

KAAMPAANII INSHURAANSII OROMIYAA W.A.
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OROMIA INSURANCE COMPANY S.C.



ANNUAL
REPORT
20¹⁶₁₇



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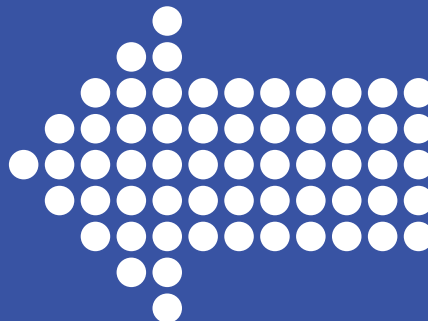
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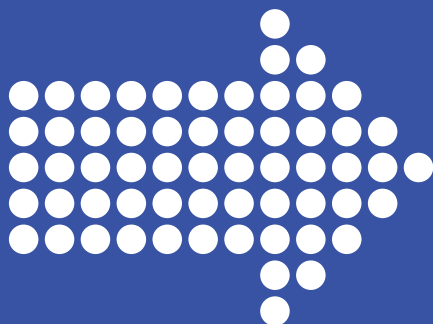
VISION

The Vision of Oromia Insurance
Company S.C. (OIC) is
“To Be a Leading Insurer”.



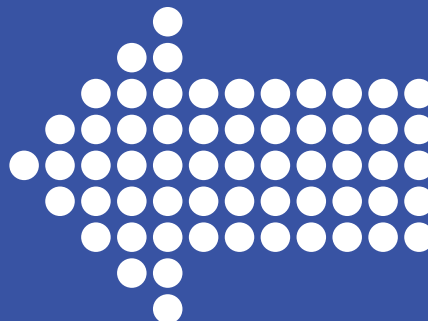
MISSION

The mission of OIC is rendering efficient insurance
services at competitive prices by using up-to-date
technology and trained manpower to fully satisfy all its
stakeholders.



CORE VALUES

Customers are our lifeblood
Employees are our most valued assets
We are committed to service excellence
We act with Honesty, Integrity and Loyalty
We are dedicated to new products development
We Uphold professionalism



333

NUMBER OF
EMPLOYEES

83.9Bn

SUM INSURED OF
COVERED RISKS

41

MARKET OUTLETS

362M

GROSS WRITTEN
PREMIUM

213.5M

GROSS CLAIMS PAID

43M

UNDERWRITING
RESULT

41M

GROSS PROFIT

68.32%

LOSS RATIO

666.6M

TOTAL ASSETS

291

EARNINGS PER
SHARE

4.88%

MARKET SHARE

THE COMPANY'S BACKGROUND

Oromia Insurance Company S.C was established and licensed by the National Bank of Ethiopia on 26th January 2009 to engage in general insurance business.

It commenced its operation on 9th February 2009 .The Company was established by 540 founding shareholders with a paid-up capital of Birr 26 million and a subscribed capital of Birr 85 million. During the reporting period, the number of shareholders reached 840, the paid up capital rose to Birr 155.2 million and the subscribed capital also rose to 250 million.

This clearly demonstrates the fact that the Company commenced its operation with a strong and reliable financial capacity, being the first of its kind to mobilize such a huge amount of paid-up capital in the country's insurance industry. Moreover, the diversity of its shareholders manifests the Company's strong social base which includes 1,600,000 low income farmers through their farmers' cooperative unions.

The Company has crafted suitable mission that is customized to address the acute needs of its customers and has also developed reliable and continuously improving strategic plans which will help to ensure the realization of its vision.

Taking into consideration the needs of those low income farmers who became shareholders of the Company through their farmers' cooperative unions, OIC also launched Microinsurance products (crop & livestock) in 2010, i.e., about a year after its establishment. Life Insurance operation then followed in 2012.

The Company already achieved most of the targets set for its first strategic plan and is now implementing its second strategic plan that will serve until 2020/21 budget year.

Currently, OIC has 38 full-fledged branch offices and 3 contact offices throughout the country. It also works with a number of sales agents, all insurance brokers as well as banks in the country.



ASSEFA TOLERA (DR)
Director



ELIAS GENETI
Chairperson



ABIE SANO
Director



WOLDE BULTO
Director



SIMEGN KUMA
Director



DESALEGN JENA
Director



GUTEMA DIBABA
Director



GURARA GEBISA
Director



TADESSE ADUGNA
Director

NOTICE OF THE 8TH ANNUAL GENERAL MEETING

In accordance with the provision of Article 418 & 419 of the Commercial Code of Ethiopia and Article 7.3 (c) of the Company's Articles of Association (as amended), notice is hereby given to all Shareholders that the 8th Annual General Meeting of Shareholders of Oromia Insurance Company S.C will be held on Saturday, December 2/2017 starting from 8:00 A.M (Morning) at Hilton Hotel, Finfine to transact the following business:-

Provisional Agenda for the 8th

Annual ordinary General Meeting:

1. Consideration and approval of provisional agenda items;
2. Consideration of Share transfers;
3. Consideration of the 2016/17Annual Report of Board of Directors;
4. Consideration of the 2016/17Annual Report of External Auditor;
5. Deliberation on and approval of items No. 3&4 above;
6. Consideration and approval of proposal on the manner of allocation and sharing of the profit for F.Y 2016/17;
7. Hearing of the Report of Boards Nomination committee and conducting Election of Board members;
8. Approval of the minutes of the meeting; and
9. Any other Business.

Note

- Shareholders who might not be able to attend the meeting in person, may fill proxy forms three working days prior to the meeting at the Head Office of the Company located at Africa Godana, near Olympia Square, or participate in the meeting through their respective representatives bearing dully registered and authenticated letter (s) of power of attorney issued through Notary office.
- Shareholders or proxies or Representatives bearing dully registered and authenticated letters of power of Attorney may participate in the meeting producing /submitting original /copies of:-
 - ▶ Renewed ID Cards, or passports of both the representer and the represented
 - ▶ Letters of power of attorney

**By order of the Board of Directors of
Oromia Insurance Company S.C.
November 5, 2017**



BERHANU DEBELA
Executive Officer,
Operations



ASFAW BENTI
CEO



TILAHUN TADESSE
Chief Internal
Auditor



MOSISA ETEFA
Manager, Legal Services



BERHANU DINKA
Manager, SP &
Marketing Department



GETAHUN TOLESSA
Manager, Life
Insurance Department



SAMUEL TESFA
A/Manager, Finance &
Investment Department



DANIEL NEGASSA
A/Manager, HR & FM
Department



ALEMAYEHU DORSIS
A/Manager, IT
Department



MELKACHEW TEMESGEN
A/Manager, Microinsurance
Department



ALEMU EJIGU
Manager, Compliance &
Risk Management



ELIAS GENETI
Chairperson, Board of Directors

On behalf of the Board of Directors of Oromia Insurance Company (S.C) and on my own behalf, I heartily welcome you all to the 8th Annual General Meeting of Shareholders of our Company.

I sincerely feel honored and privileged for having been empowered to once again stand in front of you on this occasion, to present the annual performance report of our Company for the fiscal year ended on June 30, 2017.

Obviously, the Company's Board of Directors as a team always enjoyed your unwavering support and encouragement. The Board of Directors in turn, also did everything possible to support and encourage the management and staff members of the Company to plan and achieve results under all sorts of challenging circumstances. Such cascaded chain of support and encouragement remained to be our common source of energy driving us all in unison towards the realization of our Company's goal. With such driving spirit in mind and determined action, our Company once again managed to successfully conclude its 8th fiscal year's operation.

While the Board of Directors' detailed annual report, which deals with the operating environment, operational and financial performances as well as other activities of the Company, are contained in the following pages, let me give you just highlights of the year's performances in very concise manner.

The operating environment during the period under review was very challenging due to the persistent suicidal premium cut competition among the industry's players and the civil unrest that engulfed the country at large and Oromia Regional state in particular. Despite these challenges, the Company managed to register positive results on its operational performances.

Accordingly, the Company achieved Gross Written Premium (GWP) of Birr 355,613,218 from non-life classes of business (excluding Microinsurance) during FY 2016/17 while that of the FY 2015/16 was Birr 331,725,977.00

Microinsurance also continued to expand during the period under review. The Company managed to earn premium income of Birr 2,431,866.00, which showed a growth of 10.5% as compared

with that of last year's corresponding period, which was Birr 2,200,486.00. Though this seems to be insignificant in terms of contribution to the Company's premium income, the Company is determined to continuously expand such insurance coverage to much larger territorial areas since this clearly witnesses OIC's commitment in discharging its corporate social responsibilities by serving the low-income people of farming and pastoral rural communities. Such a service also helps the Company to connect to very large mass base and eventually enables it to dominate the insurance industry's market share in the long run. Microinsurance played and is still playing significant role in promoting OIC in ample ranges both locally and overseas. This surely is our potential Gold Mine and hence we must continue paving the road that takes us to that goal.

The Company registered Gross Written Premium of Birr 4,672,857.00 from long term insurance business, i.e., life insurance, during the period under review which showed a growth of 20.2% as compared with that of the previous fiscal year.

Overall, Oromia Insurance Company S.C. registered a profit before tax of Birr 41,010,881.00 during the reporting period, which showed growth of 22.8% as compared with that of the previous year's Birr 33,395,543. Net profit after legal and general reserve as well as directors' share on profit and tax deductions amounted to Birr 33,417,325.00

Earnings per share stood at Birr 291 showing a decrease of 14% from that of the previous year, which was Birr 337.76. This resulted due to substantial increase in the Company's paid-up capital from Birr 115,180,000.00 at the end of the preceding fiscal year to Birr 155,151,000.00 at end of the reporting period.

Despite all the challenges faced, the Company's assets have now grown considerably; and its reaches (market outlets) have also expanded as required. As a result, OIC has managed to command reasonable market share from the Country's insurance industry and also to register reasonable profit. During the period under review, the state owned insurer, Ethiopian Insurance Corporation still leads all direct insurers of the Country with a market share of 36.5% and 28.9% for Non-life and Life businesses, respectively. During the period, OIC ranked 8th among the country's direct insurers by registering a combined market share of 4.88 %.

The Company's market share among the sixteen privately owned direct insurers was 7.55% then.

Distinguished Shareholders of Oromia Insurance Company S.C

Please allow me to take this opportunity to thank fellow Directors as well as the Management and all staff members of OIC who made this success to unfold. My thanks also go to the Supervisory Authority, i.e., the National Bank of Ethiopia, for its all-rounded support rendered to OIC and to our reinsurers, intermediaries and all other business partners for their persistent backings.

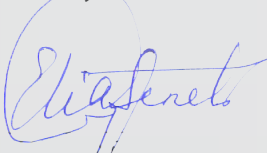
Ladies and gentlemen,

Your Board of Directors collectively offers its deepest gratitude to you all, the esteemed shareholders, for investing in and establishing the Company we all take pride in, and above all, for your unreserved support and patronage.

And now, may we all shareholders raise our voices once again to express in unison our sincere appreciation and gratefulness to our esteemed customers who have continuously vested great confidence in Oromia Insurance Company S.C. and shown undivided loyalty by insuring their risks with us.

Finally, I now submit to you Shareholders of the Company, the Board of Directors' report and the Audited Financial Statement of Oromia Insurance Company S.C. for the F.Y ended on 30th June, 2017 in accordance with articles 418 and 419 of the Commercial Code of Ethiopia 1960 and Article 7.3(c) of the Company's Articles of Association for your consideration, deliberation and approval or otherwise, as found appropriate.

Thank you all.



Elias Geneti,

Chairperson, Board of Directors & of the Annual General Meeting

1. REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Oromia Insurance Company S.C. is pleased to present its 8th annual report together with the audited financial accounts for the year ended on 30th June, 2017.

Review of the business environment, as well as summaries of the Company's operational and financial performances are given herein below for the AGM's deliberation and consideration.

1.1 The Global Business Environment

According to the Swiss re report the global economy grew moderately, with real growth domestic product (GDP) up by 2.5% in 2016. The GDP in the advanced economies remained below the pre-financial crises average, but was slightly above the annual average of the previous 10 years. Emerging market growth picked up only marginally, and was still far below the 10 year average.

In 2016, growth in Africa was the lowest since the early 1990s (1.8%). The main reasons were crisis in the three largest sub-Saharan African economies caused by low commodity prices, tight financing conditions, and severe drought in southern and eastern Africa, as well as lack of economic reforms. Non-commodity exporting countries, on the other hand, continued to grow rapidly in Africa.

The Ethiopian economy, as analyzed by regional as well as global economic journals and reports is said to have experienced strong and broad based growth over the past decade, averaging 10.8% per year as compared to the regional average of 5.4%. Expansion of services and agricultural sectors are said to have accounted for most of this growth, while the performance of manufacturing sector was said to have been relatively modest. The Country is currently implementing the second phase of its Growth and Transformation Plan (GTP II). GTP II, which runs from 2015/16 to 2019/20 aims to continue improvements in physical infrastructure through public investment and projects transforming the country into a manufacturing hub. The overarching goal is to turn Ethiopia into a lower-middle-income country by 2025.

The agriculture, services and industry sectors accounted for 38.8%, 46.6% and 15.2% of the real GDP, respectively. Public investments are expected to continue driving growth in the

short and medium term with huge investments in infrastructure and the development of industrial parks, prioritized to ease bottlenecks to structural transformation, which will still have to take shape with the industry playing a significant role in the economy.

1.2 The Global Insurance Industry Trends

According to Swiss re report, the total global direct insurance premiums written grew by 3.1% in 2016; down from the 4.3% growth in 2015. The slowdown was mainly driven by considerably lower growth in advanced markets. Robust premium growth in China supported the emerging markets which otherwise were also in slowdown mode. In the same manner global life premium growth slowed to 2.5 %, from that of 4.4% in 2015 mainly due to contraction in the advanced market.

The global non-life premium growth slowed to 3.7% due to weakness in the advanced market. The insurance market in Africa is under-developed, largely because most Africans simply cannot yet afford it. Access to insurance products only starts to increase quickly in the upper middle income groupings, with most Africans still just struggling to meet their basic food and other day-to-day needs.

1.3 Ethiopian Insurance Industry

During the period under review the number of direct insurers operating in the country stood at 17, of which one is owned by the government while the remaining 16 are privately owned. In terms of their engagement, ten of these insurers are composite, providing both life and non-life insurance, while the rest of them are engaged on non-life business only. Four insurers in the country are also engaged in Microinsurance business.

During the period under review, the total premium written by these direct insurers reached about Birr 7.5 billion out of which about 7.2 billion is from nonlife business while the balance is the share of life insurance. The state owned insurer, Ethiopian Insurance Corporation, lead the country's direct insurers with a lion's market share.

During the reporting period, the country's insurance industry registered a growth of 17% on non-life classes of business and 8.1% on life insurances as compared with that of

the preceding F.Y. Even though the overall performance of the industry is encouraging, there were and still are challenging threats, like the deterioration of professional practices and unhealthy business competition that is confined only to reduction of premium rate. Shortage of insurance professionals, souring cost of goods and services including office rentals are also among the problems. The absence of well-coordinated information exchange system within the industry is also a serious challenge.

As at June 30, 2017, OIC had 38 branches and three contact offices operating at different locations in the country, out of which 19 branches are located in Finfine. As can be seen from the details below, the Company registered Gross Written Premium (GWP) of Birr 358,045,084.00 from non-life classes of business (including Microinsurance) and Birr 4,672,857.00 from life insurance. As a result, Oromia Insurance Company S.C. managed to secure 4.88 % of the Ethiopian direct insurers' market share. The Company's market share among the sixteen privately owned insurance Companies was 7.55%.

1.4 The Company's performance

1.4.1 Gross Written Premium

The total gross written premium of the Company at the end of June 30, 2017 was Birr 362,717,941.22. Its breakdown is shown as follows:

1.4.1.1 Non-Life Insurance Businesses Excluding Microinsurance

The total number of policies issued on these classes of business as new and renewed by the Company during the period under review were 55,588. Out of these the top three classes of business were Motor, Fire & Lightning as well as Marine with 34,189, 10,270 and 4,885 policies, respectively. The Company provided cover for total sum insured of Birr 83,862,305,138.00 on these classes of business.

The Company planned to generate Gross Written Premium (GWP) of about Birr 400,000,000.00 from these classes of insurance business during the period. It, however, managed to generate Birr 355,613,218, which was 89% achievement

against the plan. This was, however, greater than that of the preceding year's premium production by 7.36%. Political unrest, economic slowdown and underwriting measure taken by the Company were some of the factors which contributed for the underperformance. The gross written premium per classes of business in comparison with the budget set for the period is shown in Table 1.

Table 1: Gross Written Premium vs. Budget

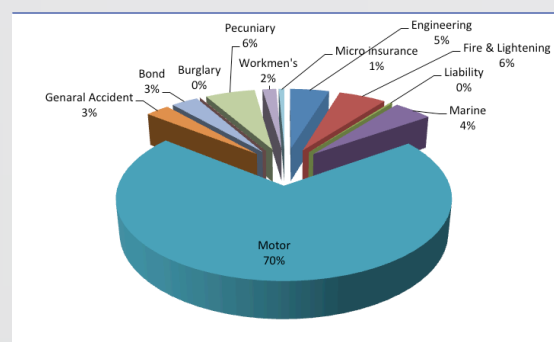
S.N	Class of Business	Budgeted Premium In Birr	Actual Premium in Birr	Achievement in %/	Variance in Birr
1	Motor	296,050,000	252,002,309	85.29	-43,534,183
2	Marine	25,580,000	16,603,946	64.91	-8,976,054
3	Pecuniary	27,720,000	32,758,582	118.65	5,171,052
4	Fire	18,930,000	20,422,849	107.23	1,368,171
5	Engineering	16,790,000	16,781,458	99.97	-4,429
6	GPA	6,930,000	10,149,521	146.46	3,219,521
7	Workmen's	4,000,000	5,895,310	147.39	1,895,746
8	Liability	4,000,000	999,243	24.98	-3,000,757
	Total	400,000,000	355,613,218	89.00	-43,860,931

1.4.1.2 Microinsurance

It was planned to generate gross written premium income of about Birr 3,000,000.00 from the operation of Microinsurance business during the period under review while the actual production was only Birr 2,431,866.16, i.e., 81% accomplishment. 10.5% growth was, however, registered as compared with that of last year's corresponding period.

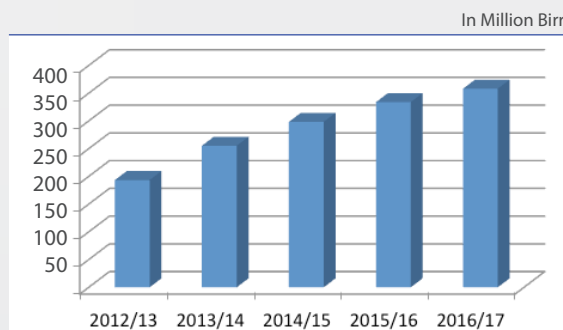
In general, the Non-life classes of business including Microinsurance portfolio mix are shown in Figure 1 below.

Figure 1: All Non-Life Classes of Insurances Portfolio Mix



The Company's non-life insurance businesses Gross Written Premium (GWP) growth trend for the past 5 consecutive years is as shown in Figure 2 below.

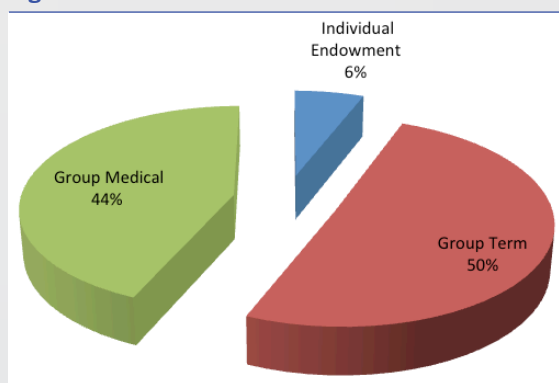
Figure 2: Last Five Years GWP Growth Trend of the Non-life Insurance Business



5.4.2.3 Life Insurance Business

During the period under review, the Company planned to generate Gross Written Premium of Birr 5,000,000.00 from Life Insurance business. The achievement was, however, Birr 4,672,857.06 only, which corresponds to 93% achievement. This, however, showed a growth of 20% as compared with that of last year's corresponding period.

Figure 3: Life Insurances Portfolio Mix



As shown in Figure 3 above, Individual Endowment, Group Medical and Group Term Life Assurances took 6%, 44% and 50% share of the total life assurance premium income, respectively.

1.4.2 Claims

1.4.2.1 Non-Life Insurance Businesses Excluding Microinsurance

The total number of claims lodged during the period under review on non-life insurance classes of business, excluding Microinsurance, was 5,789 out of which 4,969 (86%) were on motor insurance classes of business.

The gross claims incurred for the period under

review was Birr 208,876,315, which showed significant decrease as compared with that of last year corresponding period which was Birr 261,264,262. The reduction in gross incurred claim was mainly due to underwriting measure taken by the Company on risk prone vehicles like Sino Truck, Ambulances, Toyota Vitz, Mini buses, pick-ups & Isuzu trucks.

The gross claim paid during the FY was Birr 213,552,692.00 while that of last year's corresponding period was Birr 170,775,816.00. Gross outstanding claims reserve held as at 30th June, 2017 was Birr 228,802,457.11. This showed a decrease of Birr 2,545,884.89 as compared with that of last year's corresponding period.

1.4.2.2 Microinsurance

Under Weather Index Crop Insurance, claims amounting to Birr 380,000.00 were paid to four hundred farmers of Adami Tullu Jido Kombolcha district as a trigger point was reached for a rainfall deficit at a flowering stage of the crops. In the same manner, claims amounting to Birr 561,841.00 were also paid for Vegetation Index Crop Insurance. In general crop insurance claims amounting to Birr 941,841.00 were paid to 4,235 farmers living in the rift valley areas of East Showa and West Arsi Zones during the year under review.

For the Long Rain Long Dry (LRLD) 2016, claims amounting to Birr 293,880.00 were lodged and paid to 285 pastoralists of three woredas (Moyale, Miyo and Dugda Dawa). In the same manner, claims amounting to Birr 1,595,990.00 were also lodged and paid to 1,474 pastoralists who were policyholders of Short Rain Short Dry (SRSD) 2016 contract window. During the period under review, a total claim amount of Birr 1,889,870 was paid to 1759 pastoralists on index based livestock insurance.

In general, total claims amounting to Birr 2,831,730.61 (both on crop and livestock insurance) were, therefore, paid in respect of Microinsurance business during the period under review. Severe drought known as El Nino was the cause for such big claims during the period.

There wasn't any outstanding claim on this class of insurance as at end of June 30, 2017. The overall claims ratio for all non-life class of business including Microinsurance, during the period under review was 68.32%. That of last year's corresponding period was 77%. During the reporting period the highest claims ratio was registered for Microinsurance followed by Motor classes of business which were 176.56% and 85.70%, respectively. The details are shown in Table 2.

Table 2: Claims Ratio of Non-life Insurance Businesses

Class of Business	Net Earned premium in Birr (2016/17)	Net Incurred Claims in Birr (2016/17)	Net Claims Ratio	
			2016/17 in %	2015/16 in %
Engineering	8,583,039.00	3,991,336	46.5	57.15
Fire	9,700,172.45	1,448,339	14.93	21.17
Liability	430,275.96	20813.41	4.84	-17.26
Marine	11,911,157.20	1,911,862	16.05	65.85
Motor	179,864,529.26	154,141,005	85.7	91.53
Accident	9,279,275.26	3,106,035	33.47	45.95
Pecuniary	17,738,969.31	-1,849,266	-10.42	6.81
Workmen's	5,686,455.11	1,601,302	28.16	51.43
Micro	1,641,727.65	2,898,843	176.57	41.5
Total	244,835,601.00	167,270,269.00	68.32	77

1.4.2.3 Life Insurance

The total claims incurred during the year under review in respect of Life Insurance amounted to Birr 2,406,123.00. During this period, claims amounting to Birr 2,346,629.44 were paid as medical claim, maturity value claim and surrender value claim. Outstanding claims on life classes of business as at end of June 2017 was Birr 59,493.65.

1.4.3 Reinsurance

During the reporting period, the company's gross premium cession to reinsurers grew to Birr 87,318,940.00. This indicates 24.4% of the GWP. Last year's ceded premium was Birr 76,170,360.00 (22.80% of the GWP of Birr 333,984,681.09). The current period's premium cession showed an increment mainly due to the mandatory cession of 5% of all premium income on all class of business GWP's as of July 1, 2016 to the newly established Reinsurer, i.e., Ethio-Re.

From such premium cessions the Company earned premium commission and profit commission of Birr 19.4 million altogether during the period under review.

1.4.4 Corporate Financial Performance**1.4.4.1 Capital**

The total capital of the Company was Birr 163,688,795.00 as at the end of the preceding FY. It now grew by 31.4%, i.e., to Birr 214,997,230 as at June 30, 2017.

1.4.4.2 Investment

Besides short-term investments in banks and fixed time deposits, the Company also invested in equity shares of several business entities.

The Company's total equity investment as at June 30, 2017 reached Birr 66,859,746.00. This showed 13.9% growth as compared with that of last year's corresponding period, which was Birr 58,691,748.00

During the fiscal year ended on June 30, 2017 the Company earned Birr 41,021,503.00 from investment and other incomes. This indicates an increment of 7.4% as compared with that of last year's corresponding period. From the total investment and other incomes for the period under review the respective shares of interest income, dividend income and other incomes were 95.5%, 2.2% & 2.3%, respectively.

1.4.4.3 Total Assets and Liabilities

The total asset of the Company as at 30th June 2017 grew to Birr 666,645,319.00 from that of the preceding year, which was Birr 597,018,297.00. Likewise, total liabilities rose from Birr 433,329,502.00 of the preceding F.Y to Birr 451,648,088.00 as at end of the reporting period.

1.4.4.4 Administrative and General Expenses

The company's administrative and general expenses for the fiscal year that ended on 30th June 2016 were Birr 63,170,141. This increased by 34% i.e. to Birr 84,731,288.00 during the period

under review. The major reasons for the increase were rental costs related to the relocation of Claims Division by acquiring additional space from OIB, the acquisitions of recovery yard and Branch offices which, on average, increased by 25% as compared with that of the preceding year's corresponding period.

It should be noted here that the administrative and general expense ratio of the Company (i.e., administrative and general expenses divided by net earned premium) was 34.6% during the reporting period.

1.4.4.5 Profitability

During the fiscal year under review, the Company earned profit before tax of Birr 41,010,881.00 which is greater than that of the previous year's corresponding period by 22.8%. This in turn generated net profit of Birr 33,417,325.00 which ultimately produced earnings per share of Birr 291.00 for Birr 1,000.00 par value. Earnings per share of last year's corresponding period were Birr 337.76. This resulted mainly due to the substantial increase in the Company's paid up capital from Birr 115,180,000.00 as at end of the preceding F.Y to 155,151,000.00 as at end of the reporting period.

1.4.5 BRANCHES' EXPANSION

During the period under review two new branches were opened, i.e., at Burayu and Laga Tafo while Mettu Contact office was upgraded to branch level. As at June 30, 2017, the Company's market outlets, therefore, reached 41, comprising of 38 full-fledged branches and 3 contact offices. The Company's branch networks are situated at strategic locations in the country.

1.4.6. HUMAN RESOURCE

The Company's total number of employees as at June 30, 2017 was 333, out of which 195 were male and 138 female. This showed an increase of 11.7% as compared with that of the previous year's corresponding period. This resulted due to increase in the Company's activities and due to the increase in its branches. Out of the total employees, 26 are definite period employees while the remaining 307 are indefinite period employees. Based on the major categories of jobs, 61 employees are deployed on managerial positions, 184 on professional, and 88 on non-clerical positions.

During the year under review, 186 staff members attended various types of trainings, i.e., organized in house, elsewhere domestically, as well as abroad. Out of these, 17 staff members attended trainings and seminars organized abroad while the remaining staff members attended those organized in-house and elsewhere in the country.

The Company's overall employee turnover during the year under review was 12% while that of last year's corresponding period was 10%.

1.4.7 CHALLENGES AND PROSPECTS

1.4.7.1 Challenges

The competition in the market, as has always been the case, was characterized by continued reduction in premium rates coupled with compromises in underwriting principles. Relaxation of terms and conditions also resulted in diminishing bottom line result from operations. The unhealthy price based competition among the industry actors, the scarcity of skilled and experienced manpower, imbalance in portfolio mix and ever rising claims costs, particularly in motor class against the back drop of ever escalating business running costs, claims in particular, are all tough frontiers in challenges facing the industry.

1.4.7.2 Prospects

The economy, with all other things remaining unaltered, is expected to continue growing at decent rate and there would probably be better performance in the national economy as stipulated in GTP II. One of the new developments at national level is the reorientation in the strategic focus and growth direction of the country following the major shift from agricultural lead to the manufacturing sector as cornerstone of fast economic growth for Ethiopia. We believe that this change in growth strategy will bring additional potentials for our industry.

We also believe that the special attention being given to Microinsurance business will bring about reasonable rewards to the Company in the long run.

1.4.8 VOTE OF THANKS

On behalf of you, all shareholders of OIC, and on our own behalf, we the Board of Directors

express our deepest gratitude to all esteemed customers of the Company for their unreserved support and patronage. All shareholders of the Company also deserve special recognition for your investment, persistent backing and patience. We loudly offer you big thanks.

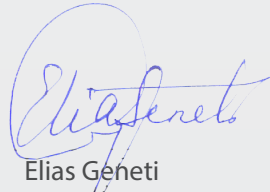
We seize this opportunity to also thank the National Bank of Ethiopia for its guidance and continued cooperation.

The Board of Directors also wishes to record its appreciation for the relation the Company enjoys with its reinsurers as well as for reciprocal business relations developed with both domestic and international intermediaries and companies.

Special credit is also due to the management, all frontline officers and staff members of OIC who have played and will continue to play pivotal

roles in the Company's success and growth. They strongly help in identifying the needs of the insuring public on the one hand and serve as our ambassadors on the other. The commendable result achieved would not have been possible without their demonstrated commitment and very strong team spirit.

Thank You!



Elias Geheti

Chairperson, Board of Directors & of the Annual General Meeting

KAAMPAANII INSHURAANSII OROMIYAA W.A.

ኦሮሚያ ኢንሹራንስ ኩባንያ አ.ማ.

OROMIA INSURANCE COMPANY S.C.

Where Passion, Experience and Dedication meet!



**ALL INSURANCE SERVICES UNDER ONE ROOF:
LIFE
NON -LIFE
MICROINSURANCE &
AGRICULTURAL INSURANCE**

Tel: +251 11 557 2121 | Fax: +251 11 557 2122 | P.O.Box: 10090, Addis Ababa, Ethiopia
Email: oromiainsurance@ethionet.et | website: www.oromiainsurancecompany.com.et

AUDITOR'S REPORT

ደገፋ ለጫሳ የኦዲት አገልግሎት ሁለት
ዓይነት ኃላፊነት ያለበት የሽርክና ማህበር

Tel: +251-011-466 11 57
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Fax: +251-011-466 15 36 +251-091-198 35 72

DEGEFA LEMESSA AUTHORIZED AUDITORS
LIMITED PARTNERSHIP CHARTERED
CERTIFIED ACCOUNTANTS

P.O.Box: 8118
E-mail: dcg.lem@ethionet.et
Addis Ababa Ethiopia

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF OROMIA INSURANCE COMPANY SHARE COMPANY

We have audited the accompanying financial statements of OROMIA INSURANCE COMPANY SHARE COMPANY which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income and statement of cash flows for the year then ended and summary of significant accounting policies and other explanatory information.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of OROMIA INSURANCE COMPANY SHARE COMPANY as at 30 June 2017 and of its financial performance and cash flows for the year then ended in accordance with its accounting policies applied on a consistent basis.

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



KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon; we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
a) Evaluating the adequacy of liabilities/ insurance fund held by the company, i.e., outstanding claims, provision for unexpired risk/unearned premium and other technical reserves required by the National Bank of Ethiopia (NBE).	We have checked the arithmetic accuracy of the unearned premium in accordance with the 1/24 th method set by NBE and found it out to be correct. We have also checked the correctness of 10% technical provision required by NBE which is we also found to be in order.
b) The company's incurred claim shown in the revenue account decreased significantly as compared to last year, i.e., the decrease has been Birr 58,253,563.	The explanations we obtained from the management of the company are: First, management has taken underwriting measures which resulted in a significant reduction of incurred claims as compared to last year. Second, provisions that have been barred by time have been written back. Third, provisions held especially in relation with performance bond guarantees were canceled after obtaining legal opinion from the legal services of the company, which is around eight million, as these provisions are no longer genuine liabilities. To verify the managements assertions as explained above we have: Tested the propriety of writing back and writing down of provision for outstanding claims and found out that the management's assertions are correct; We have also observed that the management avoided risky business lines, especially motor, which contributed in a significant reduction of incurred claims; We have also checked that provisions held for performance bond were cancelled in line with the legal opinion obtained from the legal services of the company.



RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting policies of the company and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

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

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

AUDITORS RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Degefa Lemessa Authorized Auditors
Limited Partnership, Chartered Certified Accountants
Addis Ababa October 17, 2017



OROMIA INSURANCE COMPANY S.C **GENERAL AND LONG TERM BUSINESS STATEMENT OF FINANCIAL POSITION** **AS AT 30 JUNE 2017**

	NOTE	BIRR	BIRR	2016 BIRR
ASSETS EMPLOYED				
Cash on hand and at bank	5		63,265,541	75,705,471
Fixed time deposits	6		400,755,316	356,165,635
Due from reinsurers			36,177,151	34,482,299
Debtors	7		52,675,913	40,813,428
Stock of stationery items and tyres			2,041,043	863,082
Statutory deposits	8		17,277,000	12,692,400
Investments	9		66,859,746	58,691,748
Fixed assets	10		25,428,846	16,256,472
Deferred charges	11		1,102,029	629,397
Deferred tax assets	12		<u>1,062,734</u>	<u>718,367</u>
TOTAL ASSETS			<u>666,645,319</u>	<u>597,018,297</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
<u>LIABILITIES</u>				
Outstanding claims	13	228,802,457		231,348,342
Other creditors and accruals	14	34,902,186		32,095,783
Provision for taxation	15	981,925		-
Due to reinsurers		6,371,962		12,905,851
Provision for unexpired risk		154,415,229		128,518,067
Other technical reserves		24,482,898		26,620,369
Life Assurance Fund	16	1,691,431		1,840,131
Un-reconciled Life & General accounts		-		<u>960</u>
			451,648,088	<u>433,329,502</u>
<u>EQUITY</u>				
Paid up capital	17	155,151,000		115,180,000
Share premium		578,850		578,850
Legal reserve		18,437,513		14,400,180
General reserve		7,412,542		5,393,876
Profit and loss account		<u>33,417,325</u>		<u>28,135,889</u>
			214,997,230	<u>163,688,795</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			<u>666,645,319</u>	<u>597,018,297</u>

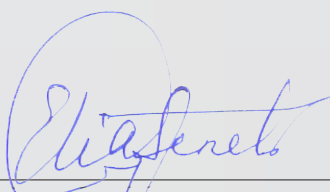

ELIAS GENETI
 BOARD CHAIRPERSON



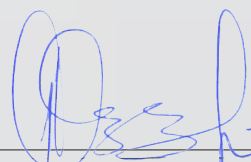

ASFAW BENTI
 CHIEF EXECUTIVE OFFICER
 OROMIA INSURANCE COMPANY S.C.

OROMIA INSURANCE COMPANY S.C
GENERAL AND LONG TERM BUSINESS STATEMENT OF COMPREHENSIVE INCOME AND
OTHER PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	BIRR	BIRR	2016 BIRR
REVENUE				
Underwriting Result	18	43,035,929		27,223,442
Interest income		39,165,465		33,052,596
Dividend		917,998		2,780,107
Other income		<u>938,040</u>		<u>2,349,620</u>
		84,057,432		<u>65,405,765</u>
EXPENSES				
Administrative expenses	19	39,873,802		31,330,352
Board fee		597,000		196,160
Provision/reversal of provision for doubtful debts		2,466,749		361,961
Audit fee		<u>109,000</u>		<u>121,750</u>
		<u>(43,046,551)</u>		<u>(32,010,222)</u>
Net profit(loss) for the year		41,010,881		33,395,543
Tax expense	15	<u>(637,558)</u>		<u>176,091</u>
Net profit after taxation		40,373,324		33,571,634
Transfer to legal reserve		<u>(4,037,332)</u>		<u>(3,357,163)</u>
Transfer to general reserve		<u>(2,018,666)</u>		<u>(1,678,582)</u>
		34,317,325		28,535,889
Directors' share on profit	20	<u>(900,000)</u>		<u>(400,000)</u>
		33,417,325		<u>28,135,889</u>
Accumulated profit/loss brought forward		28,135,889		38,469,074
Dividend declared and paid		<u>(28,135,889)</u>		<u>(38,469,074)</u>
Accumulated profit carried forward		<u>33,417,325</u>		<u>28,135,889</u>
EARNING PER SHARE		291		338


ELIAS GENETI

BOARD CHAIRPERSON



ASFAW BENTI

CHIEF EXECUTIVE OFFICER

OROMIA INSURANCE COMPANY S.C
GENERAL AND LONG TERM BUSINESS CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

	<u>BIRR</u>	<u>BIRR</u>	<u>2016</u> <u>BIRR</u>
Cash Flows from Operating Activities			
Net profit (loss) before tax		41,010,881	<u>33,395,543</u>
:Adjustment for			
Depreciation and amortization	5,196,893		5,080,015
Provision for unexpired risk	25,897,162		14,152,466
Provision for /reversal of provision of doubtful debts	2,466,749		361,961
Reversal of/Provision for technical reserves	(2,137,471)		3,898,052
Gain on fixed assets disposal	-		(659,483)
Interest income	(39,165,465)		(33,278,308)
Dividend Income reinvested	<u>(917,998)</u>		<u>(2,780,107)</u>
		<u>(8,660,129)</u>	<u>(13,225,404)</u>
Operational cash flow before change in working capital		32,350,752	<u>20,170,138</u>
Increase in stock items	(1,177,962)		(35,558)
Decrease/Increase in debtors	(9,171,227)		(5,707,220)
Increase/decrease in outstanding claims	(2,545,885)		86,649,784
Increase/decrease in amount due to reinsurers	(8,228,741)		(39,601,574)
Increase/decrease in other creditors & accruals	2,306,403		13,138,730
Increase in difference in un-reconciled current account	(960)		706
Decrease/Increase in statutory deposit	<u>(4,584,600)</u>		<u>-</u>
		<u>(23,402,971)</u>	<u>54,444,868</u>
Net cash inflows from operating activities		8,947,781	<u>74,615,006</u>
TAXATION			
Profit tax paid	-		(5,984,580)
Withholding tax paid	<u>(2,603,650)</u>		<u>(2,213,647)</u>
		<u>(2,603,650)</u>	<u>(8,198,227)</u>
		6,344,131	<u>66,416,780</u>
Cash Flows from Investing Activities			
Acquisition of fixed assets	(14,186,191)		(6,848,319)
Proceeds from fixed assets disposal	-		676,853
Investment in fixed time deposit	(44,589,681)		(40,989,625)
Interest received	36,611,107		29,710,807
Investment	(7,250,000)		(14,098,573)
Deferred Charge	<u>(655,707)</u>		<u>2,780,107</u>
		(30,070,472)	<u>(28,768,750)</u>
Cash flows from Financing Activities			
Collection from subscribed shares	39,971,000		30,374,000
Share premium Collected	-		59,850
Directors share on profit paid	(400,000)		(450,000)
Dividend paid	<u>(28,135,889)</u>		<u>(38,469,074)</u>
Net cash flow from financing activities		<u>11,435,111</u>	<u>(8,485,224)</u>
		(12,291,230)	29,162,805
Decrease in Life assurance fund		<u>(148,700)</u>	<u>956,366</u>
Net decrease/Increase in cash		(12,439,930)	30,119,171
Cash at the beginning of the year		<u>75,705,471</u>	<u>45,586,299</u>
Cash at the end of the year		<u>63,265,541</u>	<u>75,705,471</u>
Components of Cash and Cash Equivalents			
Cash at bank		60,155,484	65,563,952
Cash on hand		<u>3,110,057</u>	<u>10,141,519</u>
		<u>63,265,541</u>	<u>75,705,471</u>



ELIAS GENETI

BOARD CHAIRPERSON




ASFAW BENTI

CHIEF EXECUTIVE OFFICER

OROMIA INSURANCE COMPANY S.C.

OROMIA INSURANCE COMPANY S.C
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Paid up capital Birr	Share premium Birr	Legal reserve Birr	General reserve Birr	Retained earnings Birr	Total Birr
BALANCE AS AT 30 JUNE 2015	84,806,000	519,000	11,043,017	3,715,294	38,469,075	138,552,385
Collection from subscribed shares issued	30,374,000	-	-	-	-	30,374,000
Share premium collected	-	59,850	-	-	-	59,850
Dividend paid	-	-	-	-	(38,469,074)	(38,469,074)
Net profit for the year	-	-	-	-	33,571,634	33,571,634
Transfer to legal reserves	-	-	3,357,163	-	(3,357,163)	-
Transfer to general reserve	-	-	-	1,678,582	(1,678,582)	-
Directors' share on profit	-	-	-	-	(400,000)	(400,000)
BALANCE AS AT 30 JUNE 2016	115,180,000	578,850	14,400,181	5,393,876	28,135,890	163,688,795
Collection from subscribed shares issued	39,971,000	-	-	-	-	39,971,000
Dividend paid	-	-	-	-	(28,135,890)	(28,135,890)
Net profit for the year	-	-	-	-	40,373,324	40,373,324
Transfer to legal reserves	-	-	4,037,332	-	(4,037,332)	-
Transfer to general reserve	-	-	-	2,018,666	(2,018,666)	-
Directors' share on profit	-	-	-	-	(900,000)	(900,000)
	155,151,000	578,850	18,437,513	7,412,542	33,417,325	214,997,230


ELIAS GENETI
 BOARD CHAIRPERSON


ASFAW BENTI
 CHIEF EXECUTIVE OFFICER



ROMIA INSURANCE COMPANY S.C **NOTES TO THE ACCOUNTS** **FOR THE YEAR ENDED 30 JUNE 2017**

1. ESTABLISHMENT

Oromia Insurance Company S.C was established in accordance with Article 304 of the Commercial Code of Ethiopia and the National Bank of Ethiopia Directive 746/2012 with the objective of providing insurance services and to engage in other ancillary business activities.

2. BASIS OF PRESENTATION

The financial statements have been prepared in conformity with the Accounting policies of the Company, the Commercial Code of Ethiopia of 1960 and the proclamation of Insurance business. The financial statements are prepared as of and for the year ended 30 June 2017 has been presented in Ethiopian Birr, unless otherwise stated. Due to rounding, numbers presented may not add up precisely to the totals provided.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF ACCOUNTING FOR FINANCIAL INSTRUMENTS

Recognition

Financial assets are generally recognized and derecognized on the trade date, i.e. when the Oromia Insurance commits to purchase or sell securities or incur a liability. Financial instruments are initially recognized at cost plus directly attributable transaction costs.

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

De-recognition

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Oromia Insurance transfers the asset and substantially all of the risks and rewards of ownership.

A financial liability is derecognized when it is extinguished.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include balances with banks payable on demand, balances with central banks, cash on hand, treasury bills to the extent they are not included in financial assets held for trading, as well as checks and bills of exchange which are eligible for refinancing at central banks, subject to a maximum term of six months from the date of acquisition.

INVESTMENTS

Held-to-maturity investments

Held-to-maturity investments are debt securities with fixed or determinable payments and fixed maturities for which the Company has the positive intent and ability to hold to maturity. These securities are initially recognized at cost and subsequently measured at amortized cost using the nominal interest method.

REINSURANCE LIABILITIES

Liabilities related to reinsurance are reported on gross basis without being offset against balance due from reinsurers. The amount of reserves ceded to reinsurers is estimated in a manner consistent with the treaty entered into with the reinsurers. Oromia Insurance will also claim the reinsurers in a manner consistent with the claim liability associated with the reinsured risks, i.e., to the extent that Oromia Insurance is reinsured for the risks, the respective reinsures shall cover the claims.

DEFERRED TAX ASSETS

The calculation of deferred tax assets is based on tax loss carry forwards, unused tax credits and on deductible temporary differences between company's depreciation/amortization expense reported for financial reporting purpose and for tax purpose. The tax rates used for the calculation of deferred taxes are the local rates applicable in Ethiopia. Deferred tax assets are recognized only to the extent it is probable that sufficient future taxable income will be available for their realization.

OTHER ASSETS

Other assets primarily consist of receivables, accrued dividends, interest and rent as well as own-used property and equipment. Receivables are generally recorded at face value less any payments received, net of valuation allowances. Own-used property and equipment generally is carried at cost less accumulated depreciation and impairments. The assets are depreciated on a straight-line basis over their estimated useful lives as shown hereunder:

	%
Motor vehicles	20
Furniture& fixture	20
Office equipment	20
Computer and accessories	25

4. PRINCIPLES OF ACCOUNTING FOR INSURANCE, INVESTMENT AND REINSURANCE CONTRACTS

Insurance contracts

Insurance contracts under which Oromia Insurance accepts significant insurance risk are accounted for under the requirements/guidance of the National Bank of Ethiopia.

Reinsurance contracts

The Oromia Insurance financial statements reflect the effects of ceded and assumed insurance contracts. Assumed insurance refers to the acceptance of certain insurance risks by the company that it has underwritten. Ceded insurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who will share in the risks. Assumed reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of technical provisions are accounted for in accordance with the conditions of the reinsurance contracts and with consideration of the original contracts for which the reinsurance was concluded.

UNEARNED PREMIUMS

For short-duration insurance contracts, like most of the property and casualty contracts, premiums to be earned in future years are recorded as unearned premiums. These premiums are earned in subsequent periods in relation to the insurance coverage provided.

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

Reserves are established for the payment of losses and loss adjustment expenses (LAE) on claims which have occurred but are not yet settled. Reserves for loss and loss adjustment expenses fall into two categories: case reserves for reported claims and reserves for incurred

but not reported losses (IBNR). Case reserves for reported claims are based on estimates of future payments that will be made with respect to claims, including LAE relating to such claims. The estimates reflect the informed judgment of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim. These case reserves are regularly re-evaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available.

IBNR reserves are established to recognize the estimated cost of losses that have occurred but where Oromia Insurance has not yet been notified. IBNR reserves, similar to case reserves for reported claims, are established to recognize the estimated costs, including expenses, necessary to bring claims to final settlement. Oromia Insurance relies on its past experience, adjusted for current trends and any other relevant factors to estimate IBNR reserves. IBNR reserves are estimates based on actuarial and statistical projections of the expected cost of the ultimate settlement and administration of claims. The analyses are based on facts and circumstances known at the time, predictions of future events, estimates of future inflation and other societal and economic factors. Trends in claim frequency, severity and time lag in reporting are examples of factors used in projecting the IBNR reserves. IBNR reserves are reviewed and revised periodically as additional information becomes available and actual claims are reported. The minimum IBNR reserve, however, is 10% of the net premium earned as per the National Bank of Ethiopia requirement.

In general, reserves for loss and loss adjustment expenses are not discounted, except when payment amounts are fixed and timing is reasonably determinable.

DEFERRED TAX LIABILITIES

Deferred tax liabilities are recognized for temporary differences between the Oromia Insurance's depreciation in its profit and loss account and tax allowable depreciation.

OTHER LIABILITIES

Other liabilities primarily consist of payables, provisions for pensions and similar obligations and employee-related provisions.

Pensions and similar obligations

For defined contribution plans, Oromia Insurance uses the actual obligations incurred.

EQUITY

Issued capital represents the mathematical per share value received from the issuance of shares. Additional paid-in capital represents the premium, exceeding the issued capital, received from the issuance of shares.

Retained earnings comprise the net income of the current year, not yet distributed earnings of prior years and any amounts directly recognized in equity.

PREMIUMS

Premiums for short-duration insurance contracts are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided. Unearned premiums are calculated separately for each individual policy to cover the unexpired portion of written premiums. Premiums ceded for reinsurance are deducted from premiums net of reinsurance commission earned.

INTEREST AND SIMILAR INCOME AND INTEREST EXPENSES

Interest income and interest expenses are recognized on an accrual basis. Interest income is recognized using the nominal interest method.

DIVIDEND AND OTHER INCOME

Other income primarily consists of any incidental income earned out of the primary operation of the company. Dividend income earned on investments made in other companies' shares. Dividend income is recognized when the investees declare dividend.

CLAIMS AND INSURANCE BENEFITS INCURRED

Benefits charged to expense consist of claims and insurance benefits incurred during the period. Furthermore, it includes claim handling costs that are directly related to the processing and settlement of claims. Reinsurance recoveries are deducted from claims and insurance benefits.

INCOME TAXES

Income tax expense consists of current taxes on taxable income actually charged and changes in deferred tax assets and liabilities. Expense and income from interest and penalties to or from tax authorities are shown separately in the comprehensive income statement.

5 CASH AND BANK BALANCE

	BIRR	2016 BIRR
Cash on hand	3,110,057	10,141,519
Cash at bank	<u>60,155,484</u>	<u>65,563,952</u>
	<u>63,265,541</u>	<u>75,705,471</u>

6 FIXED TIME DEPOSITS

	BIRR	2016 BIRR
Cooperative Bank of Oromia S.C	95,154,461	131,936,386
Oromia International Bank S.C	155,472,476	130,814,486
Awash International Bank S.C	52,989,664	47,990,250
United Bank S.C	13,377,036	12,142,727
Addis International Bank S.C	6,953,933	7,653,950
Nib International bank S.C	33,400,000	-
Enat Bank S.C	<u>43,407,746</u>	<u>25,627,835</u>
	<u>400,755,316</u>	<u>356,165,635</u>

7 DEBTORS AND PREPAYMENTS

	BIRR	2016 BIRR
Trade debtors	17,191,507	17,513,511
Staff debtors	228,686	405,423
Prepayments	15,623,506	7,728,861
Interest receivable	21,112,241	18,557,883
Withholding tax receivable	4,817,084	2,213,435
Payment on Behalf of IBLI Bore	1,171,200	466,056
Bid Receivable	114,496	291,352
Creditors with debit balances	33,941	-
Unidentified opening balance difference	91,991	-
Sundry	<u>2,714,939</u>	<u>1,593,835</u>
	63,099,591	48,770,357
Less: Provision for doubtful debts	<u>(10,423,677)</u>	<u>(7,956,929)</u>
	<u>52,675,913</u>	<u>40,813,428</u>

WITHHOLDING TAX PAID

	BIRR	2016 BIRR
Balance brought forward	2,213,435	1,806,354
Balance set off against profit tax payable	-	(1,806,566)
Current year payment	<u>2,603,650</u>	<u>2,213,647</u>
	<u>4,817,085</u>	<u>2,213,435</u>

8. STATUTORY DEPOSIT

	BIRR	2016 BIRR
Balance brought forward	12,692,400	12,692,400
Deposit during the year	<u>4,584,600</u>	-
Balance carried forward	<u>17,277,000</u>	<u>12,692,400</u>

9. INVESTMENT

	BIRR	2016 BIRR
Oromia International Bank S.C	8,151,939	4,233,941
Cooperative Bank of Oromia S.C	6,674,600	6,674,600
Gutu Oromia S.C	5,412,500	3,412,500
Elemo Kiltu Housing Project	1,000,000	1,000,000
Elemtu Integrated Milk Industry	1,050,000	1,050,000
Government Saving Bond	3,200,000	3,200,000
Investment in Joint Venture with Oromia Coffee Farmers Cooperative Union	14,401,956	14,401,956
TBO Printing and Publishing S.C	1,968,750	1,968,750
OIB-ODA Real Estate plc	10,000,000	10,000,000
Ethiopian Re-insurance S.C	12,750,000	12,750,000
Sheger Micro finance S.C	1,000,000	-
ODA Integrated transport S.C	<u>1,250,000</u>	-
	<u>66,859,746</u>	<u>58,691,748</u>

10 FIXED ASSETS

	Balance on 30/6/2016	Additions	Transfer/ Adjustment	Balance on 30/6/2017
COST	Birr	Birr	Birr	Birr
Motor Vehicles	25,817,799	11,951,732	-	37,769,531
Office furniture & equipment	7,553,596	278,540	1,113,080	8,945,216
Computer and accessories	2,453,346	-	833,371	3,286,718
Fixed assets in store	<u>1,111,781</u>	<u>1,955,919</u>	<u>(1,946,451)</u>	<u>1,121,250</u>
	<u>36,936,523</u>	<u>14,186,191</u>	<u>-</u>	<u>51,122,714</u>
DEPRECIATION				
Motor Vehicles	15,014,645	3,354,844	-	18,369,489
Office furniture & equipment	4,050,146	1,234,027	-	5,284,174
Computer and accessories	<u>1,615,260</u>	<u>424,946</u>	<u>-</u>	<u>2,040,206</u>
	<u>20,680,051</u>	<u>5,013,817</u>	<u>-</u>	<u>25,693,868</u>
NET BOOK VALUE	<u>16,256,472</u>			<u>25,428,846</u>

11 DEFERRED CHARGES

	Balance on 30/06/2016	Addition	Balance on 30/06/2017
Cost	Birr	Birr	Birr
Establishment cost	930,282	-	930,282
Recovery Yard	<u>703,134</u>	<u>655,707</u>	<u>1,358,841</u>
	<u>1,633,416</u>	<u>655,707</u>	<u>2,289,123</u>
Amortization			
Establishment cost	689,959	93,028	782,987
Recovery Yard	<u>314,060</u>	<u>90,047</u>	<u>404,107</u>
	<u>1,004,019</u>	<u>183,076</u>	<u>1,187,095</u>
Book value	<u>629,397</u>		<u>1,102,029</u>

12 DEFERRED TAX ASSET

	Birr	2016 Birr
Depreciation for reporting purpose	4,887,933	4,788,755
Depreciation for tax purpose	<u>(3,740,042)</u>	<u>(4,201,784)</u>
Temporary difference	<u>1,147,891</u>	<u>586,971</u>
Deferred tax asset @30%	344,367	176,091
Balance brought forward	<u>718,367</u>	<u>542,275</u>
Balance carried forward	<u>1,062,734</u>	<u>718,367</u>

13 OUTSTANDING CLAIMS

	Birr	2016 Birr
Engineering	11,113,390	7,168,524
Fire-General	12,539,069	5,987,850
Marine	5,032,387	5,261,978
Motor	187,744,884	194,070,965
Group medical	1,737,571	1,761,536
Pecuniary	368,394	115,689
Workmen Compensation	2,709,493	2,490,833
Bond	<u>7,557,270</u>	<u>14,490,967</u>
	<u>228,802,457</u>	<u>231,348,342</u>

14 CREDITORS

	Birr	2016 Birr
Withholding tax payable	505,896	356,713
Income tax	634,921	603,039
Pension and provident fund	469,771	339,632
Cost sharing	15,388	20,887
Accruals	10,379,734	4,831,892
Payable to Sales agents	78,531	480,350
Dividend tax payable	855,319	1,659,431
Payable to office fund	1,274,249	737,534
Dividend payable	4,823,180	18,090,264
Cash accounts with credit balances	8,003,279	529,373
Suspense	-	51,611
Subscription fee payable	22,834	42,763
Payable to clients	4,628,925	1,683,038
Directors' share on profit payable	900,000	400,000
Sundry	901,185	362,153
Share transfer tax	1,080	-
Travel coupon	200,779	205,651
VAT Payable	<u>1,207,116</u>	<u>1,701,451</u>
	<u>34,902,186</u>	<u>32,095,783</u>

15 PROVISION FOR TAXATION

	<u>Birr</u>	<u>Birr</u>	<u>2016</u> <u>Birr</u>
Profit before taxation		41,010,881	<u>33,395,543</u>
Add: Depreciation for reporting purpose	4,887,933		4,788,755
Entertainment	<u>1,197,775</u>		1,716,169
		6,085,707	<u>6,504,924</u>
Less: Depreciation for tax purpose	(3,740,042)		(4,201,784)
Dividend income	(917,998)		(2,780,107)
Interest income taxed at source	(39,165,465)		(33,052,596)
Gain on fixed assets disposal	=		<u>(659,483)</u>
		<u>(43,823,505)</u>	<u>(40,693,970)</u>
Taxable profit/Loss for tax purpose		<u>3,273,084</u>	<u>(793,503)</u>
Provision for tax @ 30%		981,925	-
Balance brought forward		-	7,791,146
Less: settlement in cash		-	(5,984,580)
Less: Balance set off against withholding tax		=	<u>(1,806,566)</u>
		<u>981,925</u>	=

15.1 TOTAL TAX EXPENSE

	<u>Birr</u>	<u>2016</u> <u>Birr</u>
Current year provision for taxation	981,925	-
Deferred tax asset	<u>(344,367)</u>	<u>(176,091)</u>
	<u>637,558</u>	<u>(176,091)</u>

15.2 DEPRECIATION FOR TAX PURPOSE

	<u>Computers</u> <u>Birr</u>	<u>Other assets</u> <u>Birr</u>	<u>Depreciation</u> <u>Birr</u>
a) Depreciation on prior years pooling method			
Depreciation base brought forward	969,964	15,513,851	
Current Period disposal	=	=	
Current Period depreciation base	969,964	15,513,851	
Depreciation @25%&20%	<u>(242,491)</u>	<u>(3,102,770)</u>	3,345,261
Depreciation base Carried forward	<u>727,473</u>	<u>12,411,081</u>	

b) Depreciation on current year acquisitions straight line method

COST			
Current Period addition	833,371	13,343,352	
DEPRECIATION			
Depreciation @20%&15%	<u>85,979</u>	<u>308,802</u>	394,781
NET BOOK VALUE	<u>747,392</u>	<u>13,034,550</u>	
Total depreciation for tax purpose			<u>3,740,042</u>

16 LIFE ASSURANCE FUND

	Birr	Birr	2016 Birr
Gross premium written		4,672,857	3,888,603
Less-Premium ceded		<u>(1,669,475)</u>	<u>(998,686)</u>
		3,003,382	<u>2,889,917</u>
Less: Provision for outstanding claims	-		59,494
Claims incurred and paid	2,596,047		1,010,695
Commission Paid	<u>354,824</u>		<u>324,255</u>
		<u>(2,950,872)</u>	<u>(1,394,443)</u>
		52,510	1,495,474
Interest Income		<u>1,107,962</u>	<u>225,712</u>
		1,160,472	<u>1,721,186</u>
<u>Operating & administrative expense</u>			
Salaries and benefit	963,096		489,739
Actuaries fees	91,982		81,752
Administrative expenses	<u>254,094</u>		<u>193,329</u>
		<u>(1,309,172)</u>	<u>(764,821)</u>
Life assurance fund-current		(148,700)	956,366
Life assurance fund-balance brought forward		<u>1,840,131</u>	<u>883,765</u>
		<u>1,691,431</u>	<u>1,840,131</u>

17 CAPITAL

	Number of shares	Par value	2016 Birr
Subscribed	245,860	1,000	245,860,000
Paid	155,151	1,000	155,151,000

18 REVENUE ACCOUNT

	<u>Birr</u>	<u>Birr</u>	<u>2016</u> <u>Birr</u>
GROSS WRITTEN PREMIUM (Note 18.1)		358,045,084	333,926,463
PREMIUM CEDED (Note 18.2)		<u>(87,318,940)</u>	<u>(76,170,360)</u>
		270,726,144	257,756,103
REINSURANCE COMMISSOIN		<u>19,535,887</u>	<u>12,479,802</u>
NET PREMIUMS AND REINSURANCE		290,262,031	270,235,905
Sales of salvages		<u>32,931,368</u>	<u>33,120,098</u>
		323,193,400	303,356,004
LESS: Administration Expense (Note 18.3)	44,857,486		31,839,789
Provision for unexpired risks (net)	25,897,162		14,152,466
" " outstanding claims	-		47,039,314
Reversal of/ Provision for outstanding claims	(11,214,249)		-
Reversal of/provision for Other technical reserves (net)	(2,137,471)		3,898,154
Claims Paid	213,582,930		170,775,816
Commission expenses	<u>9,171,612</u>		<u>8,427,023</u>
Total expense		<u>(280,157,470)</u>	<u>(276,132,562)</u>
			-
UNDERWRITING SURPLUS TRANSFERRED			
TO PROFIT AND LOSS STATEMENT		<u>43,035,929</u>	<u>27,223,442</u>

18.1 GROSS PREMIUM

	<u>Birr</u>	<u>2016</u> <u>Birr</u>
Engineering	16,781,458	10,816,595
Fire-General	20,297,870	16,692,324
Liability	999,243	188,091
Marine cargo	16,603,946	18,695,427
Motor	252,002,309	239,859,239
Accident and health	10,149,521	9,993,432
Bond	11,433,698	-
Burglary	124,979	-
Pecuniary	21,324,884	29,584,980
Workmen Compensation	5,895,310	5,895,480
Other-micro	<u>2,431,866</u>	<u>2,200,896</u>
	<u>358,045,084</u>	<u>333,926,463</u>

18.2 PREMIUM CEDED

		2016
	<u>Birr</u>	<u>Birr</u>
Engineering	9,087,518	2,700,472
Fire-General	8,170,075	6,755,453
Liability	49,962	-
Marine Cargo	4,259,058	3,692,277
Motor	49,807,126	48,461,243
Accident and health	1,367,151	237,799
Pecuniary	5,828,156	13,200,486
Bond	8,170,113	-
Burglary and house	246,469	-
Workmen Compensation	295,812	-
Other	<u>37,500</u>	<u>1,122,631</u>
	<u>87,318,940</u>	<u>76,170,360</u>

18.3 UNDERWRITING ADMINISTRATION EXPENSES

		2016
	<u>Birr</u>	<u>Birr</u>
Salary and wages	20,111,152	16,661,442
Employees benefits	9,964,911	3,269,824
Repair and maintenance	1,303,645	1,067,776
Fuel and lubricants	991,865	812,519
Rent expenses	7,726,189	5,874,994
Communication	1,052,442	962,580
Advertisement and promotion	261,360	144,317
Stationery and Printing	223,920	229,319
Perdiem and traveling	161,432	165,591
Cleaning and sanitation	144,729	108,650
Utility	67,258	44,538
License and registration	1,607	268
Bank Charges	5,339	5,122
Depreciation and amortization	1,936,861	2,028,265
Entertainment	339,462	271,353
Miscellaneous	564,252	193,231
Membership and subscription fee	<u>1,063</u>	<u>-</u>
	<u>44,857,486</u>	<u>31,839,789</u>

19 GENERAL AND ADMINISTRATION EXPENSES

	Birr	2016 Birr
Salary and wages	10,596,722	7,973,885
Employees benefits	6,171,923	6,168,817
Repair and maintenance	992,531	853,261
Fuel and lubricants	1,495,417	894,009
Rent expenses	7,143,803	4,027,691
Communication	856,218	474,745
Advertisement and promotion	2,363,882	1,643,799
Stationery and Printing	1,185,922	2,430,545
Insurance	881,249	283,926
Perdiem and travelling	413,226	252,369
Cleaning and sanitation	208,274	243,188
License and registration	56,440	40,328
Legal and professional fee	595,154	96,206
Bank Charges	690,680	436,508
Depreciation and amortization	3,134,148	2,923,830
Entertainment	858,312	1,444,817
Annual General Meeting	258,224	201,571
Miscellaneous	960,125	591,084
Interest expense	-	-
Membership and subscription fee	181,428	180,575
Donation Expense	700,000	-
Guarding	130,125	169,199
	<u>39,873,802</u>	<u>31,330,352</u>

20 BOARD OF DIRECTORS FEE

The 7th ordinary meeting of the shareholders' passed a resolution that the Board of directors monthly allowance to be Birr 4,000 and their annual remuneration to be Birr 100,000.

21 EMPLOYEES

The company has 333 employees as at 30 June 2017 (298, June 2016)

22 COMPARATIVE FIGURES

Certain last year figures have been rearranged and reclassified to make them consistent with current year presentation.



ELDERS BLESSING THE 7TH AGM OF SHAREHOLDERS



BOARD CHAIRPERSON ADDRESSING THE 7TH AGM



7TH AGM OF SHAREHOLDERS IN SESSION



WELCOMING THE NEW CEO



INSURED LIVESTOCK, BORENA 2016



INSURED MAIZE CROP, ASSOSA 2016



INSURED TEFF CROP, EAST SHEWA, ADA'A 2016



DURING FIELD VISIT OF DROUGHT AFFECTED CATTLE, DAMBAL SADEN, YABELLO, 2017

WE ARE COMMITTED TO REACH THE MARGINALIZED, LOW INCOME PEOPLE



BIRR 1.6 MILLION

IBLI PAYOUT CEREMONY ON 18TH FEBRUARY, 2017 AT BORENA, YABELLO TO 1,474 HOUSEHOLD POLICYHOLDERS



A WOMAN PASTORALIST RECEIVING CLAIM PAYMENT

THIS IS A CORPORATE SOCIAL RESPONSIBILITY AND FUTURE POTENTIAL BUSINESS VENTURE



2016/17 ANNUAL PERFORMANCE REVIEW MEETING AND TRAINING

BRANCHES IN ADDIS ABABA

Name of Branch	Location	Branch Managers	Contact Details		
			Telephone	Mobile	P.O. Box
Finfinnee	Meksiko, Sengatera Area	Amanu Daba	+251 - 115 - 572 - 126	+251-9-29-90-75-15	10090
Head office Branch	Bole, Africa Avenue	Abdi Bulti	+251 - 115 - 528 - 557	+251-9-29-90-75-18	10090
Bole	Novis Building	Mekonnen Degu	+251 - 116 - 623 - 194	+251-9-29-90-75-17	10090
Merkato	4 th Police Station	Ayantu Yoseph	+251 - 112 - 758 - 502	+251-9-29-90-75-21	10090
Gofa	Gofa Area	Abera Guta	+251 - 114 - 161 - 122	+251-9-29-90-75-27	10090
Doka bora	22 Area	Samuel Jote	+251 - 116 - 630 - 208	+251-9-29-90-75-20	10090
Gullele	Gullele Area	Kuleni Gudeta	+251 - 112 - 595 - 577	+251-9-29-90-75-28	10090
Wadessa	Tewodros Square Area	Mengistu Ebisa	+251 - 111 - 118 - 404	+251-9-29-90-75-22	10090
Birbirs	Merkato Bombi Tera Area	Asrat Shegena	+251 - 112 - 130 - 111	+251-9-29-90-75-23	10090
Chaffe	Flamingo Area	Fikadu Bayisa	+251-115-52-85-57	+251-9-29-90-75-01	10090
Qarsa	Kazanchis Oda Tower	Meron Mulatu	+251 - 118 - 962 - 249	+251-9-29-90-75-19	10090
Jamo	Ayer Tena Area	Ebsa Mohammed	+251 - 118 - 962 - 129	+251-9-29-90-75-29	10090
Bulbula	Saris Adey Abeba Area	Mecha Haile	+251 - 114 - 430 - 181	+251-9-29-90-75-24	10090
Kolfe	Kolfe Atena Tera Area	MasreshaTeshome	+251 -112 - 791 - 330	+251-9-29-90-75-30	10090
Gerji	Gerji Area	Kumela Tolessa	+251 - 116 - 394 - 037	+251-9-29-90-75-26	10090
Dollo biddena (meskel flower area)	Meskel Flower Area	Kasahun Sisay	+251 - 114 - 168 - 956	+251-9-29-90-75-25	10090
Muda	Lideta Area	Obse Beyene	+251 - 115 - 573 -103	+251-9-29-90-75-06	10090
Ejersa	Bole Medhanialelem Area	Meseret Regasa	+251 - 116 - 392 - 252	+251-9-29-90-75-16	10090
Kality	Kality area	Sifan Dame	+251 - 114 - 715 - 279	+251-9-29-90-75-07	10090

UP-COUNTRY BRANCHES

Name of Branch	Location	Branch Managers	Contact Details		
			Telephone	Mobile	P.O. Box
Ambo	Ambo Town	Sisay Buli	+251- 112 - 366 - 414	+251-9-29-90-75-32	150
Woliso	Woliso Town	Birhane Negessu	+251 - 113 - 413- 511	+251-9-29-90-75-33	305
Shashemene	Shashemene	Neguse Daba	+251 - 461 - 102- 190	+251-9-29-90-75-39	1368
Adama	Adama Town	Ensermu Chala	+251 - 221 - 119 -187	+251-9-29-90-75-31	2582
Dire Dawa	Dire Dawa	Wondewosen Solomon	+251 - 251 - 110 - 647	+251-9-29-90-75-38	916
Jimma	Jimma	Esayas Buzayew	+251 - 471 - 115 - 224	+251-9-29-90-75-34	1401
Nekemte	Nekemte	Abera Alemu	+251 - 576 - 616 - 680	+251-9-29-90-75-35	57
Hawassa	Hawassa	Ayana Wondimu	+251 - 462 - 201 - 008	+251-9-29-90-75-58	1576
Mekele	Mekele	Mebrehatu Teka	+251 - 344 - 408 - 371	+251-9-29-90-75-74	2072
Bishoftu	Bishoftu	Meaza Dibekulu	+251 - 114 - 370 - 439	+251-9-29-90-75-75	-
Dessie	Dessie	Hana Demlew	+251 - 333 - 111- 065	+251-9-29-90-75-76	1205
Bahirdar	Bahirdar	Merkebu Tesema	+251 - 582- 208- 360	+251-9-29-90-75-00	-
Asela	Asela	Alemu Feto	+251- 223 - 318 - 214	+251-9-29-90-75-02	211
Bale robe	Bale robe	Hodata Teferi	+251 - 226 - 650- 375	+251-9-29-90-75-03	1368
Sebeta	Sebeta	Daniel Etafa	+251 - 118- 962 - 130	+251-9-29-90-75-05	10090
Gimbi	Gimbi	Yedeta Babo	+251 - 557 - 710 -344	+251-9-29-90-75-04	320
Burayu	Burayu	Birhane Kebede	+251 - 112 - 601 - 934	+251-9-29-90-75-08	10090
Lagatafo	Lagatafo	Fayo Kasim	+251 -116 - 679 - 985	+251-9-29-90-75-09	10090
Mettu	Mettu	Teferi Amena	+251- 471 - 410 - 018	+251-9-29-90-75-10	

CONTACT OFFICES

Name of Contact Office	Telephone	P.O. Box	Fax
Chiro	+251-255-512-265	-	+251 - 255 - 512 - 265
Bule hora	+251-226-650-375	-	+251 - 462 - 201 -009
Yabello	+251-464-461-231	-	+251-464 - 461 - 173

KAAMPAANII INSHURAANSII OROMIYAA W.A.

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OROMIA INSURANCE COMPANY S.C.

Where Passion, Experience and Dedication meet!

MAJOR TYPES OF INSURANCE PRODUCTS

Oromia Insurance Company provides General and Long Term Insurance Services.

They are :-

NON-LIFE

- ▶ All Risks Insurance
- ▶ Burglary and House Breaking Insurance
- ▶ Bonds
 - Performance bond
 - Supply bond
 - Customs bond
 - Bid bond
 - Maintenance bond
 - Advance payment bond
 - Retention and release bond
- ▶ Condominium Insurance
- ▶ Consequential Loss
- ▶ Engineering
 - Boiler Insurance
 - Contractors All Risks Insurance
 - Contractors Plant & Machinery Insurance
 - Deterioration of Stock Insurance
 - Erection All Risks Insurance
 - Electronic Equipment Insurance
 - Machinery Breakdown Insurance
 - Machinery Loss of Profit Insurance
- ▶ Fidelity Guarantee Insurance
- ▶ Fire and Allied Perils Insurance
- ▶ Goods-in-Transit
- ▶ Horticulture-plantation Insurance
- ▶ Inland Carriers Liability Insurance
- ▶ Marine Cargo Insurance
- ▶ Money Insurance
- ▶ Motor Insurance
- ▶ Personal/ Group Personal Accident Insurance
- ▶ Plate Glass Insurance
- ▶ Product Liability Insurance
- ▶ Professional Indemnity Insurance
- ▶ Public Liability Insurance
- ▶ Warehouse Operators Liability Insurance
- ▶ Workmen's Compensation Insurance
- ▶ Travel Health Insurance for Travelers

LIFE INSURANCE

MICROINSURANCE

AGRICULTURAL INSURANCE

All Insurance Service Under One Roof:

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Tel: +251 11 557 2121 | Fax: +251 11 557 2122 | P.O.Box: 10090, Addis Ababa, Ethiopia
Email: oromiainsurance@ethionet.et | website: www.oromiainsurancecompany.com.et



OROMIA INTERNATIONAL BANK S.C

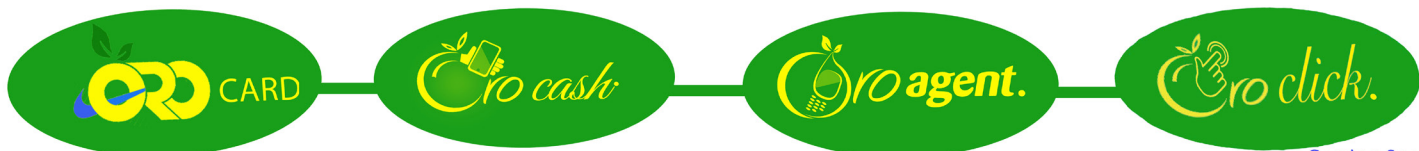
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Through our more than 227 networked branches accross the nation, we are serving full-fledged, modern and reliable banking services with alternative bank products.

We are serving interest Free Banking (IFB) almost at all of our branches.

Our technology alternative products are in a row for round the clock services !



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FUTURE HEADQUARTERS OF OIC

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