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Nile Insurance Company S.C.

ANNUAL REPORT

2021/22

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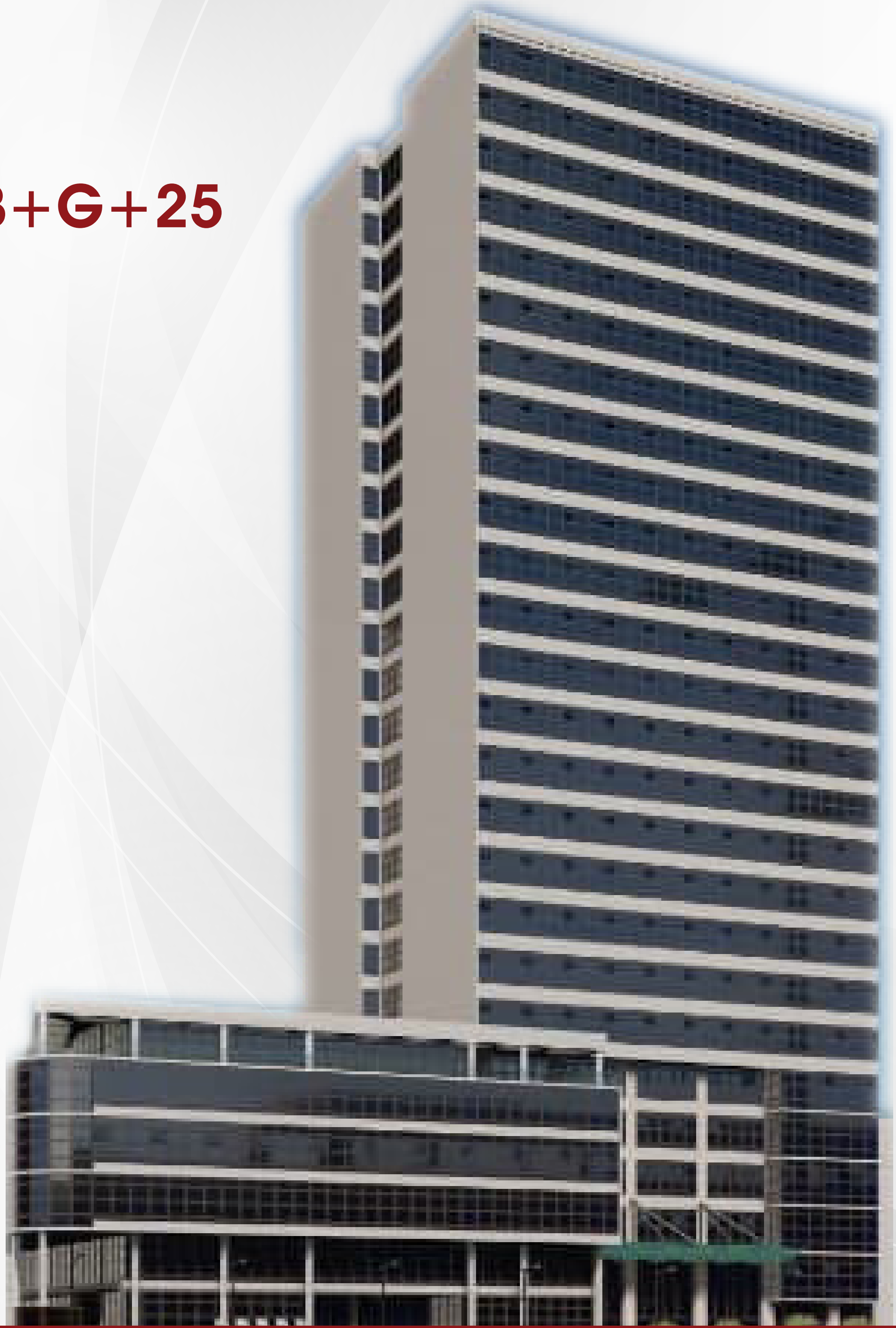
Future Head Quarter

3B+G+25



CATCHING TOMORROW TODAY

Contents

Board of Directors

Ato Mehari Alemayehu
Board Chairman

Ato Yerom Gessesse
Deputy Board Chairman

Ato Abraham Minwuyelet
Board Director

Ato Mulugeta Asmare
Board Director

Dr. Abraham Asnake
Board Director

Ato Habtamu Aklilu
Board Director

Ato Wondawik Ayele
Board Director

Eng. Tadesse Woldeher
Board Director

Ato Daniel Hailu
Board Director

Senior Managment Team

Ato Nigus Anteneh
Chief Executive Officer

Ato Asmare Miheret
Manager, Finance & Investment Dep't

Ato Binalf Mekonnen
Manager, Resource Management Dep't

Ato Tadele Tegegn
Manager, Legal Dep't

Ato Mekit Eshetu
Manager, Claims Dep't

Ato Elias Seyoum
Manager, Marketing & Branch Operations Dep't

Ato Abraham Chanie
Manager, Engineering Dep't

Ato Zewdu Ayalew
Manager, Information Technology Dep't

Ato Zelalem Simegn
Manager, Internal Audit Dep't

Dear Stakeholders of Nile Insurance S.C.

On Behalf of the Board of Directors and Myself, I feel joy, pleasure and privilege to present to you the Annual Directors' Report and Audited Financial Statements for the year 2021/22. It is truly an honor to be of service to the shareholders of this stable and forward-looking Company.

Nile entered 2022 as a stronger, healthier Company committed to ongoing and sustainable progress in our strategic positioning as well as in our financial and operational performance after several years of considerable transformational work. The excellent results we produced in 2022 and the value our employees generated for our customers, distribution partners, shareholders, and other stakeholders make me extremely proud. Your investment in Nile is well-positioned as we work to develop the Company's potential and push it to new heights of relevance in the insurance industry, which will benefit all of our stakeholders. The most remarkable aspect of Nile's improvement is how it was shaped by the constantly shifting and unpredictable external operating environment.

In the reporting period, the world continued to deal with the tremendous misery brought on by the COVID-19 pandemic, which in turn had an enormous impact on our way of life in every way. In addition, the rising energy prices and supply disruptions, worsened by the Russian-Ukraine war coupled with the conflict in northern part of Ethiopia have led to a higher-than expected rise in overall inflation. With the continuous supply chain disruptions and high energy prices persisting into 2022, the increased inflation is anticipated to remain for a longer period of time than anticipated.

Despite these uncertainties, we have prepared to counter the challenges and achieve the Company's desired and stated corporate objectives by putting in place a clearly articulated five year strategic plan which we will subject to annual reviews to ensure it remains relevant over its lifespan from 2022/23 to 2026/27.

Going forward, we will realign our strategies to harness the emerging opportunities. The Board remains positive and confident that with strong leadership and committed employees, we are well placed to optimize on the growth opportunities to deliver strong profits in the coming years.

At the end, I would like to extend my sincere gratitude to the customers, employees, channel partners and each and every stakeholder and their families for their trust and support, and for ensuring business continuity at such a critical juncture. No matter how the huge adversity we face as a nation, I have a strong belief that things will shortly turn out to be positive and economic prosperity of our country will be ensured.

Mehari Alemayehu
Chairman, Board of Directors

27th ordinary and 24th extraordinary Annual General Shareholder's Meeting

COMPANY PROFILE

Who We Are

Nile Insurance is proud of its tradition of service quality and extensive range of insurance products and Takaful business solutions that are designed to meet its personal, commercial, and corporate customers' needs. Nile Insurance partners with independent intermediaries and sales agents to give advice and insurance solutions to customers and provide insurance products directly to the market.

With roots dating back to 1995, Nile Insurance was integral to the dawn of insurance market progress and opportunity in the Ethiopian Insurance Industry and has continued to contribute its part to the country's financial landscape since then. Over the past 27 years, the paid up capital of the company has grown to Birr 646.4 million. Currently, Nile's branch network, including 2 contact offices, in Addis Ababa and regional towns has reached 62, making it one of the leading insurance companies in terms of accessibility. The total assets of the company grew to Birr 2.6 billion at the end of the fiscal year. This notable growth was made possible with active participation of its valued employees, customers, shareholders, and other stakeholders.

Our Vision

To be an insurer of the first choice

Our Mission

To provide unmatched insurance service to our customers through high profile expertise and state of the art technology thereby maximizing shareholders' value

Our Value

- Integrity
- Accountability
- Innovativeness & Creativity
- Teamwork
- Socially Responsible
- Customer Focus
- Continuous Learning

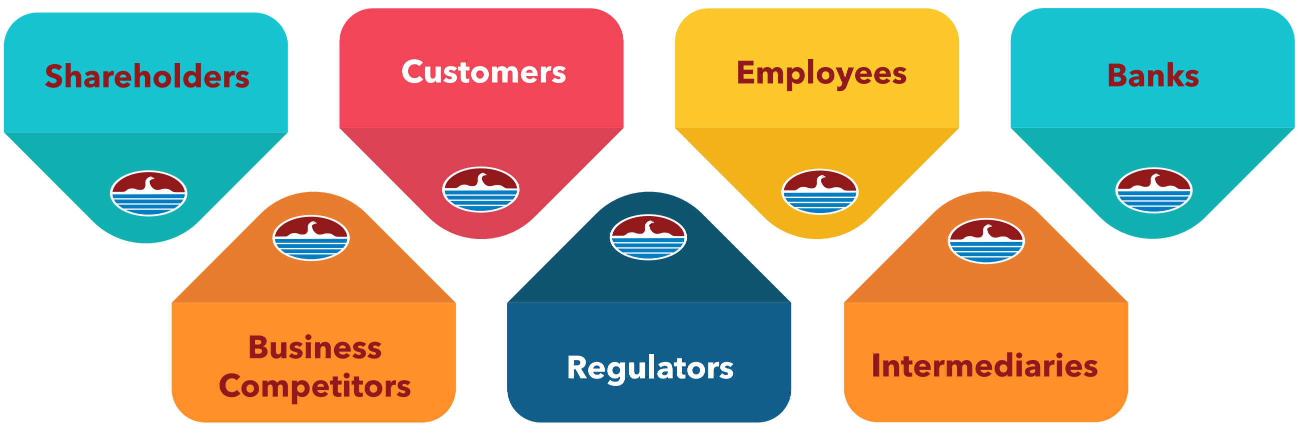
Value Proposition to our Customers

We strive to offer value added insurance solutions with superior customer service by adopting the highest ethical standard.

Products

We provide our customers a wider range of insurance solutions both in the general and long-term (life) insurance and Takaful categories.

Our Stakeholders



Statement of Corporate Governance

The Company has institutionalized a robust corporate governance framework and systems at all levels of its operational spheres. The Board's primary focus is the protection of the interest of all its shareholders and policyholders in order to support its long term growth and sustainability. The Board believes that good governance promotes prudent management aimed at promoting confidence in the insurance business. To this extent, the board has ensured that the Company's corporate governance structure is based on a set of values and behaviors that underpin day-to-day activities, provide transparency and fair dealing, promote financial stability and healthy growth that can deliver better outcomes for the Company's stakeholders and help its customers get ahead.

Governance Structure

The Company has implemented an internal governance structure with defined roles and responsibilities. The Company's shareholder appoints the Board of Directors, who in turn governs the Company. The Board has established committees to discharge its responsibilities in an effective manner. The Chairman provides overall direction and guidance to the Board. In 2021/22, the Board delegated some of its Board functions to various Board Committees, namely the:

i. Audit Committee;
ii. Risk and Compliance Committee;
iii. HR Committee; and
iv. Steering Committee.

Audit Committee

The audit committee comprises three non-executive directors. The committee is responsible for, developing and advising on audit and financial controls and compliance issues of the Company. The Audit Committee is also responsible for monitoring and providing effective supervision of the management's financial reporting process to ensure accurate and timely financial reporting. Its key objective also includes overseeing the Investment Policy of the Company. The Committee is mandated to ensure that the Company holds sufficient assets of appropriate nature, term and liquidity to enable it to meet the liabilities of the Company as they become due.

Risk and Compliance Committee

The Committee is responsible for ensuring the effective operation of the risk management system. It reports on details of risk exposures and actions being taken to manage the exposures. Risk and Compliance Committee assists the Board in performing its role in relation to risk management by reviewing, at least annually, the effectiveness of Nile's enterprise risk management framework and reporting that it continues to be sound, and that management is operating with due regard to the risk appetite set by the Board. Moreover, the Committee reviews the performance and findings of the Risk Management and Compliance function and recommends appropriate improvement on specific risk and compliance areas at least quarterly.

Human Resource Committee

The Committee reviews the structure, size and composition (including skills, knowledge and experience) of the Board and key management staff. It makes recommendations to the board on the appointment and reappointment of directors and also determines (guided by an objective market survey) the remuneration packages of senior management.

Steering Committees

There are two steering committees that are established to carryout special assignments namely; ICT committee and Construction Project follow up committee. The ICT committee met monthly to review the ICT Strategy including the ICT Security and Business Continuity Plans (BCP), recommends ICT projects for Board approval, reviews recommendations on the annual budgets and monitor project implementation. Likewise, the other committee has a supervision role on the ongoing headquarter construction project. These committees periodically review the status of the aforementioned Company projects and report to the Board for further decision.

Management Committees

Apart fromc the Board Committees, the Company also has the Management Committee that is responsible for overseeing critical functions that are necessary for the attainment of the strategic objectives. These functions are an important part of the overall governance structure.

Board Training & Development

On an ongoing basis, Directors and senior management participate in Board Training facilitated by corporate governance and industry specific experts, to broaden their knowledge of the Company's business. In addition, during Board meetings, the Board is regularly updated on the latest industry related developments.

In the reporting period, the Directors attended training on effective strategies in times of uncertainty, corporate governance updates in a rapidly changing environment, delegation of authority tools, leading through turbulent times, navigating the evolving future of work and insider trading, fraud, and ethics.

Board Composition & Appointments

Our Board of Directors consists of the nine non-executive directors. These Directors have a good mix of skills, experience and competencies in relevant fields of expertise. Directors are appointed by the General Assembly of Shareholders. The current board was nominated in 2020/21 FY. As in the previous times, these directors are expected to bring in a new and diverse set of skills to the board.

Board Meetings

The Board meetings are aligned as per the approved Board Calendar. On the minimum, the Board meets at least monthly for scheduled meetings to, amongst other things, agree on the Company's objectives and strategies, review performance against agreed targets, consider and approve the quarter, semi-annual, and annual financial statements and on other occasions to deal with specific matters that require attention between scheduled meetings. In 2021/22, the Board met 14 times on pre-set dates.

The notice of Board meetings is given in advance in accordance with the Company's Articles of Association and is distributed together with the agenda and board papers to all the directors beforehand, covering regular business progress reports and discussion papers on specific matters. The Board Secretary is always available to attend to matters pertaining to the Board of Directors and Board Committees.

KEY CONSIDERATIONS AND ACTIVITIES

During the year the Committees:

- considered and approved Anti Money Laundry & Financing of Terrorism policy guideline
- considered and approved Disclosure and Fraud Monitoring policy
- considered and approved Related Party Transaction policy,
- considered and approved Branch Grading policy
- considered and approved IT Security Manual
- considered and approved 4th Generation Strategic Plan
- considered and approved 2022/23 Plan and Budget

Risk Management

Risk management is key to our insurance business operation. It assists us in protecting our business for the benefit of all of our stakeholders and helps us to deliver long-term Shareholder value.

The Company's strategy takes into account risks, as well as opportunities, which need to be actively managed. The Board is ultimately responsible for determining the Company's appetite for risk and therefore the nature and extent of the principal risks it is willing to take to achieve corporate strategic objectives.

Grand Ethiopian Renaissance Dam minimizes Electric Supply problem.

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Nile Insurance Company S.C.

Nile minimizes your risks through purchase of

- Property Insurance
- Motor Insurance
- Cargo Insurance (Land, Sea and Air transit cover)
- Fire Insurance
- Liability Insurance
- Pecuniary Insurance
- Engineering Insurance
- Personal Accident Insurance
- Life Insurance
  Endowment /Medical/ Term/ Riders/ Travel/Mortgage
- Takaful

Our Enterprise Risk Management Framework (ERMF) is an integral part of our business and is coordinated by our Risk, Compliance and Ethics Division, which reports to the Board. Risk management activities that are executed by this function include identifying risks, undertaking risk assessments and determining mitigating actions. These activities are regularly reviewed by the Risk Management and Compliance Committee of the Board.

Corporate Social Responsibility (CSR)

Nile pursues CSR activities that support the Company's strategic objectives, grow the brand visibility as a credible and reliable business partner, and support overall sustainability. Ultimately, we aim to cultivate loyal partners, grateful customers, and a sustainable relationship with our various stakeholders. As part of Corporate Social Responsibility, the Company made sponsorships and donations to the following:

i) National emergencies disasters/ tragedies, declared as such by Government of Ethiopia;

ii) Severely disadvantaged families and communities in Ethiopia;

iii) Environmental protection; and

iv) Health related initiatives.

2020/21 Highlight

Profit before tax
Birr 226.9m
(2020/21:Birr158.2m)

Paid Up Capital
Birr 646.4m
(2020/21: Birr 500m)

Earning per share
Birr 339
(2020/21: Birr 279)

Total Assets
Birr 2.6 B
(2020/21: Birr 2.0 B)

Key Financial Performance Ratio

Retention Ratio
77.5%
(2020/21: 80.6%)

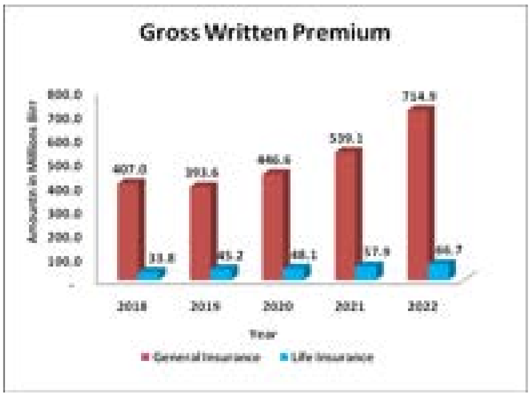
Combined Ratio
86.3%
(2020/21: 83%)

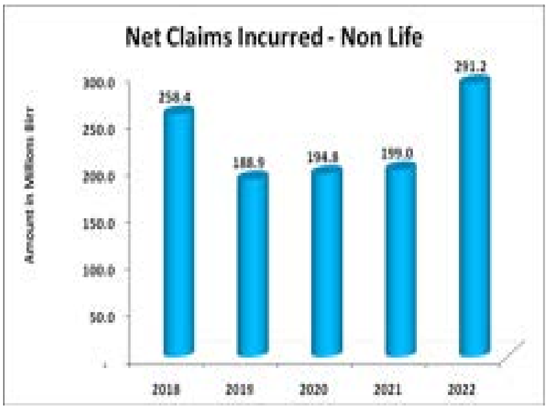
Incurred Claims Ratio
58.3%
(2020/21: 51.7%)

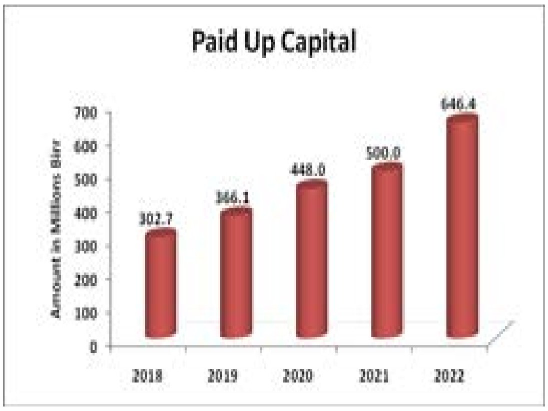
Solvency Margin
>2.9 times
(2020/21: >4 times)

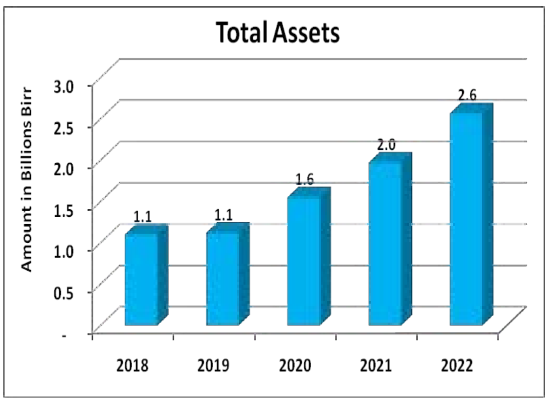
Expense Ratio
27.9%
(2020/21: 31.2%)

Overview (2018-2022)









DIRECTORS' REPORT

The Board of Directors of Nile Insurance Share Company is pleased to present the 2021/22 annual report to its esteemed shareholders, customers, and other stakeholders. This report is prepared in accordance with the legal requirement of the Ethiopian Commercial Code and other regulatory directives issued by relevant authorities.

Operating Context

World Economy

A tentative recovery in 2021 has been followed by increasingly gloomy developments in 2022 as risks began to materialize. Global output contracted in the second quarter of this year, owing to downturns in China and Russia, while US consumer spending undershot expectations. Several shocks have hit a world economy already weakened by the pandemic: higher-than-expected inflation worldwide especially in the United States and major European economies triggering tighter financial conditions; a worse-than-anticipated slowdown in China, reflecting COVID- 19 outbreaks and lockdowns; and further negative spillovers from the war in Ukraine (IMF, 2022).

Africa's real GDP growth, on the other hand, tended to decelerate to 4.1 percent in 2021/22, reflecting uncertainties related to the persistence of the COVID-19 pandemic and the impact of the Russia–Ukraine conflict (African Development Bank, 2022).

The economic recovery in sub-Saharan Africa surprised on the upside in the second half of 2021, prompting a significant upward revision in last year's estimated growth, from 3.7 to 4.5 percent. In the first half of 2022, however, that progress has been jeopardized by the war erupted between Russia and Ukraine which has triggered a global economic shock. Most notably, surging oil and food prices are straining the external and fiscal balances of commodity-importing countries and have increased food security concerns in the region.

Ethiopian Economy

The Ethiopian economy has been subject to multiple shocks over the past two and a half years, including the COVID-19 pandemic, climate change induced drought in southern and eastern parts, conflict in the north of Ethiopia, and the war in Ukraine. This has created significant macroeconomic and humanitarian challenges (IMF: June 2022).

Growth is projected to have fallen to 7 to 8 percent for FY 2021/22 resulting from the conflict in Northern Ethiopia, lower agricultural production, a sharp fall in donor financing and intensifying Foreign Exchange (FX) shortages, drought, and spillovers from the war in Ukraine. Exports and Foreign Direct Investment have held up well despite the difficult economic environment. However, rising global commodity prices for fuel, food and fertilizer driven, in part, by the war in Ukraine, will increase imports and widen the current account deficit in FY 2021/22. This, combined with lower external loan disbursements has weakened the external sector and put downward pressure on reserves, which remain inadequate (AfDB: 2022).

Inflation has been high and rising, including due to rapidly increasing food prices and supply-side constraints. Headline inflation has increased to 5.6 percent during the third quarter of 2021/22 from 5.5 percent recorded last year same quarter. The rise in quarterly headline inflation was attributed to 2.2 and 1.0 percentage point increase in food and nonalcoholic beverages and non-food inflation, respectively (NBE: 2021/22 Third Quarter Report).

Market Background

The Ethiopian insurance market will remain at an embryonic stage of development over the medium term, characterized with low levels of insurance penetration and density. The market is dominated by non-life insurance (91.9%), with life insurance only accounting for 8.1% of total insurance premiums written. Both life and non-life insurance are growing from a very low base and have continued to be heavily dependent on the uptake of coverage among the relatively small middle class.

It is worth noting that the insurance industry registered a double digit growth for the last three consecutive years. A preliminary report released by the National Bank of Ethiopia also reveals that, Ethiopian insurance industry produced nearly Birr 16.7 billion premium compared to Birr 13.9 billion during last year same period, representing an increase of 20%. The highest growth was mainly due to large volume of aviation and covid-19 related medical businesses.

General insurance business experienced a growth of 19% in gross premium written from Birr 12.9 billion during 2020/21 to Birr 15.3 billion during the year under review. Similarly, life insurance business volume significantly increased by 41% to Birr 1.4 billion compared to Birr 958.8 million in 2020/21 due to high premium from COVID related businesses by very limited insurers. With motor and aviation insurance contributing 45% and 15% respectively of the non-life portfolio, the price competition within the industry was intensified during the reporting year.

The claims incurred by the general insurers reflect an increase for the period under review which amounted to Birr 4.7 billion compared to Birr 4 billion in last year the same period, an increase by 16%. Similarly, the claims incurred for life business rose by 15% to Birr 466.8 million. The profit before tax substantially grew by 23% from Birr 2.5 billion in 2020/21 to Birr 2.8 billion in 2021/22. On the other hand, the industry's total assets grew by 5% to reach Birr 40.9 billion while total capital increased by 21% to Birr 13.4 billion.

Non-life premiums growth has been supported by robust headline GDP growth, steady foreign investment, sound infrastructure development efforts and elevated government spending levels. Although the market has significant untapped long-term growth potential, structural challenges such as poverty and low level of awareness will limit the growth of life insurance and wider uptake over the foreseeable future.

Market Dynamics

The National Bank of Ethiopia (NBE) has already licensed four insurance companies for Takaful Window Operation.

Company's Business Performance

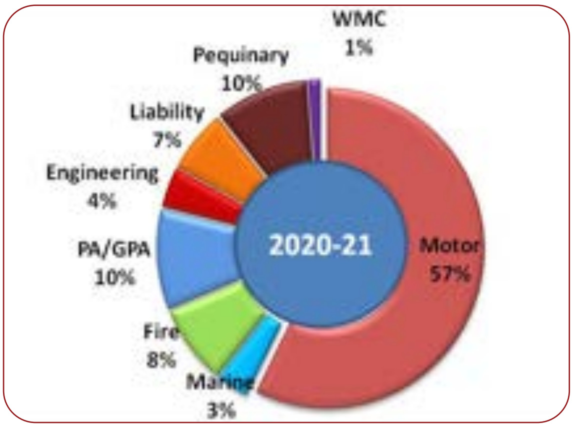
General Insurance

Gross Written Premium

General insurance premiums grew by 33% in 2021/22 to Birr 714.9 million (2020/21 – Birr 539.1 million). This growth was recorded in an environment of intense competition and undercutting of prices in the market. Hence, net earned premium rose by 30% to Birr 499.3 million from Birr 384.9 million in the previous period.

The Company actively manages its product mix to ensure that there is no significant concentration of risk exposures. In the reporting period, Motor insurance business accounted 59%, followed by GPA: 9%, Pecuniary: 9%, Fire: 8%, Engineering: 6% and Liability: 5%. Other classes such as Marine and Workmen's shared the remaining 4% of the total General insurance business.

Product Mix



Claims Experience

Gross Claims paid on account of non-life increased by 23% from Birr 215.6 million in 2020/21 to Birr 265.7 million in 2021/22. After reinsurance recoveries the net claims paid increased from Birr 200.3 million in 2020/21 to Birr 244.5 million in 2021/22. On the other hand, claims incurred amount to Birr 291.2 million compared to Birr 199 million in the previous period, significantly rose by 46%. Hence, the loss ratio under general insurance for the period under review was 58.3% compared to 51.7% in 2020/21. The rise in spare part costs of some new vehicles, repeated theft cases of vehicles, high frequency of claims for heavy trucks together with the significant rise in cabin change costs, etc contribute for the rise in claims.

Underwriting Results

With improved combine ratio the Company was able to increase the underwriting surplus from Birr 192.9 million in 2020/21 to Birr 222.6 million in 2021/22, representing an increase of 15%. Moreover, the strict follow up of branches to ensure prudent underwriting practices throughout the year contributed for the growth.

Operating and Administrative Expenses

Other Operating and administrative expenses of the Company went up from Birr 127.3 million to Birr 153.7 million this year, and increase by 20.8%. This was due to performance based salary increment and holiday payment to employees, increased office rent and the rising inflation in the market. However, the net expense ratio (computed as a % of commission and overhead expenses over net earned premium) recorded a decrease from 31.2% in 2020/21 to 27.9% in 2021/22.

Long-Term Insurance

Gross Written Premium

The life business registered a gross premium of Birr 66.7 million in 2021/22 compared to Birr 57.9 million in 2020/21 translating to a 15% rise.

The growth is attributed to efforts in acquiring new business, retaining existing customers, and increased partnership with corporate businesses. Viewed in terms of product mix, Group life and Health Insurance businesses dominated other class of businesses by 57% and 39% respectively.

Product Mix

Benefits and Claims Expenses

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. In the reporting period, policy holders' benefit (claims incurred) reduced by 16.3% to Birr 35.9 million from Birr 42.9 million in the previous same period. Despite the decrease in claims, maturity, surrender and death payment constituted 14.5% of the total payments. Likewise, frequent nature of medical claims together with the rise in medicines and hospitalization magnified the amount paid for medical claims.

Operating Expenses

Administrative and general expense of life insurance was Birr 7.5 million, 9.5% higher than the previous year. This was mainly due to performance based salary increment and high cost of doing business.

Life Fund

After accounting the surplus recommended by the actuary, the life fund balance as at June 30, 2022 was Birr 63.5 million.

Investment Income

The total investment income grew by an impressive 59.2% from Birr 91.9 million in 2020/21 to Birr 146.3 million in 2021/22. Dividends obtained from the Bank of Abyssinia and Ethio-Re substantially rose by 132.9% from Birr 29.8 million in 2020/21 to Birr 69.3 million in 2021/22. Similarly, interest income from fixed time deposits was Birr 58.3 million compared to Birr 46.3 million in the previous period, an increase by 26.1%. The company also generated a rental income of Birr 18.6 million from various investments, which grew by 17.1%.

Other Income

Other income recorded in the period amounted to Birr 5.2 million, substantially more by 51% from the previous same period. The significant increase was attributed to sale of shares of a judgment debtor through court process. In addition, disposal of fixed assets contributed for the growth.

Profit & Loss Account

The profit before taxation for the year was Birr 226.9 million from Birr 158.2 million in 2020-21, a 43% increase due to higher investment income. The total investment income had a stellar performance growing from Birr 91.9 million in 2020/21 to Birr 146.3 million in 2021/22. Company's strategy to achieve a quality growth by delighting the customers with superior service standards with the right pricing and prudent management of key risks has paid dividends.

Investment Portfolio

In 2021/22 Investments of the Company significantly grew by 30.1% from 822.8 million to Birr 1.1 billion. Equity investments and fixed time deposit were the preferred modes of investment contributing 54.5% and 37.8% share respectively in the investment portfolio. The share of statutory deposit remained at 7.8%. This growth in the investment portfolio was due to capital increase and investment of operational cash flow surplus to feasible term deposit schemes.

Assets Structure

The Company has a policy that focuses on a prudential asset liability management supported by robust internal control systems. In the just ended year, total assets of the Company reached Birr 2.6 billion, an increase by 30% from Birr 2 billion in the previous year. This increase was largely attributed to the growth in equity investments and interest bearing portfolio.

Solvency Margin

The reporting period statutory equity stood at Birr 1.1 Billion and was (13.1 times higher than) the minimum requirement of Birr 86.9 million (i.e. 20 percent of previous year's net written premium). Similarly, the solvency margin after taking into account 25 percent of the technical reserve (or Birr 248.5 million) was 2.9 times more than the minimum regulatory requirement.

Capital Management

In order to ensure adequate capital resources commensurate to Company's insurance business and risk profile and to safeguard the Company's ability to provide sustainable returns, the Company's capital growth has showed improvement from time to time. During the period under review the Company's share capital rose by 29% to Birr 646.4 million from Birr 500 million in the previous same period.

Earnings per Share

The basic and diluted earnings per share for the year 2021/22 amount to Birr 339 as compared to Birr 279 in 2020/21 depicting an increase of 22%.

Dividend to Shareholders

As at June 30, 2022, the Company was able to generate a net profit of Birr 197,528,000. After deducting Birr 19,752,800 for legal reserve and Birr 1,350,000 for directors' share in profit, the remaining amount is Birr 174,355,000. Hence, the Board of Directors recommends a dividend amount of Birr 174,355,000 to be distributed to shareholders proportionate to their respective paid up shares. Shareholders are also expected to plough-back their dividend for the capital increase plan which was approved by the General Assembly in the previous reporting period.

Other Developments

Strategic Plan Development

After rigorous consultative engagements, the Company developed and operationalized corporate strategic plan to guide all business operations and activities for the period 2023 - 2027. The strategic plan is developed at own capacity and it is premised on the fact that we operate in an environment which is highly changing and very unpredictable.

Human Capital

The Company realizes that the human capital is critical to realization of its strategic objectives and utilization of its other factors of production. Enhancing human resource capacity is one of strategies in our newly developed corporate strategic plan 2023 – 2027. In the reporting period, we conducted various recruitments tailored to meet varied business needs in a rapidly changing business environment. Hence, the Company had 413 employees with over 41% of its employees in business being women.

We invested in our staff through training and competency development and employed a reward system geared towards attracting and retaining staff in addition to keeping them motivated.

Product Development

The business development strategy remained focused on differentiation and profitable growth coupled with provision of appropriate service to various customer segments. In the reporting year, the company conducted a pre-feasibility assessment on cyber security insurance. On the other hand, the year was remarkable as the Company received license from the National Bank of Ethiopia (NBE) to start Takaful Window Operation.

Distribution Channels

During the period under review, the Company made five branches operational around Ayer Tena, Ayat, Finote Selam, Bahir Dar and Bole Bulbula. Hence, the Company had over 58 Branches and 2 contact offices located in major economic hubs throughout the country.

Information Technology

The Company use information technology systems, infrastructure and networks and other operational systems to store, retrieve, evaluate and use customer, employee, and company data and information. Our business is highly dependent on our ability to access these systems and networks to perform necessary business functions. In the reporting period, the Company started digitizing the long-term insurance business and completed underwriting, claims and reinsurance sub-modules. However, integrating the system to execute financial transaction is not yet finalized. The Company also recruited various IT professional to enhance the IT support to functional units.

Moreover, we continuously monitor and develop our information technology networks and infrastructure in an effort to prevent, detect, address and mitigate the risk of threats to our data, systems and networks, including malware and computer virus attacks, unauthorized access, misuse, system failures and disruptions.

Construction Projects

Head Quarter Building

There have been notable progresses registered so far on the finishing works of the Company's flagship 25-storey office building. In the reporting period, Hallow Concrete Block (HCB), Wall Plastering and Elevator Installation works were completed. On the other hand, major finishing materials were delivered to the project site and activities such as Aluminum, Heat Ventilation and Air Conditioning (HVAC), Floor and wall finishing, Electrical Installation, Sanitary Installation and Fire Protection System works are on progress. Once completed, the building offers 38,000 square meter of rentable space.

Bahir Dar Joint Building

As a sign of strength, the Company expands its investments in various construction activities. In the period under review, the Company plans to start a 4-storey expansion works in its jointly owned building located in Bahir Dar. Works such as Consultancy and Supervision Service Award and Preliminary Design were completed. However, the company was unable to commence the construction activity due to the delay of construction plan agreement on the municipality's side.

Future Outlook

Despite the uncertainties in 2021/22, we remain optimistic that the year will turn out positively. Going forward, we will realign our strategies to harness the emerging opportunities. The Board remains positive and confident that with strong leadership and committed employees, we are well placed to optimize on the growth opportunities to deliver strong profits in the coming years.

Challenges are to be expected given the very turbulent insurance market and external environment. The challenges are expected from the economic, social- legal and political environments among others.

We have prepared to counter the challenges and achieve the Company's desired and stated corporate objectives by putting in a place a clearly articulated five year strategic plan which we will subject to annual reviews to ensure it remains relevant over its lifespan from 2022/23 to 2026/27.

Based on the Company's 2021/22 performance, it is evident that it has the right strategy, approach, mindset and culture to compete in this highly stiffed insurance market. Going into 2022/23 the Company's strategy is to make even greater use of analytics to gain in-depth understanding of what customers truly want. In order to achieve this, in-house talent capabilities in analytics that align with the Company's strategic goals are being built and developed.

The Company embraces the highest levels of service, compliance, governance and ethics that has enabled it to create a robust niche that is anchored on customer satisfaction, innovation and sustainable growth. The Company fundamentals remain strong and we are confident that its strategy will continue to deliver value to all stakeholders. In the years ahead, key priority areas will include:

Digital Platforms

Technology is playing a major and indeed increasing role in the life insurance business in recent times. Nile has built assets over the years which include a strong customer base, trusted brand and a history of consistent performance. These have come to represent fairly strong reasons that have empowered us to adopt newer technology to stay ahead of the curve. Hence, in the upcoming fiscal year the Company plans to fully automate the life business to ensure better customer experience and operational efficiency. Moreover, customer friendly platforms such as mobility, insurance portal and other remaining modules will be concluded.

Underwriting Excellence

The Company will continue to enhance general insurance portfolio optimization through strength of underwriting framework and guidelines as well as clear communication of risk appetite and rate adequacy.

Leadership, Culture and Talent Development

It is in our strategy to maintain focus on attracting, developing and retaining high-class employees. Furthermore, we will promote diversity, equity and inclusion at all levels through continued support of robust employee resource and development programs and recruitment strategies.

Organizational Structure and Benefit Packages

In 2022/23, the Company will undertake a restructuring exercise at various functions throughout the organization. The need for the exercise was informed by, among other factors, a new transformation journey undertaken by the Company which has resulted in a new business model with new refined structures and processes. Hence, the management will continue to focus on high performance based on the revised Performance Metrics across all functions and branches and ensures the implementation of the revised incentive structures and talent management framework.

Optimize Risk Management

The Company will give due emphasis to optimization of risk profile through disciplined underwriting, reinsurance programs and asset-liability management in the investment portfolio.

Sustaining Profitable Growth

Building on the high-quality General Insurance portfolio achieved to date, the Company will continue focusing on underwriting discipline, customer retention and new business development to continue its profitable journey in the next fiscal year.

Head Quarter Building

The year was remarkable as the management and Board successfully faced all the challenges to make the Head Quarter Project a reality. As it was mentioned in this report, the Company has shown better performance in major finishing works. Going forward, the Company plans to fully complete the G+5 storey Block-B building and partially complete the G+25 storey Block-A building. Ongoing finishing activities such as Aluminum, Heat Ventilation and Air Conditioning (HVAC), Floor and wall finishing, Electrical Installation, Sanitary Installation, Fire Protection System, Partition Wall, Generator Installation, and other finishing works will be completed as per the project plan in this new fiscal year.

CUSTOMERS **AT A GLANCE**

ZHONGMEI ENGINEERING GROUP LTD

EngenderHealth
for a better life

GHION GAS PLC

Ahadu
AHADUKES FOOD PRODUCTS S.C

MARIE STOPES INTERNATIONAL Ethiopia

አቢሲንያ ባንክ
Bank of Abyssinia

Save the Children

ASER

BMET CABLE
BMET ENERGY TELECOME INDUSTRY AND TRADE PLC

THE HUB ADDIS ABABA

IOM • OIM
INTERNATIONAL ORGANIZATION FOR MIGRATION

Hamlin Fistula Ethiopia

Who is NILE Insurance?

60
Networked Branches

+2
Contact Offices

413
Employees

70,000+
Customers

646.4 Million Birr
Paid up Capital

2.6 Billion Birr
Total Asset

27+ years of Diligence

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Nile Insurance Company s.c.

Nile is one of the pioneer private insurers established in 1995.


We have it all covered.
Nile has a complete solution for every insurance need.
360°
COVERAGE
General Insurance
Takaful
Longterm Insurance

Nile Insurance Company S.C.
Directors, Professional Advisers and Registered Office
For the Year Ended 30 June 2022

Company registration number
1703/87

Board of Directors (as of 30 June 2022)

Mehari Alemayehu	Board Chairman	*November 5,2020*
Yerom Gessesse	Deputy Board Chairman	*November 5,2020*
Abraham Minwuyelet	Board Director	*November 5,2020*
Mulugeta Asmare	Board Director	*November 5,2020*
Abraham Asnake (Dr)	Board Director	*November 5,2020*
Habtamu Aklilu	Board Director	*November 5,2020*
Wondawek Ayele	Board Director	*November 5,2020*
Tadesse Woldeher	Board Director	*November 5,2020*
Daniel Hailu	Board Director	*November 5,2020*

Senior Management Team (as of 30 June 2022)

Nigus Anteneh	Chief Executive Officer
Mekit Eshetu	Manager, Claims Department
Elias Seyum	Manager, Marketing & Branch Operations Department
Asmare Miheret	Manager, Finance & Investments Department
Binalf Mekonnen	Manager, Resource Management Department
Tadele Tegegn	Manager, Legal Department
Abraham Chanie	Manager, Engineering Department
Zewdu Ayalew	Manager, Information Technology Department
Zelalem Simegn	Manager, Internal Audit Department

Independent auditor

Zemedhun Adane - Certified Audit Firm
Chartered Certified Accountants (London)
P.O.Box 26578 code 1000 A.A.
Addis Ababa,
Ethiopia

Nile Insurance Company S.C.
Directors, Professional Advisers and Registered Office
For the Year Ended 30 June 2022

Corporate office

Nile Insurance Company S.C
Nations and Nationalities Square
Gotera,
Addis Ababa,
Ethiopia

Company secretary

Nile Insurance S.C
Nations and Nationalities Square
Gotera Area, Addis Ababa
Ethiopia

Principal bankers

Bank of Abysinnia
Dashen Bank
Commerical Bank of Ethiopia
Wegagen Bank
United Bank
Cooperative Bank of Oromia
Awash Bank
Enat Bank

Re-insurers

African Reinsurance Coporation
Zep-Re Reinsurance Company
Ethiopian Reinsurance Company S.C

Consulting Actuaries

Actuarial Services East Africa Limited
26th Floor, UAP-Old Mutual Towers
Upper Hill Road, Upper Hill
Nairobi City, Kenya

Nile Insurance Company S.C.
Report of the Directors
For the Year Ended 30 June 2022

The directors submit their report together with the financial statements for the period ended 30 June 2022, to the members of Nile Insurance Company S.C. This report discloses the financial performance and state of affairs of the Company .

Incorporation and address

Nile Insurance Company (S.C) was incorporated in Ethiopia in April 1995 as a share company, and is domiciled in Ethiopia.

Principal activities

The principal activities of the Company is to provide insurance solutions both in the general and long tern (Life) insurance categories.

Results and dividends

The Company 's results for the year ended 30 June 2022 are set out on page 29. The profit for the year has been transferred to retained earnings. The summarised results are presented below:

	30 JUNE 2022 Birr'000	30 JUNE 2021 Birr'000
Net premiums	**550,150**	**430,647**
Profit before income tax	226,911	158,186
Income tax expense	(29,383)	(23,998)
Profit for the year	**197,528**	**134,188**

Directors

The directors who held office during the year and to the date of this report are set out on page 22.

Mehari Alemayehu
Chairman, Board of Directors
Addis Ababa, Ethiopia

Nile Insurance Company S.C.
Statement of Directors' Responsibilities
For the Year Ended 30 June 2022

[redacted]

NILE INSURANCE COMPANY S.C.
Head Office

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+251 911514799
+251 118332934
Zemedhun Adane
Befirdu Certified Audit Firm

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF NILE INSURANCE COMPANY S.C.

Report on the audit of the financial statements

Opinion

We have audited the accompanying Financial Statements of Nile Insurance Company S.C, which comprise the statement of financial position as at 30 June 2022, the statement of profit or loss and comprehensive income, the statement of changes in equity / net assets and the statement of cash flows for the year then ended, together with significant accounting policies and other explanatory notes to these financial statements set out on pages 33 to 92.

In our opinion, the accompanying financial statements present fairly, in all material respects, or give a true and fair view of the financial position of the Company as at 30 June 2022, and its financial performance, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Report on Other Legal and Regulatory Requirements

We have no comment to make on the report of the directors related to these financial statements and pursuant to Article 375 of the Commercial Code of Ethiopia of 1243/2021, recommend approval of these financial statements of the year ended 30 June 2022.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described below under Auditor's Responsibilities for the Audit of the Financial Statements section. We are independent of the organization 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 be used as a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS OF NILE INSURANCE COMPANY S.C.

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 reporting period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Responsibilities of Directors and Management on the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS OF
NILE INSURANCE COMPANY S.C.

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

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

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

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

ZEMEDHUN ADANE, FCCA
Chartered Certified Accountants (London)
Certified Audit Firm

Addis Ababa, Ethiopia
17 October 2022

Nile Insurance Company S.C.
Statement of Profit or Loss and other Comprehensive Income
For the Year Ended 30 June 2022

[redacted]

33 to 92

[redacted]

Nile Insurance Company S.C.
Statement of Financial Position
As At 30 June 2022

[redacted]

Accounting and Auditing Board of Ethiopia
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33 to 92

NILE INSURANCE COMPANY S.C.
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Befirdu Certified Audit Firm

Nile Insurance Company S.C.
Statement of Changes in Equity
For the Year Ended 30 June 2022

Currency: Ethiopian Birr

	Notes	Share capital Birr'000	Retained earnings Birr'000	Other reserve Birr'000	Legal reserve Birr'000	Life fund reserve Birr'000	Total Birr'000
As at 1 July 2020		448,006	98,964	2,078	71,797	60,266	681,110
Additional shares issued	30	51,994	-	-	-	-	51,994
Profit for the year		-	134,188	-	-	-	134,188
Dividends paid during the year	32	-	(88,624)	-	-	-	(88,624)
Other comprehensive income:							
Re-measurement gains on defined benefit plans (net of tax)	15		(850)	283	-	-	(567)
Total comprehensive income for the		-	(850)	283	-	-	(567)
Transfer to legal reserve	34		(13,419)	-	13,419		-
Increase in life fund	35		-	-	-	7,603	7,603
Prior year adjustmet			(10,962)	-	-		(10,962)
As at 30 June 2021		**500,000**	**119,297**	**2,361**	**85,215**	**67,868**	**774,743**
As at 1 July 2021		500,000	119,297	2,361	85,215	67,868	774,743
Additional shares issued	30	146,379					146,379
Profit for the year			197,528				197,528
Dividends paid during the year	32		(119,297)				(119,297)
Other comprehensive income:							
Re-measurement gains on defined benefit plans	15		0	451			451
Total comprehensive income for the			-	451	-	-	451
Transfer to legal reserve	34		(19,753)		19,753		-
Decrease in life fund	35					(4,375)	(4,375)
Prior year adjustment			(1,360)				(1,360)
Defered Tax Asset			(1,792)				(1,792)
Defered Tax Liability			1,087				1,087
As at 30 June 2022		**646,379**	**175,704**	**2,812**	**104,968**	**63,493**	**993,356**

The notes on pages 33 to 92 are an integral part of these financial statements.

Nile Insurance Company S.C.
Statement of Cash Flows
For the Year Ended 30 June 2022

[redacted]

the Year

the Year

33 to 92

[redacted]

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

1 General information

Nile Insurance Company ("the Company) SC is a private commercial Insurance company domiciled in Ethiopia. The Company was established in April 1995, in accordance with proclamation No. 86/1994 and the Commercial code of Ethiopia of 1960. The Company has been licensed by the National Bank of Ethiopia, the licensing body of Banks, Insurance and other Financial Institutions as per the power vested to it through Proclamation No 591/2008, the National Bank of Ethiopia Establishment (as amended) Proclamation. The registered office is at:

Nile Insurance S.C Building
Nations and Nationalities Square
Gotera Area, Addis Ababa
Ethiopia

The principal activities of the Company is to provide insurance solutions both in the general and long term (Life) insurance categories.

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 2021 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 is 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 except for available for sale financial assets which is measured at fair value. 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 4.

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.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

2.2.2 Changes in accounting policies and disclosures

New Standards, amendments, interpretations issued but not yet effective.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 30 JUNE 2020, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9 - Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Early adoption of the standard is permitted. The Company is yet to assess IFRS 9's full impact.

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.

IFRS 16 - Leases

This standard was issued in January 2016 (Effective 1 January 2020) . It sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. It also substantially carries forward the lessor accounting requirements in IAS 17. The Company is yet to assess the expected impact of this standard.

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Befirdu Certified Audit Firm

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

IFRS 17 - Insurance contracts

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 (i.e. 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 2021 and earlier application is permitted. The Company is yet to assess the expected

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).

2.4 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 in hand, cash at bank, short term deposit with banks.

2.5 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.

2.5.1 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.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

Subsequent measurement

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

- Loans and receivables

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 Loans and receivables including insurance 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)***

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 investment. Interest earned whilst holding AFS financial investments 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.

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 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, 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.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

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.

For a financial asset reclassified out of the 'Available–for–sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows 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 income statement.

Derecognition of

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.

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.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

(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.

(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

2.5.2 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.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

Subsequent measurement

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

a) **Financial liabilities at amortised cost**

Financial instruments 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 assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Company tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

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

2.5.3 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.

2.6 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 2.14. 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 in line with the agreed arrangements between both parties.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

2.7 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 staff debtors and sundry debtors.

2.8 Deferred policy acquisition costs (DAC)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses when incurred. DAC is subsequently amortised over the life of the contracts as follows:

- For property, casualty and short-duration life insurance contracts, DAC is amortised over the terms of the policies as premium is earned;
- For long-term insurance contracts with fixed and guaranteed terms, DAC is amortised in line with premium revenue using assumptions consistent with those used in calculating future policy benefit liabilities; and

Deferred acquisition costs represent a portion of commission which are incurred during a financial year and are deferred to the extent that they are recoverable out of future revenue margins by applying to the acquisition expenses the ratio of unearned premium to written premium.

DACs are derecognised when the related contracts are either settled or disposed of.

2.9 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Company as a lessee

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

Company as a lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

2.10 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

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

Asset class	Depreciation rate (Year	Residual value (%)
Buildings	50	5%
Motor vehicles	10	5%
Computer and accessor	7	1%
Office furniture and Fix	10	1%
Equipment	7	1%
Long living Equipment	15	1%

The Company Commences depreciation when the asset is available for use. Construction 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 disposal. 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.

2.11 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

Assets class	Useful lives (years)
Computer software	

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Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

2.12 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.

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.

2.13 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 of Ethiopia, or be used as a pledge or security for any loan. They have been separately disclosed due to their nature and liquidity. Statutory deposits are measured at cost.

2.14 Insurance contracts

2.14.1 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. The Company as a guide defines significant insurance risk as the possibility of having to pay benefit on the occurrence of an insured event that is at least 10% more than the benefit payable if the insured event did not occur.

The Company's insurance contracts are classified into two main categories, depending on the duration of risk.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

(a) ***Non- life insurance contracts***

These contracts are accidents and casualty and property 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.

(b) ***Life insurance contracts***

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

In addition, the Company has short-term life insurance contracts which protect the Company's policyholders from the consequences of events (such as death or disability) that would affect the ability of the insured 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 insured

2.14.2 Liability adequacy test

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. 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 4.2 above, long-term insurance contracts with fixed terms 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.

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Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

2.14.3 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 2.14.1 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.

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 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 a quarterly 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

2.14.4 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 2.5.

2.14.5 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.

2.14.6 Insurance contract liabilities

Insurance contract liabilities arising from insurance contracts are determined as follows:

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

(a) contracts

(i) Reserves for outstanding claims

The reserve for outstanding claims is maintained at the total amount of outstanding claims incurred and reported plus claims incurred but not reported ("IBNR") as at the balance sheet date. The IBNR is based on the liability adequacy test described in note 2.14.

(ii) Reserves for unearned premium and unexpired risk

The reserve for unearned premium is calculated on a time apportionment basis in respect of risk accepted during the year. A provision for additional unexpired risk reserve is recognised for an underwriting year where it is envisaged that the estimated cost of claims and expenses would exceed the unearned premium reserve.

At the end of each reporting period, proportions of net retained premium of the general insurance are provided to cover portions of risks which have not expired. The reserves are calculated on 1/24th method as prescribed by the Directive of the National Bank of Ethiopia.

(iii) Reserving methodology

The data used for reserving is segmented into the following classes as per the NBE Directives:

- Motor vehicle insurance business;
- Fire insurance business;
- Personal accident insurance business;
- Liability insurance business;
- Marine insurance business;
- Workmen compensation insurance business;
- Engineering and;
- Pecuniary.

(b) Life insurance contracts

(i) Incurred But Not Reported (IBNR) and Unearned Premium Reserve (UPR)

This is made up of net liabilities on policies in force as determined by qualified actuaries at the reporting date. Surplus or deficit arising from the periodic valuation of the life insurance contracts are recognised in the statement of profit and loss.

(ii) Reserving methodology

The data used for reserving is segmented into the following classes as per the NBE Directives:

- Individual insurance business;
- Group term insurance business and;
- Medical cover insurance business.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

2.15 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.

2.16 Insurance payables

Insurance payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted as the impact is not expected to be significant.

2.17 Other liabilities

Other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted as the impact is not expected to be significant.

2.18 Share capital

The Company classifies ordinary shares as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are recognized as deductions from equity, net of tax, from the proceeds. The excess of the issue price over the par value is recorded in the share premium reserve.

2.19 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 of loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding for the effect of all diluted potential ordinary shares.

2.20 Retained earnings

The net profits or losses from operations in current and prior periods are accumulated in retained earnings less distributions to equity holders.

2.21 Legal reserves

In accordance with Article 22 sub article 1 - 2 of Insurance Business Proclamation No 746/12, the Company, at the end of each financial year, transfers to its legal reserve account a sum of not less than 10% of profit. When the legal reserve becomes equal to the paid-up capital of the Company, the amount of the legal reserve to be retained by the Company each year from its net profit shall be determined by NBE's directive.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

2.22 Dividend

Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Ethiopian legislation identifies the basis of distribution as the current year net profit.

2.23 Revenue recognition

a) Gross premiums

Gross recurring premiums on life and investment contracts with DPF are recognised as revenue when payable 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 receivable 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 receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

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 on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

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 payable or when the policy becomes effective. Gross general reinsurance premiums ceded comprise the total premiums payable 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

c) Fees and commission income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

d) Investment 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.

Investment income also includes dividends when the right to receive payment is established, which is generally when the shareholders approve and declare the dividend.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

2.24 Gross benefits and claims

Gross benefits and claims for life insurance contracts and for investment contracts with DPF 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 on DPF contracts. Changes in the gross valuation of insurance and investment contract liabilities with DPF 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

2.25 Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the

2.26 Finance cost

Interest paid 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.

2.27 Underwriting expenses

Underwriting expenses are made up of acquisition and maintenance expenses comprising commission and policy expenses and other direct costs.

Underwriting expenses for insurance contracts are recognized as expense when incurred, with the exception of acquisition costs which are recognized on a time apportionment basis in respect of risk.

2.28 Employee benefits

The Company operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

(a) *Wages, salaries and annual leave*

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

(b) *Defined contribution plan*

The Company operates two defined contribution plans;
i) pension scheme in line with the provisions of Ethiopian pension of private organisation employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Company respectively;

ii) provident fund contribution, funding under this scheme is 5% and 10% by employees and the Company respectively based on the employees' salary.
Employer's contributions to this scheme are charged to profit or loss in the year in which they relate.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

(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 recognised in respect of defined benefit gratuity 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 the market rates on government bonds that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurement gain and loss 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.

Current service and interest cost are included as part of employee benefit expense in the profit or loss. Past-service costs are recognised immediately in profit or loss. Gains or losses on curtailment or settlement are recognised in profit or loss when the curtailment or settlement occurs.

2.29 Fair value measurement

The Company measures financial instruments classified as available-for-sale at fair value at each statement of financial position date. 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

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:

- 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.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

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:
• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
• Level 3 — 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 Bank 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.

2.30 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 for each jurisdiction 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.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

(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.

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.

Deferred tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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:

Operating lease commitments -Company as lessor

The Company has entered into commercial property leases on its investment property. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it does not retain all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

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.

(a) *Valuation of insurance contract liabilities*

Life 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 reflect management's best current estimate of future cash flows.

These liabilities are estimated using appropriate and acceptable base tables of standard mortality according to the type of contract being written. Management make various assumptions such as expenses inflation, valuation interest rate and mortality in estimating the required liabilities for life contracts.

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, such as Chain Ladder and Average Cost per Claim.

The main assumption underlying these techniques is that a Company'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 provide by a contract requires amortisation of unearned premium on a basis other than time apportionment.

(b) *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.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

(c) 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.

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.

(d) Impairment of insurance receivables

The Company assesses at the end of every reporting period whether there is any objective evidence that its premium receivable is impaired. The Company determines whether impairment losses are incurred if and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the receivable (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the receivable that can be reliably estimated, or a trigger event is identified.

The following impairment triggers have been set by the Company:
(a) significant financial difficulty of the premium debtor;
(b) significant financial difficulty of the broker;
(c) a breach of agreements, such as payment defaults or delinquency in premium payments;
(d) Economic, regulatory or legal reasons relating to the premium debtor's financial difficulty, granting to the premium debtor a concession that the Company would not otherwise consider;
(e) High probability that the premium debtor will enter bankruptcy or other financial reorganisation.

If any of the impairment triggers are identified, the Company specifically assess the receivables for impairment. Where no impairment trigger is identified, or no objective evidence of impairment exists, the Company assesses its receivables collectively for impairment using the historical loss rate model.

The historical loss rate model considers the historical recoveries (cash flows) on premium debts for policies written in prior years, in order to determine the loss given default ratio on outstanding premium as at the reporting date. The model also considers premium receipts subsequent to the reporting date. The loss ratio derived is used to determine the allowance for impairment on premium debts.

This model assumes that all premium debts will be paid until evidence to the contrary (a loss or trigger event) is identified. On the identification of an objective evidence of impairment, the premium debts are subject to specific impairment. Where there is no objective evidence of impairment, the premium debts are subjected to collective impairment.

Collective impairment incorporates the following:
• current and reliable data, management's experienced credit judgements, and all known relevant internal and external factors that may affect collectability;
• historical loss experience or where institutions have no loss experience of their own or insufficient experience, peer company experience for a comparable company's of financial instruments at amortised cost;
• adjustments to historical loss experiences on the basis of current observable data to reflect the effects of current conditions.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

(e) *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.

(f) *Retirement benefit obligations*

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of severance pay obligations. The assumptions used in determining the net cost (income) include the discount rate, rate of return on assets, future salary increments and mortality rates.

The Company determines the appropriate discount rate at the end of the year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related liability. Other key assumptions for retirement benefit obligations are based in part on current market conditions.

(g) *Depreciation and carrying value of property, plant and equipment*

The estimation of the useful lives of assets is based on management's judgement.

The Company estimates the useful lives of property, plant and machinery based on the period over which the assets are expected to be available for use. Property, plant and machinery is depreciated over its useful life.

Estimates could change if expectations differ due to physical wear and tear and technical or commercial obsolescence. It is possible however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and machinery would increase expenses and decrease the carrying value of non-current assets.

(h) *Impairment of non- financial assets*

The Company reviews other non-financial assets for possible impairment if there are events or changes in circumstances that indicate that the carrying values of the assets may not be recoverable, or at least at every reporting date, when there is any indication that the asset might be impaired. The fair value of the property,palnt and equipment of the company has estimate by the company professionals.The Company is of the opinion that there is no impairment indicator on its non- financial assets as at the reporting date.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

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

The Board of Directors (The Board) is responsible for the overall risk encountered by the Company. The Board is responsible to develop comprehensives risk management program and policies of the Company. The Board has an oversight role on the proper implementation of the Company's risk management program or policies. The Board monitors proper implementation policies through various reports.

The Senior Management has the overall responsibility for the proper execution and interpretation of the risk strategy and implementing principles, frameworks, policies and limits. It is also responsible for managing risk decisions and monitoring risk levels and deliberate on reports to the Board regarding risk management issues and give timely directions.

The Risk Management 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 Company's treasury 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.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

4.1.3 Risk mitigation

The Company uses various risk mitigating techniques to reduce it's 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.

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 quota-share reinsurance
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. There is no single counterparty exposure that exceeds 4% of total reinsurance assets at the reporting date.

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.

4.2.1 Life insurance contracts

Life insurance contracts offered by the Company include: whole life, term assurance, unitised pensions, guaranteed annuity pensions, pure endowment pensions and mortgage endowments.

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
- Investment return risk – risk of loss arising from actual returns 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.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

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 2022	**Gross**	**Reinsurance**	**Net**
	Birr'000	**Birr'000**	**Birr'000**
Whole life	1,157	(15)	1,142
Group Endowment	6,770	(2,440)	4,330
Group term	28,874	(12,794)	16,080
Medical cover	28,179	(501)	27,678
Mortgage	824	(116)	708
Travle	876		876
Total life insurance	**66,680**	**(15,866)**	**50,814**

30 JUNE 2021	**Gross**	**Reinsurance**	**Net**
	Birr'000	**Birr'000**	**Birr'000**
Whole life	792	(75)	717
Group Endowment	18,041	(2,768)	15,273
Group term	13,072	(7,818)	5,254
Medical cover	21,466	(1,001)	20,465
Mortgage	4,077	(446)	3,631
Travle	446		446
Total life insurance	**57,894**	**(12,108)**	**45,786**

Key assumptions

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, according to the type of contract written. 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.

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.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

Key assumptions

► 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.

► Policyholder decision (lapses and surrender)
Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders to the unrecouped initial expenses.

► 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.

	Change in assumptions	Change in liability 30 JUNE Birr'000	Change in liability 30 JUNE Birr'000
Mortality/morbidity rate	+10%	59	1,002
Expenses	+10%	-	-
Lapse and surrenders rate	+10%	-	-
Discount rate	+1%	(3,574)	(4,441)

	Change in assumptions	Change in liability 30 JUNE Birr'000	Change in liability 30 JUNE Birr'000
Mortality/morbidity rate	-10%	(59)	(1,007)
Expenses	-10%	-	-
Lapse and surrenders rate	-10%	-	-
Discount rate	-1%	3,862	4,856

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

4.2.2 Non- life insurance contracts

The Company principally issues the following types of general insurance contracts: motor, fire, engineering, liability, marine, pecuniary, accident and workmen compensation. Healthcare contracts provide medical expense coverage to policyholders and are not guaranteed as renewable. Risks under non-life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from accidents. These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured and by industry. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts.

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

30 JUNE 2022	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000
Engineering	28,742	(20,470)	8,272
Fire	8,056	(1,832)	6,224
Liability	22,952	(2,975)	19,977
Marine	11,514	(1,921)	9,593
Motor	281,461	(72,201)	209,260
Accident and health	16,812	(903)	15,909
Pecuniary	342,820	(305,011)	37,809
Workmen's' compensation	1,982	(120)	1,862
Agriculture	162	(15)	147
PVT	3,907	(3,233)	674
Total non- life insurance	**718,408**	**(408,681)**	**309,727**

30 JUNE 2021	Gross	Reinsurance	Net
	Birr'000	Birr'000	Birr'000
Engineering	16,930	(7,709)	9,221
Fire	6,589	(2,942)	3,647
Liability	25,895	(2,836)	23,059
Marine	7,348	(1,004)	6,344
Motor	211,851	(32,771)	179,080
Accident and health	10,125	(694)	9,431
Pecuniary	332,248	(305,916)	26,332
Workmen's' compensation	2,292	(192)	2,100
Agriculture	51	(2)	49
PVT	434	(359)	75
Total non- life insurance	**613,278**	**(354,064)**	**259,338**

4.2 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.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

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

30 JUNE 2022	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and bank balances	16	-	488,528	488,528
Investment securities				-
- Available for sale	17	583,058	-	583,058
Trade and other receivables	18	-	41,385	41,385
Reinsurance assets	19	-	424,798	424,798
Statutory deposits	24	-	83,000	83,000
Total financial assets		**583,058.00**	**1,037,711**	**1,620,769**

30 JUNE 2021	Notes	Available-For-Sale Birr'000	Loans and receivables Birr'000	Total Birr'000
Cash and bank balances	16	-	461,900	461,900
Investment securities				-
- Available for sale	17	389,308	-	389,308
Trade and other receivables	18	-	44,366	44,366
Reinsurance assets	19	-	371,241	371,241
Statutory deposits	24	-	75,000	75,000
Total financial assets		**389,308**	**952,507**	**1,341,815**

4.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investment portfolio, long term staff loans and the reliance on reinsurers to make payment when certain loss conditions are met.

For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

a) The Company's risk management policy sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored, exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

b) Net exposure limits are set for each counterparty or company of counterparties and industry segment (i.e. limits are set for investments and cash deposits)

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

c) The Company further restricts its credit risk exposure by entering into master netting arrangements with counterparties with which it enters into significant volumes of transactions. However, such arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with such balances is reduced in the event of a default, when such balances are settled on a net basis. The Company's reinsurance treaty contracts involve netting arrangements.

d) Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties'' limits that are set each year by the management and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

The table below shows the maximum exposure to credit risk for the Company's financial assets. The maximum exposure is shown gross, before the effect of mitigation:

	30 JUNE 2022 Birr'000	30 JUNE 2021 Birr'000
Cash and bank balances	488,528	461,900
Investment securities		
- Available for sale	583,058	389,308
Trade and other receivables	60,444	63,691
Reinsurance assets	424,798	372,159
Statutory deposits	83,000	75,000
	1,639,828	**1,362,058**

4.3.1 Credit quality analysis

(a) Cash and bank balances

The credit quality of cash and bank balances and short-term investments are neither past due nor impaired as at 30 JUNE 2022, 30 JUNE 2021 and 30 June 2019 and are non-rated as they are held in Ethiopian banks. There are no credit rating agencies in Ethiopia. The Company has no cash and cash equivalents that are held in foreign banks.

(b) Investment securities

The Company's investment portfolio is exposed to credit risk through its investment in equity instruments. The Company further manages its exposure to credit risk through counterparty risk via established limits as approved by the Board. The credit risk exposure associated with equity investments is low.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

(c) **Trade and other receivables**

	past due nor impaired Birr'000	Past due but not impaired Birr'000	Impaired Birr'000	Total Birr'000
30 JUNE 2022				
Insurance receivables				
Due from contract holders	-	-	19,324	19,324
Due from reinsurers	-	-	-	-
	-	-	19,324	19,324
Other loans and receivables				
Other receivables	24,452	-	-	24,452
Staff debtors	7,132	-	-	7,132
	31,584	-	-	31,584
Gross	31,584	-	19,324	50,908
Less: Impairment allowance (note 17.1)	-	-	(19,059)	(19,059)
Net	**31,584**	**-**	**265**	**31,849**

	Birr'000	Birr'000	Birr'000	Birr'000
30 JUNE 2021				
Insurance receivables				
Due from contract holders	-	-	20,208	20,208
Due from reinsurers	-	-	-	-
	-	-	20,208	20,208
Other loans and receivables				
Other receivables	29,642	-	-	29,642
Staff debtors	7,364	-	-	7,364
Gross	37,006	-	20,208	57,214
Less: Impairment allowance (note 17.1)	(266)	-	(19,059)	(19,325)
Net	**36,740**	**-**	**1,149**	**37,889**

Other loans and receivables- - neither past due nor impaired

Other loans and receivables balances constitute rent receivables, deposits for utilities and staff debtors. The exposure to credit risk associated with other loans and receivables is low.

Insurance receivables - Impaired

The credit quality of the portfolio of insurance receivables that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Insurance receivables are receivables from contract holders that enjoy insurance cover without making premium payments.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

Insurance receivables that have been classified as neither past due nor impaired are assessed on a

(d) Reinsurance assets

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract.

4.3.2 *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 groups 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 2022 Birr'000	2021 Birr'000
Due from contract holders	19,059	19,059
Other loans and receivables	-	266
Total allowance for impairment	**19,059**	**19,325**

4.4 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.

The main objective of the Company's liquidity risk framework is to maintain sufficient liquidity in order to ensure that we meet our maturing obligations.

4.4.1 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.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

4.4.2 Maturity analysis of financial liabilities

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in future.

30 JUNE 2022	Less than 90 days	days- 1 year	Over 1 year	Total
	Birr'000	Birr'000	Birr'000	Birr'000
Insurance payables		179,975	-	179,975
Other liabilities		4,793	9,115	13,908
Total financial liabilities	-	184,768	9,115	193,883

30 JUNE 2021	Less than 90 days	days- 1 year	Over 1 year	Total
	Birr'000	Birr'000	Birr'000	Birr'000
Insurance payables	-	135,026	-	135,026
Other liabilities		4,995	15,214	20,209
Total financial liabilities	-	140,021	15,214	155,235

4.5 Market risk

Market risk is defined as the 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.

4.5.1 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 or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to this risk primarily results from timing differences in the repricing of assets and liabilities as they mature (fixed rate instruments).

The Company monitors this exposure through periodic reviews of the assets and liability position. Estimates of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio and insurance provisions are modelled and reviewed . The overall objective of these strategies is to limit the net change in value of assets and liabilities arising from interest rate movements. While it is more difficult to measure the interest sensitivity of insurance liabilities than that of the related assets, to the extent that such sensitivities are measurable then the interest rate movements will generate asset value changes that substantially offset changes in the value of the liabilities relating to the underlying products.

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

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

30 JUNE 2022	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and bank balances	488,528	-	488,528
Investment securities			-
- Available for sale	-	583,058	583,058
Trade and other receivables	-	60,444	60,444
Reinsurance assets	-	424,798	424,798
Statutory deposits	83,000	-	83,000
Total	571,528	1,068,300	1,639,828
Liabilities			
Insurance payables	-	179,975	179,975
Other liabilities	-	13,908	13,908
Total	-	193,883	193,883

30 JUNE 2021	Fixed Birr'000	Non-interest bearing Birr'000	Total Birr'000
Assets			
Cash and bank balances	461,900	-	461,900
Investment securities			-
- Available for sale	-	389,308	389,308
Trade and other receivables	-	63,691	63,691
Reinsurance assets	-	372,159	372,159
Statutory deposits	75,000	-	75,000
Total	536,900	825,158	1,362,058
Liabilities			
Insurance payables	-	135,026	135,026
Other liabilities	-	20,209	20,209
Total	-	155,235	155,235

(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 exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr. The Company has no transaction in foreign currency.

(iii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, and limits on investments in each sector and market.

The Company has no significant concentration of price risk as there is no active market in Ethiopia.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

4.6 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 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.

4.7.1 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. 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 date 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.

4.7.2 Financial instruments not measured at fair value

The carrying amounts of financial assets and liabilities approximate their carrying amount at the

4.7.3 Valuation technique using significant unobservable inputs – Level 3

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

4.7.4 Transfers between the fair value hierarchy categories

During the reporting period 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.

4.8 Offsetting financial assets and financial liabilities

There are no offsetting arrangements. Financial assets and liabilities are settled and disclosed on a gross basis.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

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

The Company operates the following main business segments:

Non- life (general) business- Includes general insurance transactions with individual and corporate customers. This segment covers the protection of customers' assets (particularly their properties, both for personal and commercial business) and indemnification of other parties that have suffered damage as a result of customers' accidents. Most contracts in this segment are short term in nature.

Life business- Includes life insurance policies with individual and corporate customers. This segment covers the protection of the Company's customers against the risk of premature death, disability, critical illness and other accidents.

The segment information provided by the Management Underwriting Investment Committee for the reporting segments for the year ended 30 JUNE 2022 is as follows:

5.1 Statement of profit or loss and other comprehensive income for the year ended 30 JUNE 2022

	Non- life		Life		Total	
	30 JUNE 2022 Birr'000	30 JUNE 2021 Birr'000	30 JUNE 2022 Birr'000	30 JUNE 2021 Birr'000	30 JUNE 2022 Birr'000	30 JUNE 2021 Birr'000
Revenue						
Gross premiums	660,216	489,424	66,680	57,895	726,896	547,319
Premiums ceded to reinsurers	(160,880)	(104,564)	(15,866)	(12,108)	(176,746)	(116,672)
Net premiums	499,336	384,860	50,814	45,787	550,150	430,647
Fee and commission income-Life	50,786	37,451	5,341	5,205	56,127	42,656
Net underwriting income	550,123	422,311	56,154	50,992	606,277	473,303
Claims expenses	(265,700)	(215,599)	(30,652)	(28,994)	(296,352)	(244,593)
Claims recovered from reinsurers	21,224	15,618	1,749	1,097	22,973	16,715
Gross change in contract liabilities	(46,760)	943	(6,996)	(14,970)	(53,756)	(14,027)
Net benefits and claims	(291,236)	(199,038)	(35,899)	(42,867)	(327,135)	(241,905)
Underwriting expenses	(36,272)	(30,394)	(6,229)	(4,031)	(42,501)	(34,425)
Underwriting profit	222,614	192,878	14,027	4,095	236,641	196,973
Investment income	130,612	78,982	15,673	12,930	146,285	91,912
Other operating income	5,195	3,435	16	12	5,211	3,447
Net income	358,421	275,295	29,716	17,037	388,137	292,332
Other operating and administrative expenses	(48,835)	(40,531)	(4,327)	(4,641)	(53,162)	(45,172)
Employee benefits expense	(104,859)	(86,737)	(3,205)	(2,237)	(108,064)	(88,974)
Profit before income tax	204,727	148,027	22,184	10,159	226,911	158,186
Income tax expense	(25,115)	(23,998)	(4,268)	-	(29,383)	(23,998)
Profit for the year	**179,611**	**124,029**	**17,916**	**10,159**	**197,528**	**134,188**
Other comprehensive income						
Items that will not be subsequently reclassified into profit or loss:						
Remeasurement gain/(loss) on retirement benefits obligat	451	283	-	-	451	283
Deferred tax (liability)/asset on remeasurement gain or lo	(135)	(85)			(135)	(85)
	316	**198**	**-**	**-**	**316**	**198**
Total comprehensive income for the year	**179,927**	**124,227**	**17,916**	**10,159**	**197,843**	**134,386**

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

5.2 Statement of financial position for each segment at 30 JUNE 2021

	Non- life		Life		Total	
	30 JUNE 2022	30 JUNE 2021	30 JUNE 2022	30 JUNE 2021	30 JUNE 2022	30 JUNE 2021
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
ASSETS						
Cash and bank balances	425,119	383,679	63,409	78,221	488,528	461,900
Investment securities	-	-	-	-		
- Available for sale	518,751	325,000	64,308	64,308	583,058	389,308
receivables	33,701	35,058	7,684	9,308	41,385	44,366
Reinsurance assets	423,300	369,862	1,498	1,380	424,798	371,242
cost	21,256	15,201	-	-	21,256	15,201
Preapid leasehold land	24,110	24,618			24,110	24,618
Other assets	330,717	129,186	3,008	3,424	333,725	132,610
Deferred tax assets	2,974	1,916	-	-	2,974	1,916
Property, plant and equipment	556,489	403,340	39,299	41,999	595,788	445,339
Intangible assets	15,280	12,367	-	-	15,280	12,367
Statutory deposits	77,750	69,750	5,250	5,250	83,000	75,000
Total assets	**2,429,445**	**1,769,979**	**184,456**	**203,889**	**2,613,902**	**1,973,867**
LIABILITIES						
Insurance contract liabilities	994,029	830,280	6,489	8,719	1,000,518	838,999
Insurance payables	152,398	116,645	27,577	18,381	179,975	135,026
Borrowings	23,449	8,319	-	-	23,449	8,319
Current income tax liabilities	29,384	23,998	-	-	29,384	23,998
Other liabilities	28,026	57,301	2,210	4,100	30,236	61,402
Total non current liabilities	1,227,286	1,036,543	36,275	31,201	1,263,562	1,067,744
Deferred tax liabilities	9,817	8,025	-	-	9,817	8,025
Retirement benefit obligation	4,312	3,356	-	-	4,312	3,356
Bank Loan	320,000	120,000	-		320,000	120,000
Other liabilities	22,854				22,854	
Total non current liabilities	356,983	131,381	-	-	356,983	131,381
Total liabilities	1,584,269	1,167,924	36,275	31,201	1,620,544	1,199,125
Equity						
Share capital	611,379	465,000	35,000	35,000	646,379	500,000
Retained earnings	123,152	82,869	52,553	36,429	175,705	119,298
Other reserve	2,812	2,361	-	-	2,812	2,361
Legal reserve	98,132	81,187	6,836	4,029	104,968	85,216
Life Fund	0	-	63,492	67,868	63,493	67,868
Inter office account	9,701	(29,362)	(9,701)	29,362	-	-
Total equity	845,176	602,055	148,181	172,688	993,357	774,743
Total equity and liabilities	**2,429,445**	**1,769,979**	**184,456**	**203,889**	**2,613,902**	**1,973,867**

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

6 Segment information

Segment information is presented in respect of the Company's investment location/rigion for rental income which represents the reginal reporting format and is based on the Company's management and reporting structure.

Revenue in these segments is derived primarily from rental investment income. Expenses for each investment locations that render services are initially paid by the general business segment and transferred to investment locations at cost price.

Rental Investment segments

The Company operates rent income generating invetsments in the following regions:

Addis Ababa,Bahir dar city in Amhara region and Gelan city in Oromia region

The segment information provided by the Management for the reporting segments for the year ended 30 JUNE 2022 is as follows:

6 Statement of profit or loss and other comprehensive income for the year ended 30 JUNE 2022

	Addis Ababa		Amhara-Bahirdar		Oromiya-Gelan		Total	
	30 JUNE 2022	30 JUNE 2021	30 JUNE 2022	30 JUNE 2021	30 JUNE 2022	30 JUNE 2021	30 JUNE 2022	30 JUNE 2021
	Birr'000		Birr'000		Birr'000		Birr'000	
Revenue								
Rent Income	13,115	10,443	2,862	3,192	2,617	2,245	18,594	15,879
Other operating and administrative exp	-	166	535	556	19	11	554	733
Depreciation expense	6,898	6,898	291	291	984	1,451	8,173	8,640
Employee benefits expense			122	100			122	100
Total expense	6,898	7,064	948	947	1,003	1,463	8,849	9,473
Profit before income tax	6,217	3,379	1,914	2,245	1,614	782	9,745	6,406
Income tax expense	(1,865)	(1,014)	(574)	(674)	(484)	(235)	(2,924)	(1,922)
Net Profit for the year	**4,352**	**2,365**	**1,340**	**1,572**	**1,130**	**548**	**6,822**	**4,485**

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

6 Statement of financial position for each segment at 30 JUNE 2022

	Addis Ababa		Amhara-Bahirdar		Oromiya-Gelan		Total	
	30 JUNE	30 JUNE	30 JUNE	30 JUNE	30 JUNE	30 JUNE	30 JUNE 2022	30 JUNE 2021
	Birr'000		Birr'000		Birr'000		Birr'000	
ASSETS								
Cash and bank balances							-	
Trade and other receivables	4,392	2,196	-	1,484	-	107	4,392	3,787
Other assets							-	-
Property, plant and equipment	54,843	64,455	1,598	1,834	25,863	25,863	82,304	92,151
Total assets	**59,235**	**66,651**	**1,598**	**3,318**	**25,863**	**25,970**	**86,696**	**95,938**
LIABILITIES								
Current income tax liabilities	1,865	1,014	574	674	484	235	2,924	1,922
Current liabilities			-	35			-	35
Total liabilities	1,865	1,014	574	709	484	235	2,924	1,957
Equity								
Share capital	49,639	63,272	(2,561)	1,038	23,466	25,187	70,544	89,497
Retained earnings	4,352	2,365	1,340	1,572	1,130	548	6,822	4,485
Inter office account	3,379		2,245		782		6,406	-
Total equity	57,370	65,637	1,024	2,609	25,379	25,735	83,772	93,981
Total equity and liabilities	**59,235**	**66,651**	**1,598**	**3,318**	**25,863**	**25,970**	**86,696**	**95,938**
	-	-	-	-	-	-	-	-

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

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Befirdu Certified Audit Firm

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Head Office

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Notes to the Financial Statements
For the Year Ended 30 June 2022

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For the Year Ended 30 June 2022

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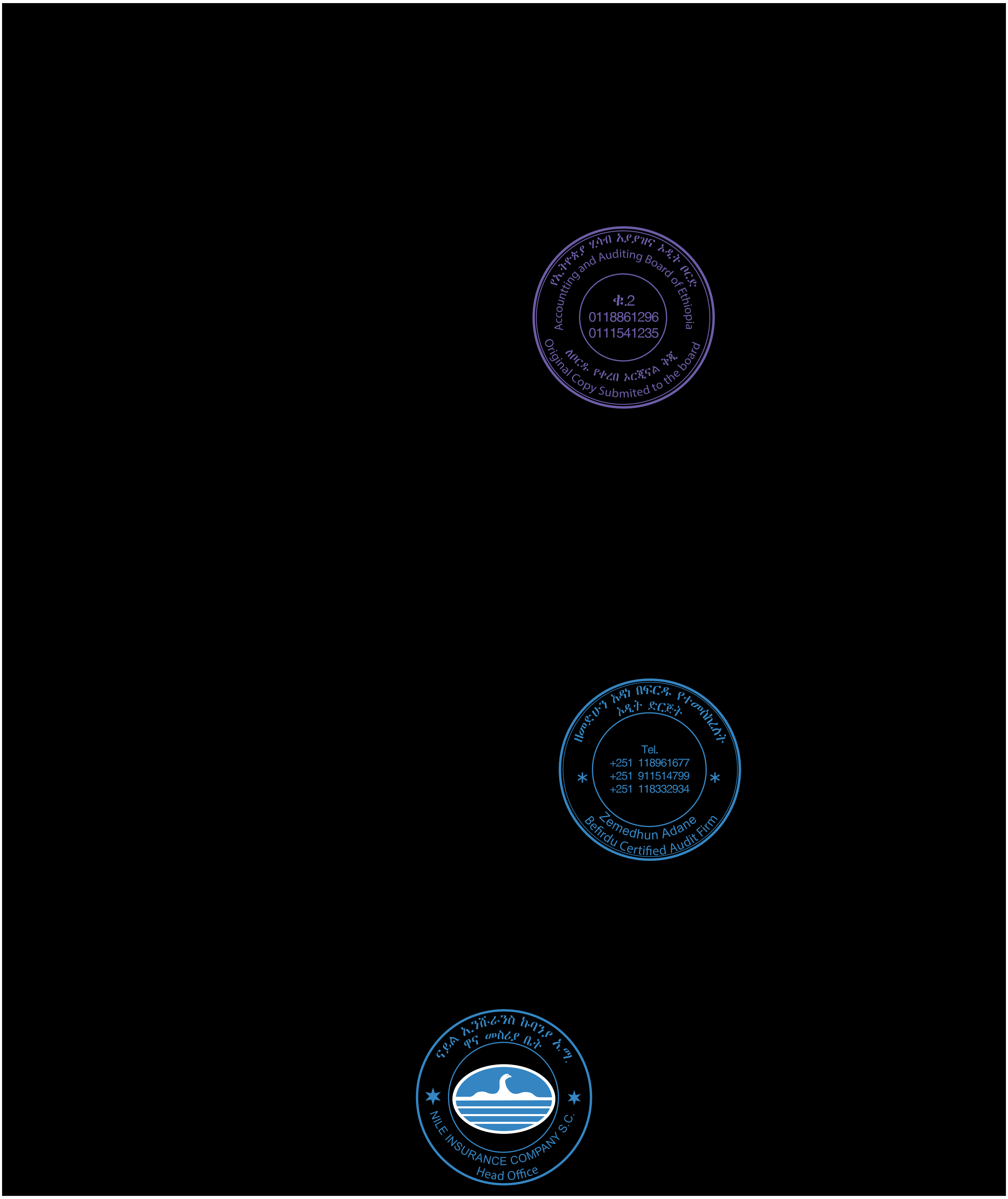
Notes to the Financial Statements
For the Year Ended 30 June 2022



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Notes to the Financial Statements
For the Year Ended 30 June 2022

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For the Year Ended 30 June 2022

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Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

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For the Year Ended 30 June 2022

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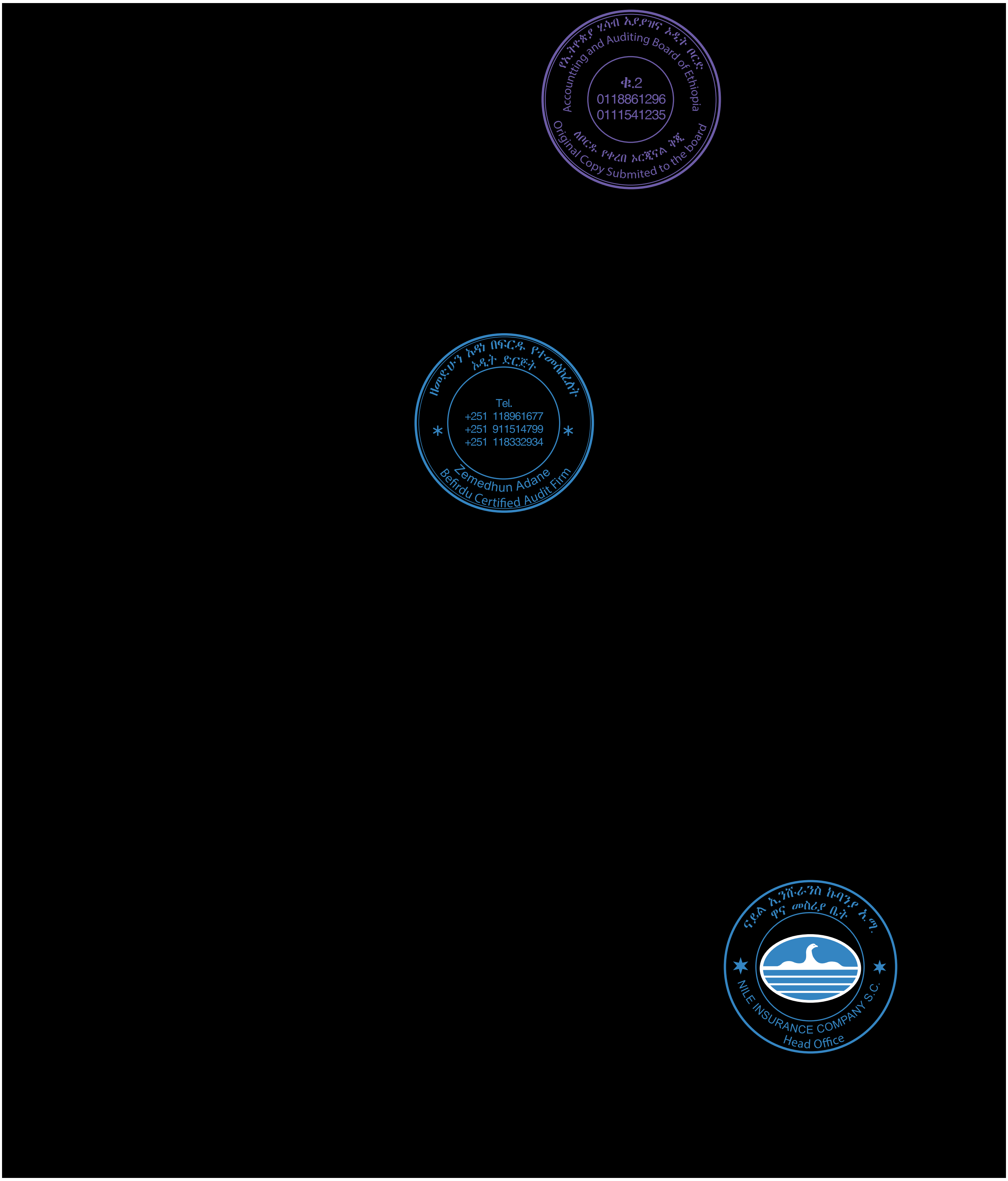
Notes to the Financial Statements
For the Year Ended 30 June 2022



Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

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For the Year Ended 30 June 2022

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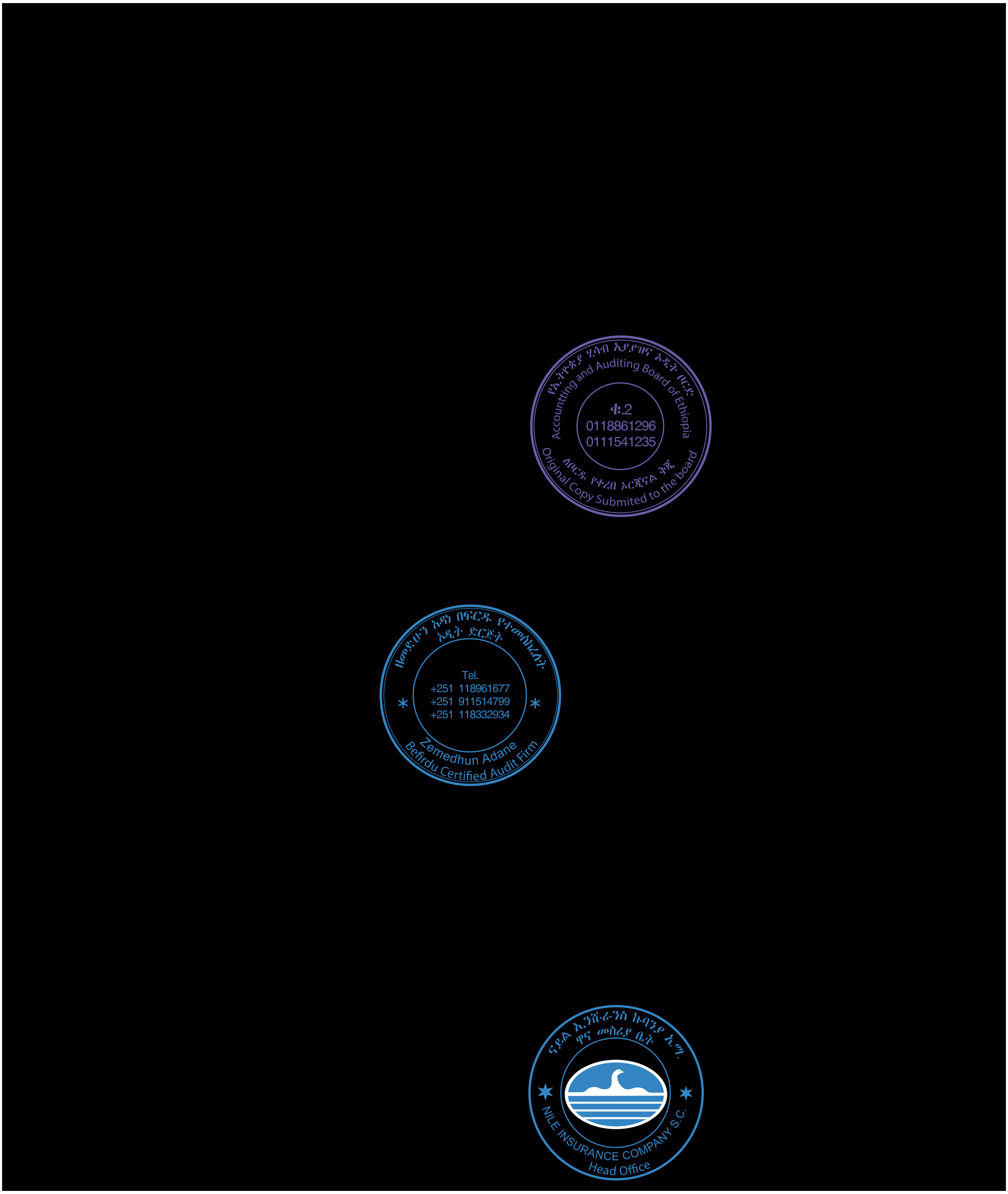
Notes to the Financial Statements
For the Year Ended 30 June 2022



Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

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Head Office

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

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Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

D Changes in the present value of the defined benefit obligation

	30 JUNE Birr'000	30 JUNE Birr'000
At the beginning of the year	3,356	2,634
Current service cost	867	588
Interest cost	540	417
Remeasurement (gains)/losses arising from changes in demographic assumptions	(451)	(283)
Remeasurement (gains)/losses arising from changes in the financial assumptions	-	-
Benefits paid		
At the end of the year	**4,312**	**3,356**

E The principal assumptions used in determining defined benefit obligations

Discount rate (p.a)	14.25%	14.25%
Long term salary increases (p.a)	12.25%	13.00%

(i) Discount rate

In Ethiopia, there is neither a deep market in corporate nor government bonds. Furthermore, the market for treasury bills in Ethiopia is inefficient and does not appear to be market determined. IAS19 does not provide guidance for setting the discount rate in a country with limited government bonds or instruments.

(ii) Long term salary increases

The salary increase has been determined by the management as mutually compatible rate taking into account the likely future economic scenarios of the country.

(iii) Mortality rate

Mortality is normally expressed as the probability of death within the next year for an individual of a specifc age. Different mortality rates are thus set for each age group (higher rates for older people) and this set of rates is referred to as a mortality table.

The mortality table used for the current employees was A1949/52 as published by the Institute of Actuaries.

	30 JUNE 2022		30 JUNE 2021	
	Males	Females	Males	Females
20	0.111%	0.111%	0.111%	0.111%
25	0.112%	0.111%	0.112%	0.111%
30	0.116%	0.113%	0.116%	0.113%
35	0.132%	0.120%	0.132%	0.120%
40	0.188%	0.147%	0.188%	0.147%
45	0.330%	0.231%	0.330%	0.231%
50	0.599%	0.420%	0.599%	0.420%
55	1.035%	0.750%	1.035%	0.750%
60	1.720%	1.272%	1.720%	1.272%

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

(iv) ***Withdrawals from service***

The withdrawal rate selected was based on experience in other similar arrangements.

	30 JUNE 2022		30 JUNE 2021	
	Males	Females	Males	Females
20	15.00%	15.00%	15.00%	15.00%
25	12.00%	12.00%	12.00%	12.00%
30	6.00%	6.00%	6.00%	6.00%
35	2.50%	2.50%	2.50%	2.50%
40	1.80%	1.80%	1.80%	1.80%
45	1.00%	1.00%	1.00%	1.00%
50	0.18%	0.18%	0.18%	0.18%
55	0.08%	0.08%	0.08%	0.08%
60	0.08%	0.08%	0.08%	0.08%

(v) ***Ill-health / Disability***

	30 JUNE 2022		30 JUNE 2021	
	Males	Females	Males	Females
20	0.040%	0.040%	0.040%	0.040%
25	0.040%	0.040%	0.040%	0.040%
30	0.040%	0.040%	0.040%	0.040%
35	0.040%	0.040%	0.040%	0.040%
40	0.063%	0.050%	0.063%	0.050%
45	0.110%	0.080%	0.110%	0.080%
50	0.200%	0.140%	0.200%	0.140%
55	0.350%	0.250%	0.350%	0.250%
60	0.570%	0.420%	0.570%	0.420%

(vi) ***Duration of the plan***

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. The average duration of the retirement benefit obligation at the end of the reporting period is 9.05 years (30 JUNE 2021: 9.05 years, 1 JULY 2018: 9 years)

Quantitative sensitivity analysis for significant assumption

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

		Impact on defined benefit obligation			
		30 JUNE 2022		30 JUNE 2021	
	Change in assumption	Impact of an increase	Impact of a decrease	Impact of an increase	Impact of a decrease
		Birr'000	Birr'000	Birr'000	Birr'000
Discount rate	1.0%	(253)	288	(164)	188
Long term salary increases	-1.0%	276	(246)	179	(158)

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

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.

The following payments are expected contributions to be made in for the next five (5) years out of the defined

	30 JUNE 2022 Birr'000	30 JUNE Birr'000
Within the next 12 months (next annual reporting period)	-	-
Between 1 to 5 years	-	-
Above 5 years	4,312	3,356
	4,312	**3,356**

G Risk exposure

Through its post-employment benefit schemes, the Company is exposed to a number of risks. The most significant of which are detailed below:

(i) Liquidity risk

The defined liabilities are unfunded and as a result, there is a risk of the Company not having the required cash flow to fund future defined benefit obligations as they fall due.

(ii) Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

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NILE INSURANCE COMPANY S.C.
Head Office

Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

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Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

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Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

37.1

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Nile Insurance Company S.C.
Notes to the Financial Statements
For the Year Ended 30 June 2022

39 Contingent liabilities

39.1 Claims and litigation

In the opinion of the Directors, there were no contingent liability on balance sheet date which could have a material effect on the state of affairs of the Company as at 30 JUNE 2022.

40 Commitments

The Company has no commitments, not provided for in these financial statements as at the date of this report. (30 JUNE 2021: nil.) for purchase of various capital items.

41 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 2022 Birr'000	30 JUNE 2021 Birr'000
No later than 1 year		
Later than 1 year and no later than 2 years		
Later than 2 years but not later than 5 years		
Total		

42 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 2022 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

No	Department	Tel. No. Office	Fax No. Office	P.O. Box
1	CEO OFFICE	011-442-57-54	011442-60-08	12836
2	FINANCE & INVESTMENT	011-442-58-36	011-470-75-48	12836
3	RESOURCE MANAGEMENT	011-442-58-07	011-442-57-95	12836
4	MARKETING & BRANCH OPERATIONS	011-442-58-38	011-470-75-48	12836
5	CLAIMS	011-442-58-37	011-470-85-78	12836
6	ENGINEERING	011-442-58-50	011-44206008	12836
7	LEGAL	011-470-77-75	011-442-57-95	12836
8	INFORMATION TECHNOLOGY	011-442-58-42	011-442-57-95	12836
9	INTERNAL AUDIT	011-442-58-54	011-442-60-08	12836
10	PROJECT OFFICE	011-442-58-13	011-442-57-95	12836
11	RE-INSURANCE DIVISION	011-442-41-20	011-442-57-95	12836

Addis Ababa Branches

No	Branch Name	Tel. No. Office	Fax No. Office	P.O. Box
1	Leghar	011-5514999/011-5514365	011-5514419	12836
2	Kirkos	011-5510496/011-5531715	011-5507836	12836
3	Life Branch	011-5514329/011-5546749	011-5536624	12836
4	Abakoran	011-2779567/011-2779568	011-2779797	12836
5	Addis Ketema	011-2756389/011-2772155	011-2772058	12836
6	Bekelobet	011-4655289/011-4655262	011-4655308	12836
7	Bole	011-5546702/011-5526907	011-5526908	12836
8	Gerji	011-6298031/011-6298032	011-6294564	12836
9	Gotera	011-4426016/011-4426013	011-4426008	12836
10	Megenagna	011-6188464/011-6620681	011-6635607	12836
11	Tewodros	011-1559967/011-1552585	011-1559968	12836
12	Kality	011-4400963/011-4400962	011-4400961	12836
13	CMC	011-6675685/011-6675660	011-6675644	12836
14	Lideta	011-5576230/78	011-5576291	12836
15	T/Medhanialem	011-6672665/49	011-6672633	12836
16	Addisu Gebya	011 126 8389/011 126 8398	011126 8408	12836
17	Lebu	011 471 0911/011 471 0905	011471 0883	12836
18	Gofa	011 470 0843/011 470 0846	011 4700826	12836
19	Urael	0115620270	0115620046	12836
20	Kolfe	0112739839	0112739217	12836
21	Arat Kilo	0111261301	0111261304	12836
22	Gulelle	0111262982	0111262354	12836
23	Beshale	0116-661482	0116-66-14-81	12836
24	Salo Gora	0114709651	0114709252	12836
25	GurdShola	0116671838	0116671780	12836
26	Kazanches	0115585683	0115585683	12836
27	Kazanches-Life branch	0115587280	0115585683	12836
28	Arada	0111702003	0111702004	12836
29	Jemo	0114625390		12836
30	Betel	0118133985		12836
31	Ayat	0116391136		12836
32	Ayer tena	0113693959		12836
33	Bole Bulbula	0118699050/0114719554		12836
34	Abebe Bikila	0116734294		12836
35	Hayahulet			12836
36	Mekanisa			12836

Outlying Branches Address

No	Branch Name	Tel. No. Office	Fax No. Office	P.O.Box
1	Hawassa	046-2201262	046-2204032	529
2	Bahir Dar	058-2201646/058-2203662	058-2201783	999
3	Dessie	033-1120879/ 033-1113731	033-1120878	1076
4	Dire Dawa	025-1110840/025-1120973	025-1111780	419
5	Gondar	058 - 111 9868	058-111 9880	90
6	Mekele	034-4408485	034-440 6499	545
7	Adama	022-1114427/ 022-1114428	022-1120348	358
8	Debre Markos	058-7716907/058-7716873	058-7711921	485
9	Dilla	046 - 331 2497	046-3312498	235
10	Jimma	047-1114577/047-1114588	047-1114528	1327
11	Wolayita	046-551 4441	046-5514414	448
12	Woldiya	033 - 331 0976	033-3310224	92
13	Butajira	046-1150088	046-1150929	187
14	Debre Birhan	011 - 637 5100	011-681 4635	281
15	Humera	034-448 0820/034-4481098	058-111 4590	96
16	Mizan Teferi	047-135 0200	047-135 0206	437
17	Nekmte	057- 661 1574	057-661 1553	246
18	Semera	033-366 5349	033-3663619	1076
19	Shire	034-4440858	034-2440837	12836
20	Bishoftu	011-4306467	011-4308435	12836
21	Hosaena	046-1788296	0461787057	12836
22	Injibara/እንጅባራ	0582271813	0582271725	12836
23	Belay Zeleke B/dar	0582266073		12836
24	Finote Selam			12836
25	Sekota (Contact Office)	033 - 331 0976	033-3310224	12836
26	Worabe office	046-1150088	046-1150929	12836


Some call it
life insurance,
we call it
Love Insurance.

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NILE INSURANCE COMPANY S.C.

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