC) and are amortised to the consolidated statement of profit or loss over time. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment write-offs to the consolidated statement of profit or loss.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on standard industry Euroland and American mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, these could result in significant changes to the expected future mortality exposure.

Non-life insurance contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques known as Chain Ladder.

The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Impairment losses on loans and receivables

The Company determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 4.7.2 for further disclosures.

Defined benefit plans

The cost of the defined benefit pension plan, long service awards, gratuity scheme and post-employment medical benefits and the present value of these defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Liabilities arising from insurance contracts

Liabilities for unpaid claims are estimated on case by case basis. The reserves made for claims fluctuate based on the nature and severity of the claim reported. Claims incurred but not reported are determined using statistical analyses and the Company deem the reserves as adequate.

4 Insurance and financial risk management

4.1 Introduction

Risk is inherent in the Company's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to insurance and financial (credit, liquidity and market) risk. It is also subject to country risk and various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Company's policy is to monitor those business risks through the Company's strategic planning process.

4.1.1 Risk management structure

Abay Insurance S. C. follows a five step process to Enterprise Risk Management (ERM) which is in line with the approaches of both COSO (The Committee of Sponsoring Organizations of the Treadway Commission) and ISO (International Organization for Standardization). The steps are establish context, identify risks, analyze risks, evaluate risks and address risks. The Board of Directors is ultimately responsible for the company's ERM policies and practices. The Chief Executive Officer is responsible for ensuring risks are managed across all activities and supporting the implementation of the ERM framework. The ERM and Compliance manager is responsible for establishing and monitoring the process for the management of risk throughout the company.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

The Enterprise Risk Management (ERM) and Compliance Unit is responsible for implementing and maintaining risk related procedures, independently assesses and monitor the level of risk assumed by the Company. Besides, the Risk Management Unit is responsible for monitoring compliance with risk principles, policies and limits across the Company. It carries out an assessment of risk on periodic basis to monitor the Company's overall risk, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. Exceptions are reported, where necessary, to the Board's Risk Committee and the relevant actions are taken to address exceptions and any areas of weakness. The unit works closely with the Management Risk Committees to ensure that procedures are compliant with the overall framework. The unit is functionally responsible to the Board. The risk management has also reporting relationship with internal audit function. Internal audit function among others ensures the effectiveness of the risk management function periodically. Internal Audit Function discusses the results of its assessments with management, and reports its findings and recommendations to the Board Audit Committee.

The Finance & Investment Department is responsible for managing the financial assets, financial liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Company.

4.1.2 Risk measurement and reporting systems

The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical model. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected regions. In addition, the Company measures and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

4.1.3 Risk mitigation

The Company uses various risk mitigating techniques to reduce its risk to the level acceptable. Risk controls and mitigants, identified and approved for the Company, are documented for existing and new processes and systems.

The adequacy of these mitigants is tested on a periodic basis through administration of control self-assessment questionnaires, using an operational risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently reviewed as part of the review process.



ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

4.2 Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is surplus which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the company substantially dependent upon any single reinsurance contract.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Life insurance contracts

Life insurance contracts offered by the Company include: endowment, term assurance, and permanent health.

The main risks that the Company is exposed to are as follows:

- ▶ Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- ▶ Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- ▶ Expense risk – risk of loss arising from expense experience being different than expected
- ▶ Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected. These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured or by industry.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims' handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs. the Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The following tables show the concentration of life insurance contract liabilities by type of contract.

30 June 2025

	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Group yearly term	12,057	(8,242)	20,299
Group Endowment	95	-	95
Group Medical	25,703	-	25,703
Individual Term	33	-	33
Total life insurance	37,888	(8,242)	46,130

30 June 2024

	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Group Term	8,677	(10,033)	18,710
Medical	176	-	176
Mortgage Redemption Insurance	8,208	-	8,208
Individual Term	4,206	-	4,206
Total life insurance	21,267	(10,033)	31,300

Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows:

► **Mortality and morbidity rates**

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

► **Longevity**

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Company's own risk experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

► **Expenses**

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

► **Discount rate**

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

Sensitivities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

		30-Jun-25 Best estimate Birr'000	Increase Birr'000	Decrease Birr'000
	Change in assumptions			
Mortality rate	+10%	36,592	1	1
Expenses	+10%	36,592	4	4
Lapse and surrenders rate	+1%	36,592	(1)	(1)
Investment return/discount rate	+10%	36,592	1	1

		30-Jun-24 Best estimate Birr'000	Increase Birr'000	Decrease Birr'000
	Change in assumptions			
Mortality rate	+10%	20,819	0	(0)
Expenses	+10%	20,819	5	(5)
Lapse and surrenders rate	+1%	20,819	(2)	2
Investment return/discount rate	+10%	20,819	(1)	1

Non- life insurance contracts

The Company principally issues the following types of general insurance contracts: engineering& energy, general liability, marine and transit, motor, personal accident, pecuniary, fire and lightening, workmen compensation, aviation. Risks under non-life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk. For healthcare contracts, the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvement.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

The table below sets out the concentration of non-life insurance contract liabilities by type of contract:

30 June 2025

	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Accident	12,723	616	12,106
Aircraft	-	-	-
Burglary	563	246	317
Engineering	59,583	16,615	42,968
Fire	31,200	10,842	20,359
Goods in Transit	-	-	-
Liability	48,614	2,020	46,594
Marine	16,782	2,000	14,783
Medical Expense	-	-	-
Motor	545,109	39,752	505,357
Others	-	-	-
Pecuniary	581,195	479,358	101,836
PVT	16,925	9,270	7,655
Workmen's Compensation	3,647	125	3,522
Total non-life insurance	1,316,341	560,844	755,498

30 June 2024

	Gross Birr'000	Reinsurance Birr'000	Net Birr'000
Accident	14,723	633	14,089
Aircraft	-	-	-
Burglary	-	84	(84)
Engineering	44,516	8,033	36,482
Fire	24,178	5,158	19,020
Goods in Transit	-	-	-
Liability	12,520	(657)	13,176
Marine	5,753	(54)	5,807
Medical Expense	-	-	-
Motor	412,096	64,175	347,921
Others	26	-	26
Pecuniary	718,004	567,584	150,420
PVT	10,199	6,730	3,469
Workmen's Compensation	3,262	108	3,154
Total non-life insurance	1,245,277	651,794	593,482

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Sensitivities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

		Change in liability	
		30 June 2025	30 June 2024
	Change in assumptions	Birr'000	Birr'000
Average claim cost	+10%	5,810	5,810
Average number of claims	+10%	5,810	5,810

		Change in liability	
		30 June 2025	30 June 2024
	Change in assumptions	Birr'000	Birr'000
Average claim cost	10%	6,840	(5,810)
Average number of claims	-10%	(6,840)	(5,810)

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

Gross non-life insurance contract outstanding claims provision for 2025:

Accident year	2020	2021	2022	2023	2024	2025	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
2019	130,438	176,783	70,077	57,130	223,650	398,334	1,056,412
2020	-	-	1,057	309	10,178	-	11,544
2021	-	-	3	183	-	-	186
2022	-	40	-	-	-	-	40
2023	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-

**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**

	130,438	176,823	71,137	57,622	233,828	398,334	1,068,182
Cumulative	130,440	176,785	71,136	57,441	233,831	398,336	1,068,182
Incurred	229	8,570	31,701	43,232	58,101	68,395	210,228
IBNR							
Ultimate	130,669	185,356	71,136	100,672	291,931	466,731	1,278,410
Claims							
Projected							

Gross non-life insurance contract outstanding claims provision for 2024:

Accident year	2019 Birr'000	2020 Birr'000	2021 Birr'000	2022 Birr'000	2023 Birr'000	2024 Birr'000	Total Birr'000
2019	252,323	267,949	250,562	192,601	311,435	194,310	1,469,181
2020	877	951	1,078	5,285	7,314	-	15,505
2021	104	80	317	4,585	-	-	5,086
2022	186	53	40	-	-	-	280
2023	25	-	-	-	-	-	25
2024	-	-	-	-	-	-	-
	253,515	269,034	251,997	202,471	318,749	194,310	1,490,076
Cumulative	253,515	269,034	251,997	202,471	318,749	194,310	1,490,076
Incurred	11	229	8,570	31,701	43,232	58,101	141,844
IBNR							
Ultimate	253,526	269,263	260,567	202,471	361,981	252,411	1,631,920
Claims							
Projected							

**4.3 Financial risk
Financial instruments by category**

The Company's financial assets are classified into the following measurement categories: available-for-sale and loans and receivables and the financial liabilities are classified into other liabilities at amortised cost. Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.

The Company's classification of its financial assets is summarised in the table below:

	Notes	Available-For-Sale	Loans and receivables	Total
30 June 2025		Birr'000	Birr'000	Birr'000
Cash and bank balances	21		1,522,022	1,522,022
Investment securities:				-
– Available for sale	22a	383,967		383,967
– Loans and receivables	22b		71,710	71,710
Reinsurance Contract Assets	29		449,902	449,902
Other assets	24		88,368	88,368

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Statutory deposit	28		121,572	121,572
Total financial assets		383,967	2,253,574	2,637,541
30 June 2024	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and bank balances	21		1,127,558	1,127,558
Investment securities:				-
– Available for sale	22a	362,308		362,308
– Loans and receivables	22b		39,863	39,863
Reinsurance Contract Assets	29		495,009	495,009
Other assets	24		38,856	38,856
Statutory deposit	28		99,354	99,354
Total financial assets		362,308	1,800,640	2,162,948

4.4 Credit risk

Credit risk is the risk of financial loss resulting from the failure of a debtor to honour its obligations to the company. It includes defaults related to fixed income investments like portfolio of bonds, outstanding premiums, staff loan, amounts that are due from reinsurers and sundry debtors.

4.4.1 Management of credit risk

The company measures credit risk by considering the following points; Ratio of total debtors to statutory equity should be less than 50%; Ratio of due from reinsurers to statutory equity should be less than the same ratio computed at industry level; Investment in treasury bills/bonds and bank deposits should be more than 60% of admitted assets for general insurance business and more than 50% of admitted assets for long term insurance businesses; Aggregate bank deposits held with any one bank shall not exceed 15% of total admitted assets for both general insurance and long term insurance businesses.

The company does not hold collateral or any other enhancements against any of its receivables as at 30 June 2025.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

The Company has placed more responsiveness on effective management of credit risk exposure that relates to trade receivables. In general, the regulator has laid great emphasis on "No Premium, No Cover" and this has positively changed the phase of credit management within the industry. The Company defines credit risk as the risk of counterparty's failure to meet its contractual obligations. Credit risk arises from insurance cover granted to parties with payment instruments or payments plan issued by stating or implying the terms of contractual agreement. The Company has placed stringent measures to guard against credit default. The Company's credit risk exposure to brokered business is very low as the Company does not allow brokers receive premium on its behalf.

The Company has made full provision of all its trade receivables that it had before the "No Premium, No Cover" policy.

Impairment model

Premium debtors are measured at amortized cost, less provision for impaired receivables. Under IFRS, an asset is impaired if the carrying amount is greater than the recoverable amount. The standard favours the use of the incurred loss model in estimating the impairment of its receivables. By the provisions of IAS 39, the impairment of the premium debtors is to be assessed at two different levels, individually or collectively. However, based on National Bank of Ethiopia's "No Premium No Cover" guidelines which state that "all insurance covers shall be provided on a strict 'no premium no cover' basis", only cover for which payment has been received shall be booked.

4.4.2 Maximum exposure to credit risk before collateral held or credit enhancements

(a) Types of credit exposure

The Company's maximum exposure to credit risk at 30 June 2025 and 30 June 2024 respectively, is represented by the carrying amounts in the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Cash and bank balances	1,521,001	1,127,558
Investment securities:		
– Available for sale	383,967	362,308
– Loans and receivables	71,644	39,863
Reinsurance Contract Assets	449,902	495,009
Other assets	88,368	38,856
Statutory deposit	121,572	99,354
Total maximum exposure	2,636,453	2,162,948

4.4.3 Credit quality analysis

(a) Credit quality of cash and cash equivalents

The credit quality of cash and bank balances and short-term investments that were neither past due nor impaired at as 30 June 2025 and 30 June 2024 and are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. The Company does not hold Cash and cash equivalents in foreign banks.

**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**

	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Impaired Birr'000	Total Birr'000
30 June 2024				
Trade receivables:				
Due from policy holders	-	-	440	440
Re-insurance Contract Assets	495,009	-	-	495,009
Gross	495,009	-	440	495,009
Less: Impairment allowance(note 19a)	-	-	(440)	(440)
Net	495,009	-	-	495,009
	Neither past due nor impaired Birr'000	Past due but not impaired Birr'000	Impaired Birr'000	Total Birr'000
Other assets				
Staff loan	18,132			18,132
Staff saving	260			260
Staff debtors	1,437	-	-	1,437
Other debtors	5,977			5,977
Gross	25,806	-	-	25,806

	0-1 year Birr'000	1-3 years Birr'000	3-5 years Birr'000	> 5 years Birr'000	Total Birr'000
30 June 2025					
Insurance contract liabilities	98.19%	1.73%	0.08%	0.00%	
	1,292,552	22,747	1,042	-	1,316,341
	38,133	671	31	-	38,835
	11	11	11		33
Other Liabilities	48,374	268,646			317,020
Total financial liabilities	1,379,070	292,075	1,084	-	1,672,228
	0-1 year Birr'000	1-3 years Birr'000	3-5 years Birr'000	> 5 years Birr'000	Total Birr'000
30 June 2024					
Insurance contract liabilities	98.19%	1.73%	0.08%	0.00%	
	681,889	506,738	40,541	16,109	1,245,277
	9,343	6,943	555	221	17,062
	1,402	1,402	1,402		4,206
Other Liabilities	25,105	132,375			157,480
Total financial	717,739	647,458	42,498	16,330	1,424,025

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Less: Impairment allowance(note 19a)				(169)
Net	25,806	-	-	25,637

Trade receivables - neither past due nor impaired

The credit quality of the portfolio of trade receivables that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Trade receivables in this category are receivables from contract holders (government customers) that are past due for less than 30 (thirty) days.

Trade receivables that have been classified as neither past due nor impaired are assessed on a collective basis.

Other assets

Other assets balances constitute, interest receivables, staff loan, staff saving, staff debtors and other debtors. The Company has an internal system of assessing the credit quality of other receivables through established policies and approval systems. The Company constantly monitors its exposure to these receivables via periodic performance review. The Company further manages its exposure to credit risk through deduction of transactions at source. The exposure to credit risk associated with other receivables is low.

4.4.4 Allowance for impairment

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for Companies of homogeneous assets in respect of losses that have been incurred but have not been identified on receivables subject to individual assessment for impairment.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Due from policy holders	440	440
Other assets	214	169
Total allowance for impairment	654	609

4.5 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Company on acceptable terms. It is measured based on the following standards: the ratio of total current liabilities to total current assets (liquidity ratio) should be less than 105%; the ratio of net claims incurred to net earned premium (claims ratio) should be less than 70%.



ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025

4.5.1 Management of liquidity risk

Cash flow forecasting is performed by the finance department. The finance department monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs. The Company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Company devises strategies to manage its liquidity risk.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Company's reputation.

4.5.2 Maturity analysis of financial liabilities

4.6 Market risk

Market risk is defined as the risk of loss risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk factors such as interest rates, foreign exchange rates, equity prices, credit spreads and their volatilities. Market risk can arise in conjunction with trading and non-trading activities of a financial institutions. The standard for determining the level of market risk is stated as follows: the ratio of investment in shares to admitted assets should be less than 20% for general insurance and 15% for long term insurance businesses; the ratio of investment in real estate to admitted assets should be less than 10% for general insurance business and less than 25% for long term insurance business.

The Company does not ordinarily engage in trading activities as there are no active markets in Ethiopia.

4.6.1 Management of market risk

The main objective of Market Risk Management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market risk is monitored by the risk management department on regularly, to identify any adverse movement in the underlying variables.

(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Borrowings obtained at variable rates give rise to interest rate risk.

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's obligations and financial assets with floating interest rates. The Company is also exposed on fixed rate financial assets and financial liabilities. The Company's investment portfolio is comprised of fixed time deposit, shares, Ethiopian government bonds and cash deposits.

The table below sets out information on the exposures to fixed and variable interest instruments.



ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

	Birr'000	Birr'000	Birr'000
Assets			
Cash and bank balances	1,521,001	-	1,521,001
Investment securities:			
– Available for sale	-	383,967	383,967
– Loans and receivables	71,644	-	71,644
Reinsurance Contract Assets	-	449,902	449,902
Statutory deposit	121,572	-	121,572
Total	1,714,216	833,869	2,548,085
Liabilities			
Trade payables	-	-	-
Other liabilities	-	166,109	166,109
Total	-	166,109	166,109
30 June 2024	Fixed	Non-interest bearing	Total
	Birr'000	Birr'000	Birr'000
Assets			
Cash and bank balances	1,127,558	-	1,127,558
Investment securities:			
– Available for sale	-	362,308	362,308
– Loans and receivables	39,863	-	39,863
Re-insurance Contract Assets	-	495,009	495,009
Statutory deposit	99,354	-	99,354
Total	1,266,775	857,317	2,124,092
Liabilities			
Trade payables	-	-	-
Other liabilities	-	51,034	51,034
Total	-	51,034	51,034

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The Company is not exposed to exchange rate risks as the Company does not have balances and transactions denominated in a currency other than the Ethiopian Birr.

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

4.7 Capital management

The Company's objectives when managing capital are to comply with the capital requirements set by the National Bank of Ethiopia, safeguard its ability to continue as a going concern, and to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

4.7.1 Margin of Solvency

According to the Licensing & Supervision of Insurance Business Margin of Solvency Directives No. SIB/45/2016 of the National Bank of Ethiopia, an insurer carrying on general insurance business shall keep admitted capital amounting to the highest of 25% of its technical provisions, or 20% of the net written premiums in the last preceding financial year, or the minimum paid capital. An insurer carrying on long term insurance business shall keep admitted capital amounting to the higher of 10% of technical provisions or the minimum paid up capital.

Margin of Solvency ratio is the excess of assets over liabilities to be maintained for General Insurance Business and Long-term Insurance Business. Admissible assets and liabilities stated below is in accordance with Margin of Solvency Directives No. SIB/45/2016.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Admissible assets		
Cash and bank balances	1,521,001	1,127,558
Investment securities:	-	-
– Available for sale	383,967	362,308
– Loans and receivables	71,644	39,863
Trade receivables	-	-
Reinsurance assets	449,902	495,009
Deferred acquisition cost	-	-
Other assets	88,368	38,856
Current income tax asset	-	-
Property, plant and equipment	301,358	266,829
Statutory deposit	121,572	99,354
Excluded assets:		
Prepaid Expense	(1,719)	(1,791)
Furniture & Fixture	(9,878)	(8,155)
Sundry Debtors	(52,406)	(37,415)
	2,873,808	2,382,415
Admissible liabilities		
Insurance contract liabilities	1,354,224	1,266,544
Trade payables	-	-
Other liabilities	317,020	157,480
Current income tax liabilities	27,572	15,905
Retirement benefit obligations	7,793	5,152
Deferred tax liabilities	42,680	42,863

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

	1,749,290	1,487,944
C Admitted capital (A-B)	1,124,518	894,471
D Net written premium	569,279	473,991
E Technical Provision	1,354,224	1,266,544
Solvency Margin		
F Limit of net premium 20% of net premium	113,856	94,798
G Limit of technical provision 25% technical provisoin.	338,556	316,,636
H Minimum paid up capital	75,000	75,000
Since C >G, Positive Solvency margin		

4.8 Fair value of financial assets and liabilities

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

4.8.1 Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

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

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

4.8.2 Financial instruments not measured at fair value

The following table summarises the carrying amounts of financial assets and liabilities at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	30 June 2025		30 June 2024	
	Carrying amount Birr'000	Fair value Birr'000	Carrying amount Birr'000	Fair value Birr'000
Financial assets				
Cash and bank balances	1,521,001	1,521,001	1,127,558	1,127,558
Investment securities:				
– Available for sale	383,967	383,967	362,308	6
– Loans and receivables	71,644	71,644	39,863	39,900
Reinsurance Contract Assets	449,902	449,902	495,009	252,101
Other assets	88,368	88,368	38,856	25,806
Statutory deposit	121,572	121,572	99,354	99,354
Total	2,636,453	2,636,453	2,162,948	1,544,725
Financial liabilities				
Insurance Liabilities		1,354,224		1,266,544
Other liabilities	317,020	317,020	157,480	51,034
Total	317,020	1,671,244	157,480	1,317,578

4.8.3 Fair value methods and assumptions

Loans and advances to customers

Trade receivables are carried at amortised cost net of provision for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Investment securities

Government Bonds are classified as loans and receivables and are measured at amortised cost. At inception, the fair value of the bond is the consideration paid and is adjusted for transaction costs.

4.8.4 Valuation technique using significant unobservable inputs – Level 3

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

The Company has no financial asset measured at fair value on subsequent recognition.

4.8.5 Transfers between the fair value hierarchy categories

During the three reporting periods covered by these annual financial statements, there were no movements between levels as a result of significant inputs to the fair valuation process becoming observable or unobservable.

4.9 Offsetting financial assets and financial liabilities

There are no offsetting arrangements except proportional reinsurance arrangements.

5 Segment information

Segment information is presented in respect of the Company's business segments which represents the primary segment reporting format and is based on the Company's management and reporting structure.

Revenue in these segments is derived primarily from insurance premium and investment income. Expenses for corporate units that render services for all business segments are initially paid by the general business segment and transferred to other business units at cost price. The expenses are allocated based on service man hours rendered by the corporate units to the various business segments.

Business segments

Non- life (General) Business- Includes general insurance transactions with individual and corporate customers.

Life Business- Includes life insurance policies with individual and corporate customers.

The segment information for the reporting segments for the year ended 30 June 2025 is as follows:

5.1 Statement of Financial Position - 30 June 2025

	General Business Birr'000	Life Business Birr'000	Total Birr'000
ASSETS			
Cash and bank balances	1,412,187	108,814	1,521,001
Investment securities:			-
– Available for sale	377,245	6,722	383,967
– Loans and receivables	71,644		71,644
Trade receivables			-
Reinsurance Contract Assets	458,144	(8,242)	449,902
Insurance Contract Assets			-
Other assets	86,418	1,950	88,368
Intangible assets	18,780		18,780
Current Income tax asset			-
Deferred tax asset	2,040	617	2,658
Property, plant and equipment	301,078	280	301,357
Statutory deposit	111,082	10,489	121,572
Total assets	2,838,618	120,630	2,959,248
LIABILITIES			

**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**

Reinsurance liabilities	-	-	-
Insurance liabilities	1,316,341	37,884	1,354,224
Trade payables	-	-	-
Other liabilities	313,978	3,042	317,020
Branch account	22,476	(22,476)	-
Current income tax liabilities	22,423	5,149	27,572
Retirement benefit obligations	7,793	-	7,793
Deferred tax liabilities	42,163	517	42,680
Total liabilities	1,725,174	24,116	1,749,290
EQUITY			
Share capital	700,960	70,000	770,960
Share premium	1,081	270	1,351
Retained earnings	228,618	17,784	246,401
Fair value gain/loss on equity investment	69,709	1,206	70,915
Life fund reserve/Actuarial reserve		6,735	6,735
Legal reserve	113,076	519	113,943
Total equity	1,113,444	96,514	1,209,959
Total equity and liabilities	2,838,618	120,630	2,959,248

5.2 Statement of Financial Position - 30 June 2024

	General Business Birr'000	Life Business Birr'000	Total Birr'000
ASSETS			
Cash and bank balances	1,053,075	74,483	1,127,558
Investment securities:			-
– Available for sale	356,688	5,620	362,308
– Loans and receivables	39,863		39,863
Trade receivables			-
Reinsurance Contract Assets	505,041	(10,033)	495,009
Insurance Contract Assets			-
Other assets	38,406	450	38,856
Intangible assets	5,980		5,980
Current Income tax asset			-
Deferred tax asset	2,040	617	2,658
Property, plant and equipment	266,433	396	266,829
Statutory deposit	96,360	2,994	99,354
Total assets	2,363,886	74,528	2,438,415
LIABILITIES			
Reinsurance liabilities	-	-	-
Insurance liabilities	1,245,277	21,267	1,266,544
Trade payables	-	-	-
Other liabilities	156,718	762	157,480

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Branch account	15,519	(15,519)	-
Current income tax liabilities	15,905	-	15,905
Retirement benefit obligations	5,152	-	5,152
Deferred tax liabilities	42,677	186	42,863
Total liabilities	1,481,248	6,696	1,487,944
EQUITY			
Share capital	563,047	45,000	608,047
Share premium	1,081	270	1,351
Retained earnings	157,452	14,699	172,151
Fair value gain/loss on equity investment	75,210	434	75,644
Life fund reserve/Actuarial reserve		6,735	6,735
Legal reserve	85,848	693	86,541
Total equity	882,638	67,832	950,470
Total equity and liabilities	2,363,886	74,529	2,438,414

5.3 Statement of Profit or Loss and Other Comprehensive Income - 30 June 2025

	GIB Birr'000	LIB Birr'000	Total Birr'000
Insurance Revenue	864,176	20,557	884,733
Insurance Service Expense	(487,216)	(15,336)	(502,552)
Net Expenses from Reinsurance Contracts Held	(170,982)	760	(170,222)
Insurance Service Result	205,978	5,981	211,959
Investment income	193,864	13,676	207,540
Net finance expense from insurance contracts	16,282	(263)	16,019
Net finance income from reinsurance contracts	(6,745)	(143)	(6,888)
Net Financial Result	203,401	13,270	216,671
Other Income	30,918	33	30,951
Other Expenses (Non Attributable)	(142,500)	(1,957)	(144,457)
IFRS 9 Impairment	(2,071)	(168)	(2,239)
Profit Before Tax	295,725	17,159	312,844
Transfer from Life fund			
Income Tax Expense	(34,204)	(5,149)	(39,353)
Profit for the Year	261,521	12,010	273,531
Other comprehensive income (OCI) net of income tax			
Net fair value gain/loss on equity investment	(7,858)	1,101	(6,757)
Deferred tax (liability)/asset on remeasurement gain or loss	2,357	(330)	2,027

**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**

FVOCI (Equity Investments) re-measurement gain or loss (net of tax)	(5,501)	771	(4,730)
Items that will not be subsequently reclassified into profit or loss:			-
Remeasurement gain/(loss) on retirement benefits obligations	(1,674)		(1,674)
Deferred tax (liability)/asset on remeasurement gain or loss	502	-	502
Defined benefit obligations re-measurement gain or loss (net of tax)	(1,172)	-	(1,172)
	(6,673)	771	(5,902)
Total comprehensive income for the year	254,848	12,781	267,629

5.4 Statement of Profit or Loss and Other Comprehensive Income - 30 June 2024

	GIB Birr'000	LIB Birr'000	Total Birr'000
Insurance Revenue	754,207	31,372	785,579
Insurance Service Expense	(580,172)	(18,307)	(598,479)
Net Expenses from Reinsurance Contracts Held	(41,339)	1,226	(40,114)
Insurance Service Result	132,696	14,290	146,986
Investment income	147,049	7,915	154,964
Net finance expense from insurance contracts	22,710	510	23,221
Net finance income from reinsurance contracts	(11,381)	-	(11,381)
Net Financial Result	158,378	8,425	166,803
Other Income	24,687	146	24,833
Other Expenses (Non Attributable)	(98,575)	(1,553)	(100,128)
IFRS 9 Impairment	(267)	(1,116)	(1,382)
Profit Before Tax	216,919	20,193	237,112
Transfer from Life fund			-
Income Tax Expense	(28,262)	(3,512)	(31,774)
Profit for the Year	188,658	16,681	205,338
Other comprehensive income (OCI) net of income tax			-
Net fair value gain/loss on equity investment	7,981	(396)	7,584
Items that will not be subsequently reclassified into profit or loss:			-
Remeasurement gain/(loss) on retirement benefits obligations	(694)		(694)
Deferred tax (liability)/asset on remeasurement gain or loss	(208)		(208)
	4,685	(277)	4,408
Total comprehensive income for the year	193,343	16,403	209,746

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

AS AT JUNE 30, 2025

	30 June 2025 Birr'000	30 June 2024 Birr'000
6 Insurance Revenue		
6.1 General Insurance		
Accident	20,741	17,182
Aircraft	-	-
Burglary	1,436	-
Engineering	37,404	38,597
Fire	42,939	38,979
Goods in Transit	-	-
Liability	31,312	22,168
Marine	18,311	7,721
Medical Expense	-	-
Motor	488,905	410,778
Others	26	-26
Pecuniary	192,799	184,299
PVT	26,461	31,339
Workmen's Compensation	3,841	3,171
	864,176	754,207
6.2 Life insurance		
Contracts measured under PAA	20,599	31,348
Contracts measured under GMM	(42)	7
	20,557	31,355
	884,733	785,579
7 Insurance Service Expenses		
7.1 General Insurance		
Accident	6,885	6,666
Aircraft	-	-
Burglary	137	299
Engineering	18,501	28,873
Fire	15,064	10,989
Goods in Transit	-	-
Liability	52,300	17,165
Marine	6,831	2,155
Medical Expense	-	-
Motor	390,713	365,364
Others	5	-4
Pecuniary	(11,405)	122,497
PVT	7,423	23,729
Workmen's Compensation	764	2,438
	487,216	580,172
7.2 Life insurance		
Insurance Service Expense PAA	15,336	18,280
Insurance Service Expense GMM		27
	15,336	18,307
	502,552	598,478

**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**
**8 Net Expenses From Reinsurance
Contracts Held**

		30 June 2025 Birr'000	30 June 2024 Birr'000
General Insurance			
Reinsurance Revenue	8.1	246,896	227,542
Reinsurance Claims Service Expense	8.2	74,553	111,087
Reinsurance Movement in Risk Adjustment (RA)	8.3	(529)	3,043
Reinsurance Directly Attributable Expenses			
Reinsurance Movement in Loss component (LC)		(69,347)	8,402
Reinsurance Amortization of Acquisition Expenses	8.4	71,238	63,671
Total reinsurance service Expense		75,914	186,202
Net Expenses From Reinsurance Contracts Held		170,982	41,339
Life insurance			
Reinsurance Revenue	8.1	4,893	7,617
Reinsurance Claims Service Expense		4,520	1,899
Reinsurance Movement in Risk Adjustment (RA)		187	4,147
Reinsurance Directly Attributable Expenses		-	-
Reinsurance Movement in Loss component (LC)			
Reinsurance Amortization of Acquisition Expenses		947	2,796
Total reinsurance service Expense		5,653	8,842
Net Expenses From Reinsurance Contracts Held		(760)	(1,226)
		170,222	40,114

8.1 Reinsurance Revenue

	30 June 2025 Birr'000	30 June 2024 Birr'000
General Insurance		
Class of Business		
Accident	2,189	823
Aircraft	-	-
Burglary	342	-
Engineering	22,632	22,343
Fire	19,281	18,002

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Goods in Transit	-	-
Liability	2,174	1,642
Marine	5,895	2,221
Medical Expense	-	-
Motor	41,017	32,275
Others	-	-
Pecuniary	131,951	122,466
PVT	21,224	27,615
Workmen's Compensation	191	155
Total	246,896	227,542

Life insurance

Contracts measured under PAA	4,893	7,617
Contracts measured under GMM	-	-
Total	4,893	7,617

8.2 Reinsurance Claims Service Expense General Insurance

	30 June 2025 Birr'000	30 June 2024 Birr'000
Accident	379	175
Aircraft	-	-
Burglary	(3)	12
Engineering	3,791	-1,151
Fire	3,525	-1,471
Goods in Transit	-	-
Liability	2,428	421
Marine	82	-391
Medical Expense	-	-
Motor	22,428	55,288
Others	-	-
Pecuniary	40,603	38,901
PVT	1,317	19,253
Workmen's Compensation	3	50
Total	74,553	111,087

8.3 Reinsurance Movement in Risk Adjustment (RA) General Insurance

	30 June 2025 Birr'000	30 June 2024 Birr'000
Accident	(17)	42
Aircraft	-	-
Burglary	-	-
Engineering	(445)	(812)

**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**

Fire	759	(123)
Goods in Transit	-	-
Liability	93	5
Marine	(11)	-310
Medical Expense	-	-
Motor	(3,507)	3,537
Others	-	-
Pecuniary	4,503	-1,520
PVT	(1,876)	2,205
Workmen's Compensation	(26)	20
Total	(529)	3,043

8.4

	30 June 2025	30 June 2024
	Birr'000	Birr'000
Reinsurance Amortization of Acquisition Expenses	71,238	63,671

9 Finance Expenses From Insurance Contracts

Class of Business	30 June 2025	30 June 2024
	Birr'000	Birr'000
Accident	248	6
Aircraft	-	-
Burglary	-	-
Engineering	(1,044)	2,481
Fire	(3)	406
Goods in Transit	-	-
Liability	(2,571)	1,546
Marine	(439)	389
Medical Expense	-	-
Motor	(9,791)	6,697
Others	-	-
Pecuniary	42,134	803
PVT	(12,162)	10,357
Workmen's Compensation	(92)	26
Total	16,282	22,710

9.1 Life insurance

	30 June 2025	30 June 2024
	Birr'000	Birr'000
Finance Expenses From Insurance Contracts PAA	(263)	520
Finance Expenses From Insurance Contracts GMM	(17)	(9)
	(281)	510

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

1010 Finance Income From Reinsurance Contracts

General Insurance

Accident
Aircraft
Burglary
Engineering
Fire
Goods in Transit
Liability
Marine
Medical Expense
Motor
Others
Pecuniary
PVT
Workmen's Compensation

Total

30 June 2025

Birr'000

30 June 2024

Birr'000

(21)	0
-	-
-	-
1,905	(1,418)
(205)	(117)
-	-
1,196	(784)
498	(363)
-	-
3,177	1,447
-	-
(24,403)	(719)
11,083	(9,427)
25	(1)
(6,745)	(11,381)

10.1 Life insurance

Finance Income From Reinsurance Contracts

30 June 2025

Birr'000

30 June 2024

Birr'000

(143)-	-
(143)-	
(6,888)	(11,381)

11 IFRS 9 Impairment

BoY

General Insurance
Life Insurance
IFRS 9 impairment expense

EoY

30 June 2025

Birr'000

30 June 2024

Birr'000

3,532	2,149
2,071	267
168	1,116
2,239	1,382
5,771	3,532

12 ECL Per SOFP Item

Investment
Trade & other Receivables and Prepayments
Total

13 Investment income

General Insurance
Investment income
Total investment income

Dividend income
Interest income on cash and bank
balances

30 June 2025

Birr'000

30 June 2024

Birr'000

193,864	147,049
13,676	7,915
207,540	154,964
36,861	32,455
170,679	122,509



**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**

Total investment income		207,540	154,964
		30 June 2025 Birr'000	30 June 2024 Birr'000
14 Other operating income			
Profit from sale of property, plant & equipment		-	-
Policy administration services	Insurance	23,252	18,940
Policy administration services	Life Insurance	-	146
Sundry income	Life	33	-
Sundry income	General Insurance	7,666	5,747
Total other operating income		30,951	24,833
		30 June 2025 Birr'000	30 June 2025 Birr'000
15 Employee benefits expense			
	General	Life	Total
Short term employee benefits			
salaries	94,502	2,052	96,554
staff allowances	14,520	304	14,823
Other staff expenses	46,906	749	47,654
Pension cost			
Defined contribution plan	10,365	234	10,599
Defined benefit plan expense (Note.32)	967		967
	167,260	3,339	170,597
			30 June 2024 Birr'000
			Total
			71,582
			103,79
			32,735
			7,853
			1,035
			123,584
		30 June 2025 Birr'000	30 June 2024 Birr'000
16 Other operating expenses			
Rental expenses	499	398	897
Communication	2,374	14	2,388
Utilities	532	-	532
Stationery and printing	5,245	91	5,336
Advertising and Notices	4,563	6	4,569
Transport, per diem	1,563	1	1,564
Fuel and lubricant	10,379	112	10,491
Repair and maintenance	8,510	29	8,539
Membership fee and contribution	2,676	-	2,676
Property insurance	3,683	-	3,683
Penalties and fines	5	2	7
Entertainment	2,914	11	2,926
Legal and professional fee	31,489	-	31,489

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

	Audit fee	250	-	250	233
	Board of directors' fee	1,216	-	1,216	1,026
	Financial expenses	2,242	13	2,255	2,263
	Other operating expenses	21,961	24	21,986	31,158
	Penalty charges				
		100,101	701	100,804	73,714
17	Depreciation and impairment of property, plant and equipment	35,936	117	36,053	13,113
	Total Operating Expense	303, 297	4,157	307,454	210,411

18 Attributable vs Non Attributable Expenses

For Abay Insurance an expense allocation rate whereby 53.00% of total operating expenses were classified as attributable expenses, with the remaining 47.00% recognised as non-attributable expenses.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Attributable Expenses		
General Insurance	160,797	111,158
Life Insurance	2,200	1,752
	162,997	112,910
Non Attributable Expense		
General Insurance	142,500	98,575
Life Insurance	1,957	1,553
	144,457	100,128
Total Operating Expenses	307,454	213,038

19 Fair value gain/loss on equity investment

	30 June 2025 Birr'000	30 June 2024 Birr'000
Value at BoY General	277,660	249,245
Gain/(Loss) in year	99,585	107,443
Net fair value gain /loss on equity investment	(7,858)	7,981
Value atEoy General	377,245	356,688
Value at BoY Life	5,000	5,000
Gain/(Loss) in year	1,722	620
Net fair value gain /loss on equity investment	1,101	(396)
	6,722	5,620
Value atEoy (Life + General)	383,967	362,308
Net fair value gain /loss on equity investment (Life + General)	(6,757)	7,585

**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**

	30 June 2025 Birr'000	30 June 2024 Birr'000
General Insurance		
OCI- Equity Investment Reconciliation		
At the begning of the year	75,210	69,623
Re-measurement fair value gain/(loss) on equity investment, net of deferred tax	(5,501)	5,587
At the end of the year	69,709	75,210
General Insurance		
OCI- Equity Investment Reconciliation		
At the begning of the year	435	712
Re-measurement fair value gain/(loss) on equity investment, net of deferred tax	771	(277)
At the end of the year	1,206	435
	70,915	75,645
20 Company income and deferred tax		
20a Current income tax		
Company income tax(Note 14b)	37,007	23,640
Deferred income tax/(credit) to profit or loss	2,346	8,134
Total charge to profit or loss	39,353	31,774
Tax (credit) on other comprehensive income	208	208
Total tax in statement of comprehensive income	39,561	31,982

20b Reconciliation of effective tax to statutory tax

The tax on the Company's profit before income tax differs from the amount that would arise using the statutory income tax rate as follows:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Profit before tax	295,725	223,987
Add: Profit from life insurance business	17,163	19,251
	312,888	243,237
Add: Disallowed expenses		
Entertainment	2,510	2,126
Penalty	7	52
Bad Debt Expense-Provision	441	
Legal and profession fee	25,000	
IFRS 9 Impairment	2,071	
Staff leave provision	6,893	6,979
Provision for Bonus	17,820	14,444
Board of directors remuneration - Monthly allowance	1,773	1,422
Donation	-	-
Lease Amortization	1,402	14,323

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Severance Expense	967	1,036
Depreciation for accounting purpose	20,783	15,739
Amortization for accounting purpose	-	-
Total disallowable expenses	79,667	56,121
Less: Allowed expenses		
Depreciation for tax purpose	29,807	27,749
Dividend income taxed at source (Note 10)	36,861	32,455
Bonus paid	14,610	16,201
Rent Expense	17,888	14,499
Prepaid tax on Rental Income	-	-
Unappropriated Actuarial surplus - Taxed at 2023/24	-	7,543
Interest income taxed at source-Local Deposit (Note 10)	170,033	122,113
Total allowed expenses	269,199	220,560
Taxable profit	123,356	78,799
Current tax at 30%	37,007	23,640
Deferred tax	2,346	8,134
Income tax expense/ (credit) recognised in profit or loss	39,353	31,774
General Insurance	(34,204)	(28,262)
Income tax expense	(5,149)	(3,512)
Total Income Tax	(39,353)	(31,774)

20c Current income tax liability

	30 June 2025 Birr'000	30 June 2024 Birr'000
Balance at the beginning of the year	15,905	13,844
Charge for the year:		
Excess tax paid refund request rejected by Tax Authority (Note 14)		
Income tax expense	37,007	23,640
Withholding tax paid	(9,434)	(7,733)
Payment during the year	(15,906)	(13,846)
Balance at the end of the year	27,572	15,905

20d Deferred income tax

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

	30 June 2025 Birr'000	30 June 2024 Birr'000
The analysis of deferred tax assets/(liabilities) is as follows:		
To be recovered after more than 12 months	(42,680)	(42,863)



**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**

To be recovered within 12 months

(42,680) (42,863)

Deferred income tax assets and liabilities, deferred income tax charge/(credit) in profit or loss ("p or l), in equity and other comprehensive income are attributable to the following items:

Deferred income tax assets/ (liabilities):	At 1 July 2024	Credit/ (charge) to profit or loss	Credit/ (charge) to equity	30 June 2025
	Birr'000	Birr'000	Birr'000	Birr'000
Property, plant and equipment	(11,989)	(2,637)		(14,626)
Post employment benefit obligation	1,545	291	502	2,338
Unrealized fair value (gain)/loss on equity invest.	(32,419)	2,027		(30,392)
Total deferred tax assets/(liabilities)	42,863	(319)	502	(42,680)

Deferred income tax assets/ (liabilities):	At 1 July 2023	Credit/ (charge) to profit or loss	Credit/ (charge) to equity	30 June 2024
	Birr'000	Birr'000	Birr'000	Birr'000
Property, plant and equipment	(3,129)	(8,860)		(11,989)
Post employment benefit obligation	1,027	726	(208)	1,545
Unrealized fair value (gain)/loss on equity invest.	(30,144)	(2,275)		(32,419)
Total deferred tax assets/(liabilities)	32,246	(10,409)	(208)	(42,863)

	30 June 2025	30 June 2024
	Birr'000	Birr'000
Deferred Tax		
General Insurance	(42,163)	(42,677)
Life Insurance	(517)	(186)
	(42,680)	(42,863)

21 Cash and bank balances
General Insurance

Cash and bank balances
IFRS 9 Impairment

30 June 2025	30 June 2024
Birr'000	Birr'000
1,413,202	1,053,853
(1,015)	(778)
1,412,187	1,053,075

Life Insurance

Cash and bank balances
IFRS 9 Impairment

30 June 2025	30 June 2024
Birr'000	Birr'000
108,818	74,486
(4)	(3)
108,814	74,483
1,521,001	1,127,558

Cash in hand
Short term deposit with local banks

30 June 2025	30 June 2024
Birr'000	Birr'000
77,672	29,537
414,246	255,284
491,918	284,821

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Fixed term deposit with local banks
IFRS 9 Impairment

1,030,102	843,518
(1,019)	(781)
1,521,001	1,127,558

Current
Non- current

30 June 2025 Birr'000	30 June 2024 Birr'000
490,899	284,040
1,030,102	843,518
1,521,001	1,127,558

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand, cash at bank and short term deposit with banks.

Cash in hand
Short term deposit with local banks

30 June 2025 Birr'000	30 June 2024 Birr'000
77,672	29,537
414,246	255,284
491,918	284,821

22 Investment securities

22a Available for sale:

Before Valuation:

General Insurance

Life Insurance

Equity Investments

After Valuation:

General Insurance

Life Insurance

Equity Investments

30 June 2025 Birr'000	30 June 2024 Birr'000
277,660	249,245
5,000	5,000
282,660	254,245
377,245	356,688
6,722	5,620
383,967	362,308

22b Loans and receivables:

Ethiopian Government Bonds

IFRS 9 Impairment

71,710	39,900
(66)	(37)
71,644	39,863
354,304	294,108

Current
Non-Current

30 June 2025 Birr'000	30 June 2024 Birr'000
71,710	39,900
-	-
71,710	39,900



**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**
22.c Equity Investment at fair value - OCI
22.c.1 General Business

	2025 before valuation Birr'000	2025 after valuation Birr'000	2024 before valuation Birr'000	2024 after valuation Birr'000
Abay Bank S.C	134,250	180,480	121,750	136,859
Ethio Reinsurance S.C	88,170	140,217	74,965	118,090
Abay Industrial Development S.C	24,562	24,562	23,300	75,554
Enat Bank S.C	7,698	8,493	7,095	6,338
Amhara Bank S.C	5,250	5,762	5,250	4,516
Tsedey Bank S.C.	13,491	13,491	12,688	10,485
Capital Financial Excellence S.C	793	793	750	1,400
Lewegen Microfinance Institution	200	200	200	200
Ethiopian Securities Exchange	3,247	3,247	3,247	3,247
Total investments	277,660	377,245	249,245	356,688

22.c.2 Life Business

Abay Bank S.C	5,000	6,722	5,000	5,620
Total investment	282,660	383,967	254,245	362,308

The fair value of equity investments are estimated by independent consultant, Actuarial Services East Africa Limited (Actserv). Actserv used the market approach to value the company's investee companies. Actserv used available market information of comparable companies to the investee companies being valued and adjusted to specific factors as a basis for fair valuation.

The Company hold equity investments in Abay Bank S.C of 1.99% (30 June 2025: 1.99%, 30 June 2024), Ethiopian Re-insurance Company 3.50% (30 June 2025: 3.51%, 30 June 2024), Abay Industry S.C 0.51% (30 June 2025: 0.5%, 30 June 2024), Amhara Bank S.C. 0.07% (30 June 2025, 0.09%, 30 June 2024), Enat Bank S.C. 1.99% (30 June 2025: 0.21% 30 June 2024), Tsedey Bank S.C. 0.12% (30 June 2025, 0.13%, 30 June 2024), Capital Financial Excellence Center S.C. 2.43% (30 June 2025: 2.43%, 30 June 2024), Lewegen Micro Finance Institution S.C. 1% (30 June 2025: 1%, 30 June 2024) and Ethiopian Security Exchange 0.52% (30 June 2025; 0.52%, 30 June 2024) .

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

23 Trade receivables

General Insurance

Due from policy holders

Less: impairment allowance

30 June 2025 30 June 2024
Birr'000 Birr'000

440	440
440	440
(440)	(440)
-	-

23.1 The movements in impairment allowance on trade receivables is analyzed as follows:

30 June 2025 30 June 2024
Birr'000 Birr'000

Balance beginning of the year

Impairment (reversal)/Impairment charge during the year

Balance end of year

440	440
440	440

24 Other assets

General Insurance

Other assets

IFRS 9 Impairment

Life Insurance

Other assets

IFRS 9 Impairment

30 June 2025 30 June 2024
Birr'000 Birr'000

86,560	38,516
(141)	(110)
86,418	38,406

2,023	509
(73)	(59)
1,950	450

88,368	38,856
---------------	---------------

Financial assets

Staff loan

Staff saving

Staff debtors

Other debtors

Gross amount

Less: Specific impairment

21,954	18,132
260	260
2,194	1,437
23,323	5,977

47,731	25,806
(214)	(169)

47,517	25,637
---------------	---------------

Non-Financial assets

Prepaid staff expense

Withholding tax receivable

Value added tax receivable

Prepayments

5,778	4,419
612	640

20,200	
--------	--

14,476	8,160
--------	-------

41,066	13,219
---------------	---------------

Net amount

88,583	38,856
---------------	---------------

30 June 2025 30 June 2024
Birr'000 Birr'000

29,972	24,079
58,611	14,777
88,583	38,856



**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**

25 The movement in impairment allowance for other assets is analysed as follows:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Balance at beginning of the year	(169)	-
(Recovery)/allowance made during the year for doubtful recoverables	-	-
Balance at end of year	(169)	-

26 Intangible Assets

	30 June 2025 Birr'000	30 June 2024 Birr'000
As at 1 July	5,980	5,953
Software in development	12,799	27
As at 30 June	18,780	5,980

27 Property, plant and equipment

Property, plant and equipment comprise owned and leased assets that donot meet the defination of investment porperty.

27.1	Lease Property Birr'000	Building Birr'000	Furniture, fixture and fittings Birr'000	Equipment Birr'000	Automobiles Birr'000	Computer equipment Birr'000	Total Birr'000
Cost							
As at 1 July 2023	17,850	138,561	9,472	4,353	90,970	20,674	281,878
Additions	8,962	407	2,795	5,649	35,547	7,569	60,930
Reclassifications				(47)	(379)		(426)
Disposals			-	-	-	-	-
As at 30 June 2024	26,812	138,968	12,267	9,955	126,138	28,243	342,382
As at 1 July 2024	26,812	138,968	12,267	9,955	126,138	28,243	342,382
Additions	7,745	(0)	2,909	327	38,847	5,289	55,118
Disposals				(48)			(48)
Reclassification			-	-	-	-	-
As at 30 June 2025	34,557	138,968	15,176	10,233	164,985	33,532	397,452
Accumulated depreciation							
As at 1 July 2023	52	12,688	3,171	1,700	33,917	8,679	60,205
Charge for the year	-	2,793	940	667	8,330	2,997	15,727
Disposals				(20)	(360)		(380)
As at 30 June 2024	52	15,481	4,112	2,346	41,887	11,676	75,552

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

	Land Lease	Building	Furniture, fixture and fittings	Equipment	Automobiles	Computer equipment	Total
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Accumulated depreciation cont'd							
As at 1 July 2024	52	15,481	4,112	2,346	41,887	11,676	75,553
Charge for the year	-	2,792	1,186.57	1,345	11,492	3,732	20,559
Disposals				(5)			(5)
As at 30 June 2025	52	18,273	5,298	3,686	53,379	15,407	96,107
Net book value							
As at 30 June 2024	26,760	123,487	8,155	7,609	84,251	16,567	266,829
As at 30 June 2025	34,506	120,695	9,878	6,548	111,606	18,125	301,358

The company's property, plant and Equipment were assessed at the balance sheet date as to whether an assets were impaired. Accordingly, the assessment had not shown any impairment.

27.2 Leases

A) As a Lessee

The company presents right of use of assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'other liabilities' in statement of financial position. The company's leases is mainly dominated by branch offices leases.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Property, plant and equipment' owned	267,219	240,451
Right-of-use assets	34,138	26,378
	301,358	266,829
Right-of-use assets		
Balance as 1 July	26,378	17,416
Additions to the right-of-use assets during the year.	22,784	22,047
Depreciation charge for the year	15,494	13,085
Balance as 30 June	33,668	26,378
Lease liabilities		
Maturity analysis - Contractual undiscounted cash flows		
Less than one year	-	-
One to five years	34,138	26,378
More than five years	-	-
Total discounted lease liabilities at 30 June	34,138	26,378

**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**
Lease liabilities included in the statement of financial position at 30 June 2024

Current

Non-current

30 June 2025 30 June 2024
Birr'000
Birr'000

22,785

16,637

11,353

9,741

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 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 11.50%

Amount recognised in profit or loss
In thousands of ETB

Interest on lease liabilities

Variable lease payments not included in the measurement of lease liabilities

Income from sub-leaseing right-of-use assets

Expenses relating short-term leases

Expenses relating to leases of low-valued assets, excluding short-term leases of low-value assets

30 June 2025 30 June 2024
Birr'000
Birr'000

2,114

1,238

Amount recognised in the statement of cash flows

Total cash outflows for leases

30 June 2025 30 June 2024
Birr'000
Birr'000

(17,585)

(16,270)

B) As a Lessor

Lease income from lease contracts in which the company acts as a lessor is as below.

Finance lease

Finance income on the net investment in the lease

Operating lease

Lease income

30 June 2025 30 June 2024
Birr'000
Birr'000

7,118

4,388

28 Statutory Deposit

This relates to the amount deposited with National Bank of Ethiopia in line with Article 20 of the Insurance Business Proclamation No. 746/2012. The law requires that in respect of each main class of insurance, the insurer carries an amount equal to 15% of the Company's paid up capital in cash or government securities.

The statutory deposit below includes ETB 91,323 (2024: Birr 54,189 2023) that is transferred to Ethiopian Government Saving Bond for the acquisition of Great Renaissance dam. The Bonds bears interest income of 6% /8% per annum.

Balance beginning of the year

Additions

Interest receivable on statutory deposit invested in government bond

Balance end of year

30 June 2025 30 June 2024
Birr'000
Birr'000

99,451

70,148

24,600

24,000

(2,356)

5,303

121,695
99,451

General Insurance

IFRS 9 Impairment

Total

Life Insurance

IFRS 9 Impairment

Total

Grand Total

111,195

96,451

(113)

(91)

111,082
96,360

10,500

3,000

(11)

(6)

10,489
2,994
121,572
99,354

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

29 Insurance contract liabilities

Gross

Non-life insurance contracts

Liability for Incurred Claims RA

Gross IBNR

Gross Os Claims + Salvages

Gross ULAE

Discounting

Liability for Incurred Claims BEL

Gross UPR

DAC

Liability for Remaining Component excl. Loss Component

Loss Component

Life insurance contracts

Contracts measured under PAA

Risk Adjustment

Loss Component

BEL exc Loss Component

LIC

Discounting

Contracts measured under GMM

CSM_GMM

RA_GMM

Loss Component_GMM

BEL_GMM_excl LC

LIC_GMM

Total insurance liabilities, gross

Reinsurance assets:

Non-life insurance contracts

RI Assets for Incurred Claims RA

RI IBNR

RI Os Claims + Salvages

RI Ulae

30 June 2025 30 June 2024
Birr'000 Birr'000

	146,836	207,260
	68,395	58,101
	584,936	621,826
	7,506	7,511
	(76,443)	(60,161)
	584,394	627,277
	604,977	377,572
	(31,569)	(21,390)
	573,408	356,182
	11,703	54,558
	1,316,341	1,245,277
	1,209	1,630
	0	0
	29,452	4,481
	8,173	10,950
	(984)	
	4	0
	24	43
	4	0
		4,162
	37,884	21,267
	1,354,224	1,266,544

30 June 2025 30 June 2024
Birr'000 Birr'000

	149,102	149,631
	5,937	5,420
	331,608	390,651
	0	0



**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**

Discounting - RI	(36,656)	(29,911)
RI Assets for Incurred Claims BEL	300,889	366,160
RI UPR	160,513	96,513
Differed Commission Income	(49,843)	(29,931)
RI Assets for Remaining Component excl. Loss Component	110,671	66,582
RI Loss Recovery	55	69,402
	560,716	651,774
General Insurance		
Due to reinsurer	(294,404)	(394,961)
Due from re-insurers	194,473	249,118
IFRS 9 Impairment	(2,642)	(889)
	458,144	505,041
Life insurance contracts		
Contracts measured under PAA		
Risk Adjustment	187	0
Loss Component	0	0
BEL exc Loss Component	4,436	(379)
LIC	1,169	0
Discounting - RI	(143)	
Differed Commission Income	(1,484)	
Contracts measured under GMM		
CSM_GMM	0	0
RA_GMM	0	0
Loss Component_GMM	0	0
BEL_GMM_excl LC	0	0
LIC_GMM	0	0
	4,164	(379)
Life insurance contracts		
Reinsurers' share of outstanding claims provision		
Due to reinsurer	(13,965)	(11,078)
Due from re-insurers	3,265	2,983
IFRS 9 Impairment	(1,706)	(1,559)
	(12,407)	(9,653)
	(8,242)	(10,033)
Total Reinsurance Contract assets:	449,902	495,009

30 Movements in insurance liabilities and reinsurance assets

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

30.a General insurance contracts:

30 June 2025

Reconciliation of the Measurement Components of Insurance Contract Balances for PAA Contracts

Insurance contract liabilities
BOP

Insurance contract assets BOP

Net balance BOP

Insurance Revenue

Insurance Service Expense

Incurred claims

Directly attributable expenses

Adjustments to liabilities for
incurred claims

Losses on onerous contracts &
reversal of those losses

Acquisition cash flows
amortization

Insurance service result

**Insurance finance expense
total**

Therefore recognized in PnL

Therefore recognized in OCI

**Total amounts recognised in
comprehensive income**

Investment components

Other changes

Cash flows

Premiums received

Claims excl. non-distinct
investment component paid

Non-distinct investment
component paid

Directly attributable expenses
paid

Insurance acquisition cash
flows

**Insurance contract liabilities
EOP**

Insurance contract assets EOP

Net balance EOP

	LFIC RA	LFIC BE	LFRC excl. Loss Component	Loss Component	Total
Insurance contract liabilities BOP	207,260	627,277	356,182	54,558	1,245,277
Insurance contract assets BOP	-	-	-	-	-
Net balance BOP	207,260	627,277	356,182	54,558	1,245,277
Insurance Revenue	-	-	(864,176)	-	(864,176)
Insurance Service Expense	(60,424)	548,855	41,641	(42,855)	487,216
Incurred claims	-	388,058	-	-	388,058
Directly attributable expenses	-	160,797	-	-	160,797
Adjustments to liabilities for incurred claims	(60,424)	-	-	-	(60,424)
Losses on onerous contracts & reversal of those losses	-	-	-	(42,855)	(42,855)
Acquisition cash flows amortization	-	-	41,641	-	41,641
Insurance service result	(60,424)	548,855	(822,535)	(42,855)	(376,960)
Insurance finance expense total	-	(16,282)	-	-	(16,282)
Therefore recognized in PnL	-	(16,282)	-	-	(16,282)
Therefore recognized in OCI	-	-	-	-	-
Total amounts recognised in comprehensive income	-	-	-	-	-
Investment components	-	-	-	-	-
Other changes	-	-	-	-	-
Cash flows	-	(575,456)	1,039,794	-	464,338
Premiums received	-	-	1,091,581	-	1,091,581
Claims excl. non-distinct investment component paid	-	(414,659)	-	-	(414,659)
Non-distinct investment component paid	-	-	-	-	-
Directly attributable expenses paid	-	(160,797)	-	-	(160,797)
Insurance acquisition cash flows	-	-	(51,787)	-	(51,787)
Insurance contract liabilities EOP	146,836	584,394	573,441	11,703	1,316,373
Insurance contract assets EOP	-	-	-	-	-
Net balance EOP	146,836	584,394	573,441	11,703	1,316,373



**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**
30 June 2024
**Reconciliation of the
Measurement Components of
Insurance Contract Balances for
PAA Contracts**

	LFIC RA	LFIC BE	LFRC excl. Loss Component	Loss Component	Total
Insurance contract liabilities BOP	181,328	474,427	345,656	50,943	1,052,353
Insurance contract assets BOP	-	-	-	-	-
Net balance BOP	181,328	474,427	345,656	50,943	1,052,353
Insurance Revenue	-	-	(754,207)	-	(754,207)
Insurance Service Expense	25,932	518,189	32,435	3,615	580,172
Incurred claims	-	407,031	-	-	407,031
Directly attributable expenses	-	111,158	-	-	-
Adjustments to liabilities for incurred claims	25,932	-	-	-	25,932
Losses on onerous contracts & reversal of those losses	-	-	-	3,615	3,615
Acquisition cash flows amortization	-	-	32,435	-	32,435
Insurance service result	25,932	518,189	(721,772)	3,615	(174,035)
Insurance finance expense total	-	(22,710)	-	-	(22,710)
Therefore recognized in PnL	-	(22,710)	-	-	(22,710)
Therefore recognized in OCI	-	-	-	-	-
Total amounts recognised in comprehensive income	-	-	-	-	-
Investment components	-	-	-	-	-
Other changes	-	-	-	-	-
Cash flows	- (342,629)	732,298	-	-	389,670
Premiums received	-	-	770,107	-	770,107
Claims excl. non-distinct investment component paid	-	(231,470)	-	-	(231,470)
Non-distinct investment component paid	-	-	-	-	-
Directly attributable expenses paid	-	(111,158)	-	-	(111,158)
Insurance acquisition cash flows	-	-	(37,808)	-	(37,808)
Insurance contract liabilities EOP	207,260	627,277	356,182	54,558	1,245,277
Insurance contract assets EOP	-	-	-	-	-
Net balance EOP	207,260	627,277	356,182	54,558	1,245,277

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

30 June 2025

Reconciliation of the measurement components of Reinsurance contract balances for PAA contracts

Reinsurance contract liabilities BOP

Reinsurance contract assets BOP

Net balance BOP

Allocation of reinsurance
premiums paid

Amounts recoverable from reinsurers

Incurred claims recovered
and other reinsurance service
expenses

Adjustments to assets for incurred
claims

Recovery of losses and reversal on
recovery of losses

Amortization of reinsurance
acquisition cash flows

Reinsurance service result

Reinsurance finance expense total

Therefore recognized in PnL

Therefore recognized in OCI

Total amounts recognised in comprehensive income

Investment components

Other changes

Cash flows

Premiums paid

Claims excl. non-distinct
investment component paid

Non-distinct investment
component paid

Directly attributable expenses
paid

Reinsurance acquisition cash
flows

Reinsurance contract liabilities EOP

Reinsurance contract assets EOP

Net balance EOP

	RI AFIC RA	RI AFIC BE	RI AFRC excl. Loss Component	RI Loss Recovery	Total
Reinsurance contract liabilities BOP	-	-	-	-	-
Reinsurance contract assets BOP	149,631	366,160	66,602	69,402	651,794
Net balance BOP	149,631	366,160	66,602	69,402	651,794
Allocation of reinsurance premiums paid	-	-	(246,896)	-	(246,896)
Amounts recoverable from reinsurers	(529)	74,553	71,238	(69,347)	75,914
Incurred claims recovered and other reinsurance service expenses	-	74,553	-	-	74,553
Adjustments to assets for incurred claims	(529)	-	-	-	(529)
Recovery of losses and reversal on recovery of losses	-	-	-	(69,347)	(69,347)
Amortization of reinsurance acquisition cash flows	-	-	71,238	-	71,238
Reinsurance service result	(529)	74,553	(175,659)	(69,347)	(170,982)
Reinsurance finance expense total	-	(6,745)	-	-	(6,745)
Therefore recognized in PnL	-	(6,745)	-	-	(6,745)
Therefore recognized in OCI	-	-	-	-	-
Total amounts recognised in comprehensive income	-	-	-	-	-
Investment components	-	-	-	-	-
Other changes	-	-	-	-	-
Cash flows	-	(133,079)	219,728	-	86,649
Premiums paid	-	-	310,897	-	310,897
Claims excl. non-distinct investment component paid	-	(133,079)	-	-	(133,079)
Non-distinct investment component paid	-	-	-	-	-
Directly attributable expenses paid	-	-	-	-	-
Reinsurance acquisition cash flows	-	-	(91,169)	-	(91,169)
Reinsurance contract liabilities EOP	-	-	-	-	-
Reinsurance contract assets EOP	149,102	300,889	110,671	55	560,716
Net balance EOP	149,102	300,889	110,671	55	560,716



30 June 2024

Reconciliation of the measurement components of Reinsurance contract balances for PAA contracts

Reinsurance contract liabilities

Reinsurance contract assets
BOP

Net balance BOP

Allocation of reinsurance premiums paid

Ne

Incurred claims recovered
and other reinsurance service
expenses

Adjustments to assets for incurred claims

Recovery of losses and reversal on recovery of losses

Amortization of reinsurance acquisition cash flows

Reinsurance service result

Reinsurance finance expense
total

Therefore recognized in PnL
Therefore recognized in OC

Total amounts recognised in comprehensive income

Investment components

Other changes

Cash flows

Premiums paid

Claims excl. non-distinct
investment component paid

Non-distinct investment component paid

Directly attributable expenses paid

Reinsurance acquisition cash flows

Reinsurance contract liabilities

Reinsurance contract assets

Net balance EOP

RI AFIC RA	RI AFIC BE	RI AFRC excl. Loss Component	RI Loss Recovery	Total
-	-	-	-	-
146,588	305,045	68,214	61,000	580,846
146,588	305,045	68,214	61,000	580,846
-	-	(227,542)	-	(227,542)
3,043	111,087	63,671	8,402	186,202
-	111,087	-	-	111,087
3,043	-	-	-	3,043
-	-	-	8,402	8,402
-	-	63,671	-	63,671
3,043	111,087	(163,871)	8,402	(41,339)
-	(11,381)	-	-	(11,381)
-	(11,381)	-	-	(11,381)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	(38,590)	162,259	-	123,669
-	-	228,483	-	228,483
-	(38,590)	-	-	(38,590)
-	-	-	-	-
-	-	-	-	-
-	-	(66,224)	-	(66,224)
-	-	-	-	-
149,631	366,160	66,602	69,402	651,794
149,631	366,160	66,602	69,402	651,794

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

30.b Life insurance contracts:

30.b.1 Reconciliation of the Measurement Components of Insurance Contract Balances for PAA Contracts

30 June 2025	LFIC RA	LFIC BE	LFRC excl. Loss Component	Loss Component	Total
Insurance contract liabilities BOP	1,630	10,950	4,481	-	17,061
Insurance contract assets BOP	-	-	-	-	-
Net balance BOP	1,630	10,950	4,481	-	17,061
Insurance Revenue	-	-	(22,782)	-	(22,782)
Insurance Service Expense	(417)	20,377	464	-	20,424
Incurred claims	-	18,176	-	-	18,176
Directly attributable expenses	-	2,200	-	-	-
Adjustments to liabilities for incurred claims	(417)	-	-	-	(417)
Losses on onerous contracts & reversal of those losses	-	-	-	-	-
Acquisition cash flows amortization	-	-	464	-	464
Insurance service result	-	263	-	-	263
Insurance finance expense total	-	263	-	-	263
Therefore recognized in PnL	-	-	-	-	-
Therefore recognized in OCI	-	-	-	-	-
Total amounts recognised in comprehensive income	-	-	-	-	-
Investment components	-	-	-	-	-
Other changes	-	-	-	-	-
Cash flows	-	(22,400)	47,289	-	24,889
Premiums received	-	-	48,063	-	48,063
Claims excl. non-distinct investment component paid	-	(20,200)	-	-	(20,200)
Non-distinct investment component paid	-	-	-	-	-
Directly attributable expenses paid	-	(2,200)	-	-	(2,200)
Insurance acquisition cash flows	-	-	(774)	-	(774)
Insurance contract liabilities EOP	1,214	7,190	29,452	-	37,855
Insurance contract assets EOP	-	-	-	-	-
Net balance EOP	1,214	7,190	29,452	-	37,855

**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**
30 June 2025

IFRS 17 – LIFE BUSINESS	LRC excluding loss component	Loss component	LIC	Total
Opening insurance contract liabilities	0	43	4,162	4,206
Opening insurance contract assets	-	-	-	-
Net balance as at 01 July 2022	0	43	4,162	4,206
Insurance revenue	42	-	-	42
Insurance service expenses	-	-	-	-
Incurred claims and other directly attributable expenses	1	-	-	1
Changes that relate to past service – adjustments to the LIC	(43)	-	-	(43)
Losses on onerous contracts and reversal of those losses	-	(19)	-	(19)
Insurance acquisition cash flows amortisation	(24)	-	-	(24)
Insurance service expenses	(67)	(19)	-	(85)
Insurance service result	(25)	(19)	-	(44)
Finance expense from insurance contracts issued	17	-	-	17
Total amounts recognised in comprehensive income	(8)	(19)	(4,162)	(4,189)
Investment components	-	-	-	-
Other changes	-	-	(4,162)	(4,162)
Cashflows	-	-	-	-
Premiums received	12	-	-	12
Claims and other directly attributable expenses paid	(1)	-	-	(1)
Insurance acquisition cash flows	-	-	-	-
Total cash flows	12	-	-	12
Net balance as at 30 June 2023	4	24	-	29
Closing insurance contract liabilities	4	24	-	29
Closing insurance contract assets	-	-	-	-
Net balance as at 30 June 2023	4	24	-	29

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Reconciliation of the Measurement Components of Insurance Contract Balances for PAA Contracts

30 June 2024

	LFIC RA	LFIC BE	LFRC excl. Loss Component	Loss Component	Total
Insurance contract liabilities BOP	1,378	5,803	4,916	-	12,097
Insurance contract assets BOP	-	-	-	-	-
Net balance BOP	1,378	5,803	4,916	-	12,097
Insurance Revenue	-	-	(29,304)	-	(29,304)
Insurance Service Expense	253	20,078	256	-	20,587
Incurred claims	-	18,327	-	-	18,327
Directly attributable expenses	-	1,751	-	-	-
Adjustments to liabilities for incurred claims	253	-	-	-	253
Losses on onerous contracts & reversal of those losses	-	-	-	-	-
Acquisition cash flows amortization	-	-	256	-	256
Insurance service result	253	20,078	(29,047)	-	(8,716)
Insurance finance expense total	-	(520)	-	-	(520)
Therefore recognized in PnL	-	(520)	-	-	(520)
Therefore recognized in OCI	-	-	-	-	-
Total amounts recognised in comprehensive income	-	-	-	-	-
Investment components	-	-	-	-	-
Other changes	-	-	-	-	-
Cash flows	-	(16,413)	28,613	-	12,200
Premiums received	-	-	29,066	-	29,066
Claims excl. non-distinct investment component paid	-	(14,662)	-	-	(14,662)
Non-distinct investment component paid	-	-	-	-	-
Directly attributable expenses paid	-	(1,751)	-	-	(1,751)
Insurance acquisition cash flows	-	-	(453)	-	(453)
Insurance contract liabilities EOP	1,630	10,950	4,481	-	17,061
Insurance contract assets EOP	-	-	-	-	-
Net balance EOP	1,630	10,950	4,481	-	17,061

**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**
IFRS 17 – LIFE BUSINESS

	LRC excluing loss component	Loss component	LIC	Total
Opening insurance contract liabilities	0	17	926	943
Opening insurance contract assets	-	-	-	-
Net balance as at 01 July 2023	0	17	926	943
Insurance revenue	51	-	-	51
Insurance service expenses	-	-	-	-
Incurred claims and other directly attributable expenses	1	-	-	1
Changes that relate to past service – adjustments to the LIC	(18)	-	-	(18)
Losses on onerous contracts and reversal of those losses	-	26	-	26
Insurance acqitision cash flows amortisation	(55)	-	-	(55)
Insurance service expenses	(73)	26	-	(47)
Insurance service result	(22)	26	-	4
Finance expense from insurance contracts issued	9	-	-	9
Total amounts recognised in comprehensive income	(13)	26	-	13
Investment components	-	-	-	-
Other changes	-	-	415	415
Cashflows	-	-	-	-
Premiums received	13	-	-	13
Claims and other directly attributable expenses paid	(1)	-	-	(1)
Insurance acqitision cash flows	-	-	-	-
Total cash flows	13	-	-	13
Net balance as at 30 June 2024	0	43	4,162	4,206
Closing insurance contract liabilities	0	43	4,162	4,206
Closing insurance contract assets	-	-	-	-
Net balance as at 30 June 2024	0	43	4,162	4,206

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

30.b.2 Reconciliation of the measurement components of Reinsurance contract balances for PAA contracts

	RI AFIC RA	RI AFIC BE	RI AFRC excl. Loss Component	RI Loss Recovery	Total
Reinsurance contract liabilities BOP	-	-	-	-	-
Reinsurance contract assets BOP	-	-	(379)	-	(379)
Net balance BOP	-	-	(379)	-	(379)
Allocation of reinsurance premiums paid	-	-	(4,893)	-	(4,893)
Amounts recoverable from reinsurers	187	4,520	947	-	5,653
Incurred claims recovered and other reinsurance service expenses	-	4,520	-	-	4,520
Adjustments to assets for incurred claims	187	-	-	-	187
Recovery of losses and reversal on recovery of losses	-	-	-	-	-
Amortization of reinsurance acquisition cash flows	-	-	947	-	947
Reinsurance service result	187	4,520	(3,947)	-	760
Reinsurance finance expense total	-	(143)	-	-	(143)
Therefore recognized in PnL	-	(143)	-	-	(143)
Therefore recognized in OCI	-	-	-	-	-
Total amounts recognised in comprehensive income	-	-	-	-	-
Investment components	-	-	-	-	-
Other changes	-	-	-	-	-
Cash flows	-	(3,351)	7,278	-	3,927
Premiums paid	-	-	9,329	-	9,329
Claims excl. non-distinct investment component paid	-	(3,351)	-	-	(3,351)
Non-distinct investment component paid	-	-	-	-	-
Directly attributable expenses paid	-	-	-	-	-
Reinsurance acquisition cash flows	-	-	(2,051)	-	(2,051)
Reinsurance contract liabilities EOP	-	-	-	-	-
Reinsurance contract assets EOP	187	1,026	2,952	-	4,164
Net balance EOP	187	1,026	2,952	-	4,164

**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**
**Reconciliation of the measurement components of Reinsurance contract balances
for PAA contracts**

	RI AFIC RA	RI AFIC BE	RI AFRC excl. Loss Component	RI Loss Recovery	Total
Reinsurance contract liabilities BOP	-	-	-	-	-
Reinsurance contract assets BOP	-	-	(1,227)	-	(1,227)
Net balance BOP	-	-	(1,227)	-	(1,227)
Allocation of reinsurance premiums paid	-	-	(3,470)	-	(3,470)
Amounts recoverable from reinsurers	-	1,899	1,802	-	3,702
Incurred claims recovered and other reinsurance service expenses	-	1,899	-	-	1,899
Adjustments to assets for incurred claims	-	-	-	-	-
Recovery of losses and reversal on recovery of losses	-	-	-	-	-
Amortization of reinsurance acquisition cash flows	-	-	1,802	-	1,802
Reinsurance service result	-	1,899	(1,668)	-	232
Reinsurance finance expense total	-	-	-	-	-
Therefore recognized in PnL	-	-	-	-	-
Therefore recognized in OCI	-	-	-	-	-
Total amounts recognised in comprehensive income	-	-	-	-	-
Investment components	-	-	-	-	-
Other changes	-	-	-	-	-
Cash flows	-	(1,899)	2,516	-	616
Premiums paid	-	-	3,470	-	3,470
Claims excl. non-distinct investment component paid	-	(1,899)	-	-	(1,899)
Non-distinct investment component paid	-	-	-	-	-
Directly attributable expenses paid	-	-	-	-	-
Reinsurance acquisition cash flows	-	-	(954)	-	(954)
Reinsurance contract liabilities EOP	-	-	-	-	-
Reinsurance contract assets EOP	-	-	(379)	-	(379)
Net balance EOP	-	-	(379)	-	(379)

ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025

	30 June 2025 Birr'000	30 June 2024 Birr'000
31 Other liabilities		
General Insurance	313,978	156,806
Life Insurance	3,042	674
Financial liabilities		
Commission payable	5,927	4,171
Bonus accrued	17,820	14,444
Sundry creditors	109,461	(11)
Staff accrued leave pay	13,802	18,591
Dividend payable	19,099	13,839
Directors' allowance	-	-
	166,109	51,034
Non-financial liabilities		
Withholding Tax Payable	1,674	986
Payroll taxes payable	2,928	2,035
NBE payable	-	-
Cost sharing payable	65	44
Accrued charges	6,940	970
VAT payable	17,167	2,762
Defined Contribution liabilities	1,579	1,312
Other payables	120,558	98,337
Deferred commission income		
	150,911	106,446
Gross amount	317,020	157,480
	30 June 2025 Birr'000	30 June 2024 Birr'000
Current	48,374	25,105
Non- current	268,646	132,375
	317,020	157,480
	30 June 2025 Birr'000	30 June 2024 Birr'000
32 Defined benefit obligations		
Defined benefits liabilities:		
- Severance pay (Note)	7,793	5,152
Liability in the statement of financial position	7,793	5,152
Income statement charge included in personnel expenses:		
- Severance pay (Note)	967	1,035
Total defined benefit expenses	967	1,035
Remeasurements for:		
- Severance pay (Note27c)	1,674	694
	1,674	694

The income statement charge included within personnel expenses includes current service cost, interest cost, past service costs on the defined benefit schemes.

Severance pay



ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

The Company employees are entitled to a Severance Benefit. The Severance Benefit Entitlement is provided under the Labour Proclamation No. 1156/2019 effective from 05 September 2019, and 494/2006 effective date date 29 June 2006 if an employee is terminated due to redundancy. In the first year, the pay is thirty times the average daily wages of the last week of service, if less than one year service, severance pay is calculated in proportion to the period of service . For more than one year of service, payment is increased by a third of the benefit for every additional year of service provided that the total amount does not exceed twelve months' wage of the employee. This benefit is also entitled to employees in the event of death in service, voluntary resignation and disability after 5 years of service.

Where a worker dies before receiving severance pay, his dependents will be paid: .2 months wages for funeral expenses . A sum of 5 times the annual salary of the deceased and shall be paid in lump sum 50% to spouse, 10% each child, and 10% each parent. The total amount of the dependents' benefit should be add up to 100%

The overall net effect of these additional benefits is an increase in the past service cost.

Below are the details of movements and amounts recognised in the financial statements:

	30 June 2025 Birr'000	30 June 2024 Birr'000
a Liability recognised in the financial position	7,793	5,152

	30 June 2025 Birr'000	30 June 2024 Birr'000
b Amount recognised in the profit or loss		
Current service cost	193	510
Interest cost	774	525
Amount recognised in the profit or loss	967	1,035

	30 June 2025 Birr'000	30 June 2024 Birr'000
c Amount recognised in other comprehensive income:		
Remeasurement (gains)/losses arising from participant's movement	1,674	694
Tax credit /(charge)		
	1,674	694

The movement in the defined benefit obligation over the years is as follows:

	30 June 2025 Birr'000	30 June 2024 Birr'000
At the beginning of the year	5,152	3,422
Current service cost	193	510
Interest cost	774	525
Remeasurement (gains)/ losses	1,674	694
Past service cost		
Benefits paid		
At the end of the year	7,793	5,151

The significant actuarial assumptions were as follows:

i) Financial Assumption Long term Average

	30 June 2025 Birr'000	30 June 2024 Birr'000
Discount Rate (p.a)	15.00%	14.75%
Future salary increases (p.a)	13.00%	13%
Mortality assumptions - Males	A1945 - 52 males	A1945 - 52 males

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

Mortality assumptions - Females

Weighted average duration of defined benefit obligation

A1945 - 52
females
6.42

A1945 - 52
females
6.4

ii) Mortality in Service

The rate of mortality assumed for employees are those according to the A1949/52 table published by the Institute of Actuaries. These rates combined are approximately summarized as follows:

Age	Mortality rate	
	Male (%)	Female (%)
20	0.111	0.111
25	0.112	0.111
30	0.116	0.113
35	0.132	0.120
40	0.188	0.147
45	0.330	0.231
50	0.599	0.420
55	1.035	0.750
60	1.720	1.272

iii) Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed a rate of withdrawal of 15% at the youngest ages falling with increasing age to 0% at age 60.

The sensitivity of the overall defined benefit liability to changes in the weighted principal assumption is:

	30 June 2025				
	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Salary rate decreased by 1%
Discount rate	14.75%	15.75%	14.75%	13.75%	14.75%
Salary rate	12.75%	12.75%	13.75%	12.75%	11.75%
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Net liability at start of period	3,422	3,422	3,422	3,422	3,422
Total net expense recognised in income statement	1,403	1,403	1,403	1,403	1,403
Net expense recognized in the other comprehensive income	694	415	1,000	1,011	421
Employer contributions	(368)	(368)	(368)	(368)	(368)
Net liability at end of period	5,151	4,872	5,457	5,468	4,879

**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**
30 June 2024

	Scenario 1 Base	Scenario 2 Discount rate increased by 1%	Scenario 3 Salary rate increased by 1%	Scenario 4 Discount rate decreased by 1%	Scenario 5 Salary rate decreased by 1%
Discount rate	15.00%	14.00%	15.00%	15.00%	15.00%
Salary rate	13.00%	13.00%	12.00%	13.00%	13.00%
		Birr'000	Birr'000	Birr'000	Birr'000
Net liability at start of period	5,151	5,151	5,151	5,151	5,151
Total net expense recognised in income statement	1,883	1,883	1,883	1,883	1,883
Net increase recognised in other comprehensive income	2,091	2,105	1,302	1,829	1,518
Employer contributions	(916)	(916)	(916)	(916)	(916)
Net liability at end of period	8,209	8,223	7,420	7,947	7,636

The current arrangements are unfunded with no pre-determined contributions. The Company however meets benefit payments on a pay- as-you-go basis. The company's benefit outgo was Ethiopian Birr (916) (2024 Ethiopia Birr (367)).

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

30 June 2025 30 June 2024
33 Share capital and share premium
Authorised:

Ordinary shares of Birr 1,000 each

Issued and fully paid:

Ordinary shares of Birr 1,000 each

Share premium

Total share capital and share premium

	Birr'000	Birr'000
	1,000,000	1,000,000
	770,960	608,047
	1,351	1,351
Total share capital and share premium	772,311	609,398

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

33.1 Movements in ordinary shares and share premium:

	No. of shares	Share capital Birr'000	Share premium Birr'000	Total Birr'000
At 1 July 2023	448,823	448,823	1,351	450,174
Issued during the year	159,224	159,224		159,224
As at 30th June 2024	608,047	608,047	1,351	609,398
At 1 July 2024	608,047	608,047	1,351	609,398
Issued during the year	162,913	162,913		162,913
As at 30th June 2025	770,960	770,960	1,351	772,311

34 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit after taxation by the weighted average number of ordinary shares in issue during the year.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Profit attributable to shareholders	273,531	205,338
Weighted average number of ordinary shares in issue	748,699	590,467
Basic & diluted earnings per share (Birr)	365.34	347.76

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potentially dilutive shares at the reporting date (30 June 2024:nil, 30 June 2023: nil), hence the basic and diluted loss per share have the same value.

35 Dividend per share

Dividend per share (DPS) is calculated by dividing the net profit after tax, legal reserve, unappropriated life surplus and Board of directors annual remuneration by the weighted average number of ordinary shares in issue during the year.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Profit attributable to shareholders	242,443	173,884
Weighted average number of ordinary shares in issue	748,699	590,467
Basic & diluted earnings per share (Birr)	323.82	294.49

**ABAY INSURANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
AS AT JUNE 30, 2025**

		30 June 2025	30 June 2024
	Notes	Birr'000	Birr'000
36 Retained earnings			
At the beginning of the year		172,152	136,599
Profit/ (loss) for the year		273,531	211,463
Other comprehensive income		(1,172)	(902)
Transfer to legal reserve		(27,055)	(21,146)
Dividend paid		(180,697)	(137,414)
Directors compensation		(1,300)	(1,227)
Decr-/Incr+ in actuarial liability - Long term Insurance			(7,543)
Transfer from life fund			(1,455)
Prior years Adjustment		10,943	3,818
Prior years Adjustment (IFRS 9 & 17 impact)			(10,042)
At the end of the year		246,401	172,152
		30 June 2025	30 June 2024
		Birr'000	Birr'000
37 Legal reserve			
At the beginning of the year		86,541	66,105
Prior years Adjustment			560
Transfer from profit or loss		27,055	19,876
At the end of the year		113,596	86,541
		30 June 2025	30 June 2024
		Birr'000	Birr'000
38 Cash generated from operating activities			
Profit before tax		312,884	237,112
Adjustments for non- cash items:			
Depreciation of property, plant and equipment (including RUA)	27	35,829	15,740
Amortisation of intangible assets	26	-	-
Retirement benefit obligations	32		
Gain/(Loss) on disposal of property, plant and equipment		3	(570)
Provision (benefit) for deferred taxes		1,844	8,166
Provision for IFRS 9 ECL		2,239	601
Adjustment for Life fund			(7,543)
Prior period adjustment			(596)
Change in operational assets:			
-Decrease/ (Increase) in trade receivables		-	-

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

-Decrease/ (increase) in deferred acquisition cost

-Decrease/ (increase) in other assets

-Decrease/ (Increase) in reinsurance assets

Change in operational liabilities:

-Increase/ (decrease) in other liabilities & retirement benefit obligations

-Increase/(decrease) in insurance payables

-Increase/(decrease) in insurance contract liabilities**

-	-
(49,512)	(6,064)
45,107	(53,687)
162,181	43,901
-	-
87,680	201,150
598,255	438,211

In the statement of cash flows, profit on sale of property, plant and equipment comprise:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Proceeds on disposal	47	616
Net book value of property, plant and equipment disposed (Note 20)	50	46
Gain/(loss) on sale of property, plant and equipment	(3)	570

**Increase/(decrease) in insurance contract liabilities does not include transfer of life fund from retained earnings.

39 Related party transactions

The Licensing & Supervision of Insurance Business Directive No SIB/53/2012 of the National Bank of Ethiopia defined a related party as a shareholder, a director, a chief executive officer, or a senior officer of a Insurance Company and/or their spouse or relation in the first degree of consanguinity or affinity; and a partnership, a common enterprise, a private limited company, a share company, a joint venture, a corporation, or any other business in which officers of the Company and/or their spouse or relation in the first degree of consanguinity or affinity of the officers of the Company has business interest as shareholder, director, chief executive officer, senior officer, owner or partner. The directive stipulates that the identification of related parties shall be the responsibility of the Company.

From the above, only directors were identified to be related parties to the Company. A number of transactions were entered into with related parties in the normal course of business. These are disclosed as follows:

a Transactions with related parties

Loans and advances to key management

	30 June 2025 Birr'000	30 June 2024 Birr'000
Loans and advances to key management	3,217	2,773
	3,217	2,773



ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

b Key management compensation

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Company. The compensation paid or payable to key management is shown. There were no sales or purchase of goods and services between the Company and key management personnel as at 30 June 2024.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Salaries and other short-term employee benefits	13,745	13,132
Post-employment benefits	3,363	3,441
Board of Directors Remuneration - Annual compensation	1,300	1,227
Board of Directors Remuneration - Monthly allowance	1,773	1,060
	20,180	18,861

40 Directors and employees

The average number of persons (excluding directors) employed by the Insurance company during the year was as follows:

	30 June 2025 Number	30 June 2024 Number
Professionals and High Level Supervisors	255	220
Semi-professional, Administrative and Clerical	67	62
Technician and Skilled	22	7
Manual and Custodian		29
	344	318

41 Contingent liabilities

Claims and litigation

ABAY INSURANCE S.C. NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2025

The Company, like all other insurers, is subject to litigation in the normal course of its business. The Company does not believe that such litigation will have a material effect on its profit or loss and financial condition.

The Company, together with other industry members, will continue to litigate the broadening judicial interpretation of the insurance coverage contained in the casualty insurance contracts it issued. If the courts continue in the future to expand the intent and scope of coverage contained in the insurance contracts issued by the Company, as they have in the past, additional liabilities would emerge for amounts in excess of the carrying amount held. These additional liabilities cannot be reasonably estimated but could have a material impact on the Company's future results. The liabilities carried for these claims as at this year end are reported in Note 24 and are believed to be adequate based on known facts and current law.

42 Commitments

Operating lease commitments - Company as lessee

The Company leases various properties under non-cancellable operating lease agreements. The lease terms are between two and five years, and majority of these lease agreements are renewable at the end of the each lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2025 Birr'000	30 June 2024 Birr'000
No later than 1 year	8,880	-
Later than 1 year and no later than 2 years	12,926	7,796
Later than 2 years but not later than 5 years		9,741
Total	21,806	17,537

43 Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Company as at 30 June 2025 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

PHOTO GALLERY







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