



*ንብ ኢንሹራንስ ኩባንያ (አ.ማ.)  
Nib Insurance Company (S.Co.)*

*Your Intelligent Choice!*

**2017  
Annual Report**



*ንብ ኢንሹራንስ ኩባንያ (አ.ማ.)  
Nib Insurance Company (S.Co.)*



# **Nib Insurance**

*Reliable Insurance Cover & Service  
For Mutual Progress!*

## **CONTACT US**

### Head Office:

Dembel City Center 2<sup>nd</sup> & 11<sup>th</sup> floor  
Bole Road - Africa Avenue Street  
Tel. +251-11-552 8195/96, 553-5129-32  
+251-11-554 3705, 552-0475  
Fax: +251-11-552 8193

### Life Assurance Department

Tel. +251-11-552 7581 Mob. +251-911-62 2969  
Fax. +251-11-554 68 11  
P.O. Box: 285 Addis Ababa, Ethiopia  
E-mail. nibinsgm@ethionet.et  
www.nibinsurancethiopia.com

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|   | General Insurance | Life Assurance | Combined |
|---|-------------------|----------------|----------|
| Gross Written Premium (in million Birr)                           | 388.2             | 31.6           | 419.8    |
| Growth in Gross Written Premium over Last Year same period (in %) | 5.8               | 43.4           | 8.7      |
| Market Share (in %)   | 5.4               | 8.8            | 5.6      |
| Claims Incurred (in million Birr)                                 | 237.6             | 7.6            | 245.2    |
| Loss Ratio (in %)   | 74.8              | 26.3           | 70.7     |
| Underwriting Surplus (in million Birr)                            | 73.9              | 21.2           | 95.1     |
| Gross Profit Before Tax (in million Birr)                         | 51.1              | 8              | 59.1     |
| Total Assets (in million Birr)                                    | 914.9             | 81.7           | 996.6    |
| Hold Up Capital (in million Birr)                                 | 228               | 20             | 248      |
| Earnings Per Share  | -                 | -              | 117      |

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**ንብ ኢንሹራንስ ኩባንያ (አ.ማ.)**  
***Nib Insurance Company (S.Co.)***

## **Brief Company Profile**



**Our Company's logo is a combination of two highly valued symbols.**

- ☆ WThe **Queen Honeybee** in the logo symbolizes leadership in a teamwork which effectively leads in the production of its sweetest product, the honey.
- ☆ The **Umbrella**, which is of a traditional Ethiopian variety, symbolizes protection from heavy rain and sun burn.
- ☆ Together the **Queen Honeybee** and its **Umbrella** symbolize our Company's efficient and quality service in the provision of cover against life, property and liability risks.



**Your Intelligent Choice!**

## **Vision**

"To be a first class insurance company preferred by stakeholders for its quality and diversified service"

## **Mission**

"To provide reliable and quality Insurance service and maximize its profitability, attain sustainable growth, build its assets, invest and support the overall growth of the country."

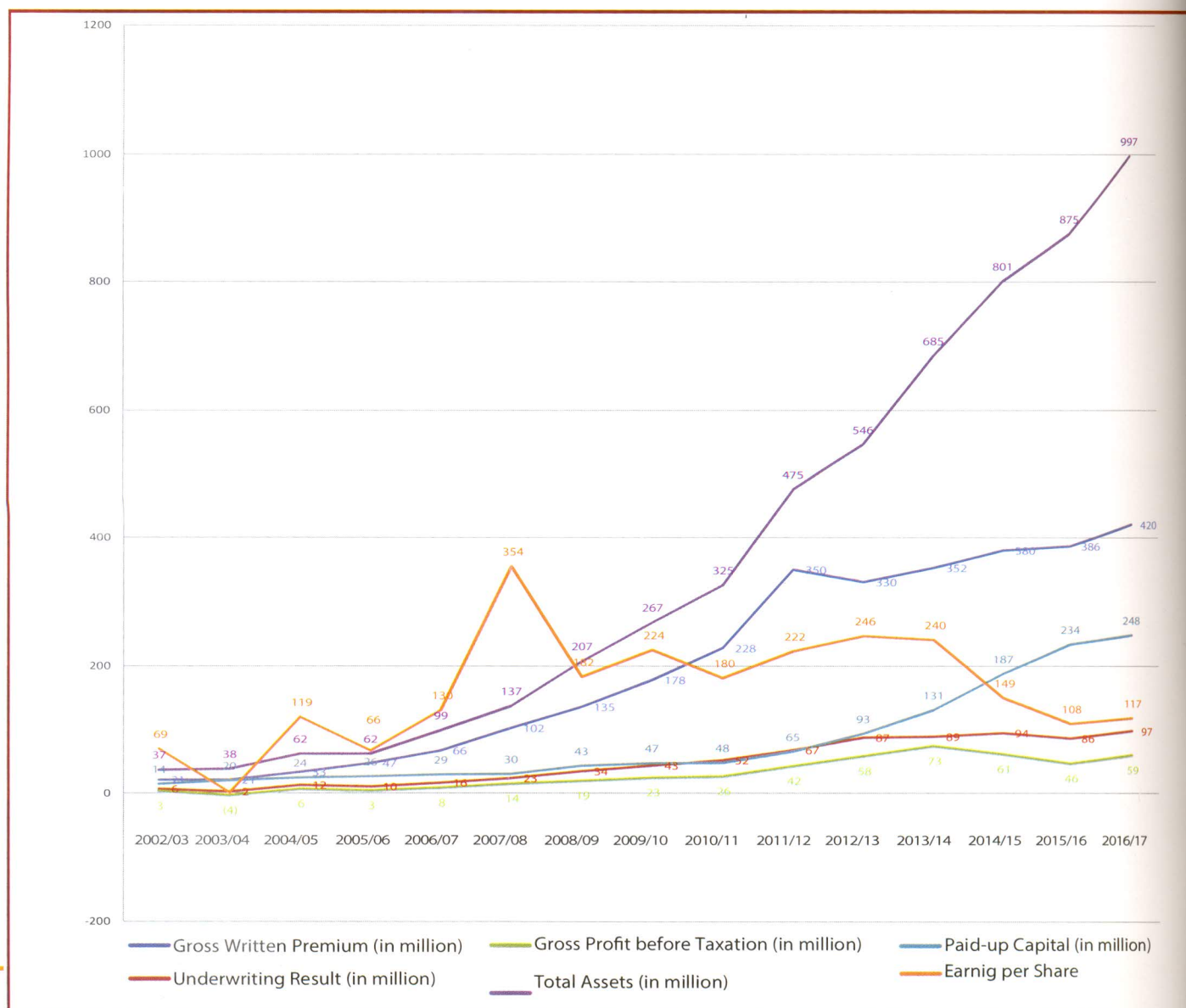
## **Values**

- ☆ Transparency and accountability in the provision of service , information and also in decision making
- ☆ Respect & honesty in dealing with stakeholders
- ☆ integrity at work at all levels
- ☆ Trustworthy and dependable partner to all customers
- ☆ Socially responsible
- ☆ Preferred by customers for its loyalty and commitment in serving them
- ☆ Avoid discrimination of any sort

## HIGHLIGHTS FOR THE 2016/17 BUDGET YEAR

|   | General Insurance | Life Assurance | Combined |
|---|-------------------|----------------|----------|
| Gross Written Premium (in million Birr)                           | 388.2             | 31.6           | 419.8    |
| Growth in Gross Written Premium over Last Year same period (in %) | 5.8               | 63.4           | 8.7      |
| Market Share (in %)   | 5.4               | 8.8            | 5.6      |
| Claims Incurred (in million Birr)                                 | 237.6             | 7.6            | 245.2    |
| Loss Ratio (in %)   | 74.8              | 26.5           | 70.7     |
| Underwriting Surplus (in million Birr)                            | 75.9              | 21.2           | 97.1     |
| Gross Profit before Tax (in million Birr)                         | 51.1              | 8              | 59.1     |
| Total Assets (in million Birr)                                    | 914.9             | 81.7           | 996.6    |
| Paid up Capital (in million Birr)                                 | 228               | 20             | 248      |
| Earnings Per Share  | -                 | -              | 117      |

## KEY INDICATORS



## MESSAGE FROM BOARD CHAIRMAN



**Dear  
shareholders,**

*"The  
Company  
continues  
to maintain  
sustainable  
growth  
through  
operational  
excellence  
and robust  
investment  
returns"*

Nib Insurance Company (S. Co.) set corporate goals for 2016/17 budget year to increase the overall Gross Written Premium (GWP), minimize the overall loss ratio, collect as much long outstanding premium as possible, increase the number of branches, improve customer satisfaction and earn better profit by improving its operational and financial performance.

Though, a remarkable result was achieved in Life Assurance GWP, which was higher by 41.2% and 63.4% than the target and that of the previous year same period, respectively, the performance of the General Insurance was highly affected by stiff competition in the operating environment and strict underwriting measures taken by the Company on bond business as a result of high bond claims incurred to the Company.

GWP from General Insurance was below the target by 10.8 % and more by 5.8% than that of the 2015/2016 budget year.

During the period under report, our Company was able to earn Birr 58.2 million profit after tax, higher than that of 2015/2016. This is a commendable result for NIC in the face of overwhelming odds it has been through.

Dear shareholders, the Company continues to maintain sustainable growth through operational excellence and robust investment returns.

The Company was also able to nearly complete the construction of Dire-Dawa Building as planned and availed the commercial wing of the building for rent and has also moved its Dire-Dawa branch to the building. The revenue generated from this investment is expected to support the Company's performance in the years to come. Though delayed due to some unforeseen reasons, preparations for the floating of bid for the construction of the Head Office Building are nearly completed. The IT project, which is believed to improve the overall efficiency of the activities of the Company will go live in few months to come.

Another important development worth mentioning is the filling of the company's vacant posts with qualified and trustworthy personnel and strengthen team spirit among the management and the staff which is exhibited by their dedication to bring better performance.

Indeed, the Company's encouraging achievement was not without challenges. The company had to withstand internal and external multifaceted challenges including high number of defaulting contactors more than ever before which incurred high claims to the Company owing to the Company's high dependence on the construction sector, heavy reliance on operational business and limited investment income, ever increasing rent expenses, increase in claims cost due to rise in spare parts cost and unfair price cutting competition in the insurance industry, high cost of salary and benefits expenses due to large number of staff compared to our competitors.

The company's key priorities in 2017/18 will be, preparing the company's five years strategic plan (2018/19-2022/23), enhancing operational performance through selecting and pricing risks, working strongly towards customer retention by creating strong business relations with corporate customers, developing new products and getting competitive advantage in the market, increasing other incomes by investing in profitable ventures, building the capacity of employees and improving service quality by fully going live the core insurance system application.

Thank you for your continued support.

Berhanu W/Giorgis (Eng.)

## THE BOARD OF DIRECTORS



Ato Woldeyesus W/Mariam  
V/Chairman



Eng. Berhanu W/Giorgis  
Chairman



Ato Mebratu Lemma  
Director



Ato Abera Shire  
Director



Ato Menbere Haile  
Director



Ato Dereje Zewde  
Director



W/ro Almensh H/Mariam  
Director



Ato Shoazemed W/Michael  
Director



Ato Fikru Worku  
Director



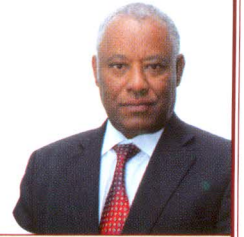
Ato Solomon Geda  
Board Secretary



## THE EXECUTIVE & TOP MANAGEMENT



W/ro Zufan Abebe  
General Manager



Ato Getachew Yesma  
DGM, Resources  
Management



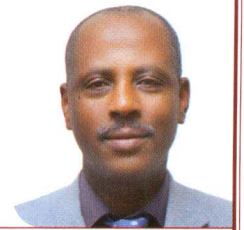
W/t Meseret Tilahun  
DGM, Operations



Ato Abreham Mersha  
Manager, Underwriting  
& Branch Operations  
Department



Ato Ambaye Merga  
Manager, Finance  
Department



Ato Yimenu Mekonnen  
Manager, HRM & Property  
Admin Department



Ato Samuel Ademe  
Manager, Risk &  
Compliance Department



Ato Yonas Belay  
Manager, Bus. Dev &  
Planning Department



Ato Solomon Yehualashet  
A/Manager, Life Assu.  
Department



Ato Habtamu Terefe  
A/Manager, Audit &  
Inspection Department



Ato Tamene Lemma  
Manager, Engineering  
Services



Ato Beedemariam Zewde  
Manager, Western Region  
Claims Service



Ato Kumelachew Abate  
Manager, Eastern  
Region Claims Service



Ato Dagim Girmachew  
IT Project Coordinator



Ato Tesfahun Shibiru  
A/ Manager,  
Legal service

# THE MANAGEMENT TEAM



Addis Ababa Branch Managers



Outlying Branch Managers



# BOARD OF DIRECTORS' REPORT

On behalf of the Board of Directors of Nib Insurance Company (S. Co.) and on my own behalf, I feel honored to welcome you all to the 15th Annual Ordinary General Meeting of Shareholders of our Company.

Dear Shareholders, in accordance with Articles 418 & 419 of the Commercial Code of Ethiopia and Article 3.2 of the Company's Articles of Association, I hereby submit, on behalf of the Board of Directors:

- *Report of the Board of Directors, and*
- *The Audited Financial Statements of Nib Insurance Company (S. Co.) for the financial year ended 30th of June 2017, to the 15th Ordinary Annual General Meeting for its kind consideration & approval.*

## 1. THE BUSINESS ENVIRONMENT

### 1.1 . The Global Economy

According to UNECA Economic Report on Africa (2017), global economic growth tapered from 2.5 percent in 2015 to 2.3 percent in 2016, reflecting a slight decline in gross fixed capital formation (investment) growth and in households' final consumption growth. Growth slipped a little in the United States (from 2.4 percent in 2015 to 2.2 percent in 2016), and it remained unchanged in the euro area, which was 1.7 percent, and China's economic growth decelerated from 6.9 percent to 6.4 percent.

Economic growth in Africa also fell by more than half from 3.7 percent in 2015 to 1.7 percent in 2016 amid weak global economic conditions resulted from still-low (even if rising) oil and commodity prices and adverse weather conditions. In 2016 East African growth was the fastest on the continent and was driven by the growth of Ethiopia, Kenya, Rwanda and Tanzania. The main contributor to the Ethiopian growth was public spending on infrastructure.

### 1.2. Domestic Economy

According to the National Bank of Ethiopia Annual Report, the Ethiopian economy which had exhibited 9.8 percent average annual growth during the fiscal years 2010/11-2015/16 registered 8.0 percent growth in 2015/16 despite challenging macroeconomic and adverse weather conditions. The 8.0 percent real GDP



growth was 3.2 percentage point lower than base case scenario of GTP-II target set for the fiscal year although it was significantly higher than 1.6 percent average growth estimated for Sub-Saharan Africa.

The growth in real GDP was mainly attributed to 8.7 percent growth in services, 2.3 percent in agriculture and 20.6 percent in industrial sector. The share of agriculture in GDP in 2015/16 went down to 36.7 percent from 38.7 percent a year earlier, lower than GTP-II target of 37.5 percent for the fiscal year, which is a positive development. Industrial sector showed a 20.6 percent annual growth and accounted for 16.7 percent of the GDP. The sector contributed 38.8 percent to the overall economic growth during the fiscal year, and its performance was more or less in line with GTP-II target of 21.8 percent growth and 16.6 percent share.

In general, the development activities planned and performed in GTP-II in the economic and social sectors are believed to directly or indirectly offer a good deal of business opportunity to the Ethiopian Insurance sector though the question of equal playing field has remained unanswered.

### **1.3 . The Insurance Industry Performance**

In the year under review, the number of insurance Companies remained at 17, consisting of 16 private and 1 public. Total insurance branches increased to 482 from 465 a year earlier. Of the total branches, about 53.9 percent were in Addis Ababa. The total capital of insurance companies reached Birr 3.9 billion, of which private insurance companies accounted for 75 percent.

According to the information from National Bank of Ethiopia, during the 2016/17 budget year, the industry's gross written premium reached at Birr 7.5 billion of this premium Birr 0.4 billion or 4.8% generated from life sector while Birr 7.1 billion (95.2%) accounted for the general insurance business. Against the previous year same period, this year's gross written premium for general and life businesses showed a 17.2% and 8.1% growth rate, respectively.

Generally, the Ethiopian Insurance Industry has continued to be challenged by intensified, unhealthy price cutting competition, increase in claims cost due to rise in spare parts cost, shortage of skilled manpower, low awareness among the public of the importance of insurance and the problem of properly heeding to one of the basic principles of insurance, utmost good faith and lack of product differentiation.



## 2. OPERATIONAL & FINANCIAL PERFORMANCE FOR THE 2016/17 BUDGET YEAR

### 2.1. Premium Income

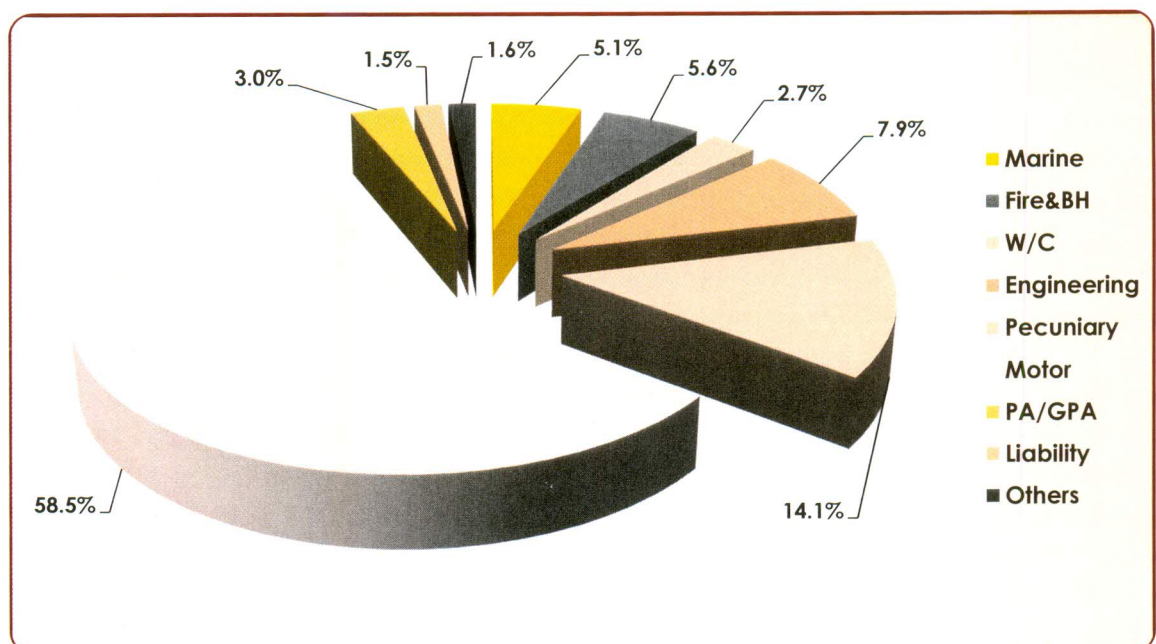
#### 2.1.1. Non-Life Insurance Business

During the budget year, the Company has given cover for various property and liability risks with a total sum insured value of Birr 115.52 billion by selling a total of 82,907 policies and registered a Gross Written Premium Income (GWPI) of Birr 388.2 million, which is 89% of the target and more by Birr 21.3 million or 5.8% than that of last year same period. The GWPI from non-life insurance business accounted for 92.2% of the total GWPI of the Company.

Regarding the portfolio mix of the non-life insurance (Figure 1), Motor Class of business took the lion's share (58.5%) followed by Pecuniary, Engineering, Fire and Marine with 14.1%, 7.9%, 5.6% and 5.1% share, respectively. The remaining classes of business all together contributed 8.8% of the total premium.

Despite the stiff market competition and other multifaceted challenges, the Company was able to be placed 5th from the 16 private insurance companies by taking 5.4% market share from the non-life premium income of the industry. This encouraging result was achieved by the unreserved and concerted efforts made by the Board and the management by taking appropriate and timely operational and other measures.

Figure 1: Non-Life Portfolio Mix for 2016/17 (in %)



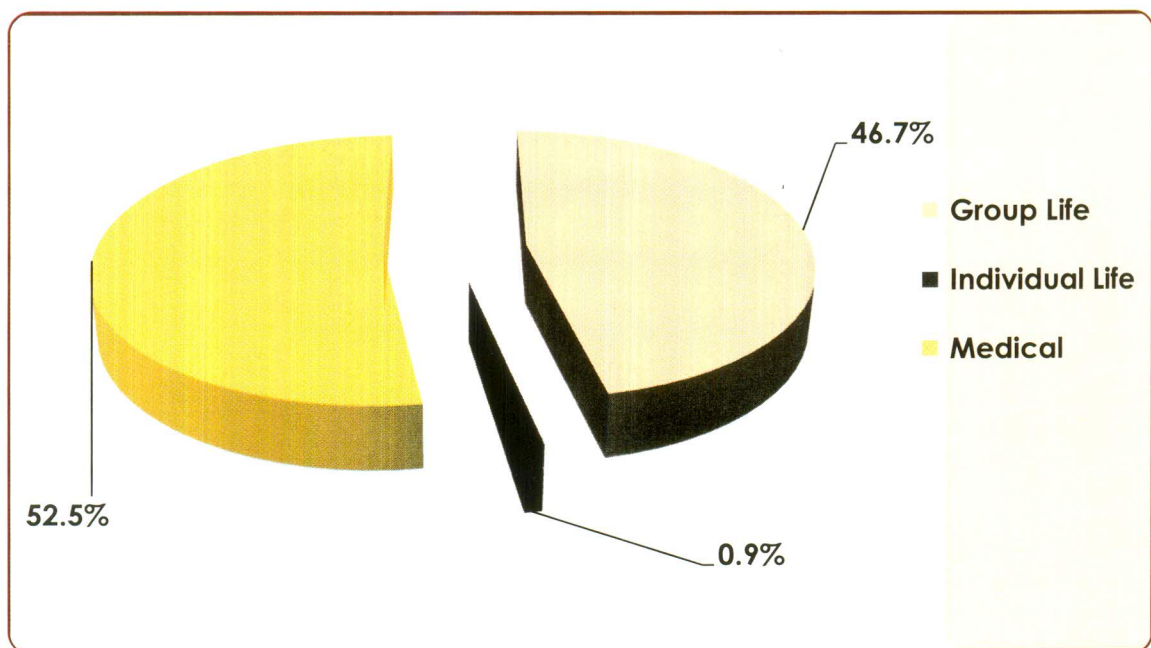
## 2.1.2. Life Assurance Business

In 2016/2017 fiscal year, the Company registered a GWPI of Birr 31.6 million from life assurance business. The actual performance was 41.2% and 63.4% above the target and last year same period, respectively.

As shown in Figure 2 below, Medical, Group Life and Individual Life took 52.5%, 46.7%, and 0.9%, share of the total premium, respectively.

The company has improved its market share from 7th place last year to 4th place this year in the private insurance companies by taking 10.1% market share from the Life premium income of the industry.

Figure 2: Life Assurance Business Portfolio Mix for 2016/17 (in %)



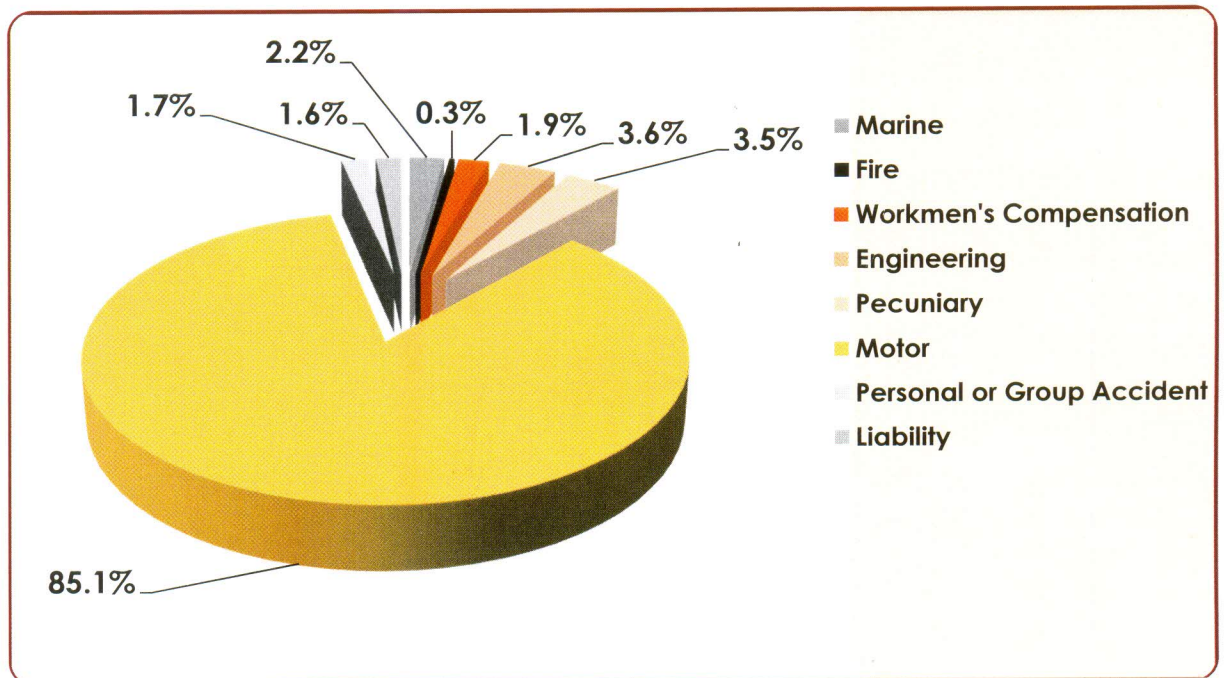
## 2.2. Claims

### 2.2.1. Gross Claims Paid (Non- life)

During the year under review, the gross claims paid in the non-life insurance business amounted to Birr 216.8 million, which is lower by 2.9% than the target and more by 4.1% than the claims paid last year. The percentage ratio of gross claims paid to gross written premium decreased from 56.8% in 2015/16 to 55.9% in 2016/2017. However, the overall loss ratio has increased to 74.8% during the reporting period from 70.5% the previous year same time owing to the huge outstanding claims. During the reporting period, the loss ratio of the



motor class of business has increased to 89.4% from 87.4% the previous budget year. Similarly, the loss ratio of pecuniary class of business (much of which is a bond business) has increased to 64.6 % from 44.4% the previous budget year. As depicted in Figure 3, Motor class of business continued to account for the highest claims paid with Birr 184.5 million taking 85.1% of the total claims paid, followed by claims paid for Engineering, Pecuniary, Marine, Workmen's Compensation, Personal or Group Accident, Liability and Fire classes of business each of which took 3.6%, 3.5%, 2.2%, 1.9%, 1.7%, 1.6% and 0.3% share, respectively. During the budget year, high claims payments were recorded in Engineering and Pecuniary classes of business due to rise in spare parts cost of machineries and increasing trend of defaulters in bond businesses, respectively.

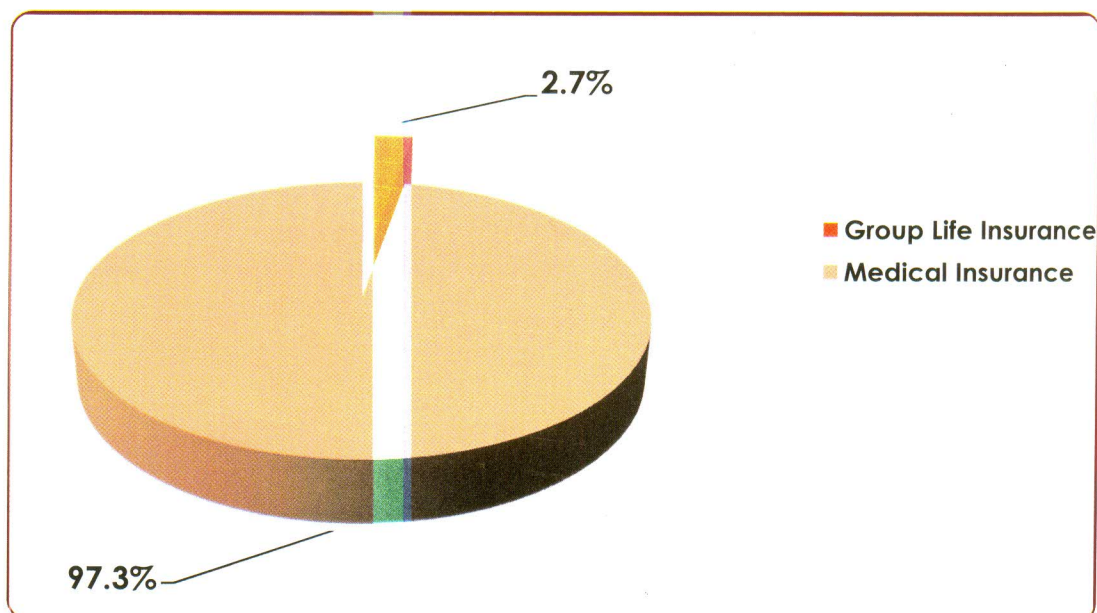


### 2.2.2. Gross Claims Paid (Life Assurance)

The gross claims paid with respect to Life Assurance business amounted to Birr 11.2 million, which is 4.1% and 7.4% above the budget and the actual claims paid last year same period, respectively.

As usual, the claims paid for medical cover took the major share with Birr 10.9 million or 97.8% of the total Claims paid.

Figure 4: Claims Paid (Life) By Classes of Business (in %)



### 2.3. Underwriting Result

During the budget year, the Company registered underwriting result of Birr 75.9 million from the Non-Life and Birr 8.4 million from the Life Assurance businesses, which in total makes Birr 84.3 million. The total underwriting result achieved in the year has shown Birr 1.4 million or 1.6 % increase compared to last year same period.

Actuarial valuation, which recommended Birr 8 million for shareholders distribution, was made in the budget year under report.

### 2.4. Expenses

During the budget year, the total general and administrative expenses of the Company reached Birr 98.0 million, less by Birr 3.6 million or 3.5% than the Birr 101.6 million budget for the year and more by Birr 1.8 million or 1.9% that of last year same period.

Expenditure on other expenses (primarily because of the significant increase of printing & stationery, cleaning & sanitation, entertainment and training & capacity building expenses), financial charges, office rent, advertising & publicity, and employees' salary & benefits, have shown increase of 38.1%, 33.3%, 14.0%, 12.7% and 8.7% over the previous year's expenses, respectively.



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## 2.5. Profit and Return on Investment

During the period covered under this report, the Company earned Birr 51.1 million profit before tax and same amount after tax (as most of the incomes have been taxed at source) from non-life insurance business. The achievement for the year is 11.3% and 21.7% above last year same period for the profit before tax and after tax, respectively.

Similarly, Birr 23.8 million increase in life fund was achieved from the life Assurance business. Based on the accumulated surplus of Birr 30.9 million, the actuary recommended Birr 8.0 million to be considered as profit distributable to shareholders.

Accordingly, for the reporting period under consideration, the consolidated profit before tax and after tax stood at Birr 59.1 million and Birr 58.2 million, respectively.

During the budget year, earnings per share (EPS) stood at Birr 117.0 showing an increase of 8.0% from Birr 108.0 the previous year.

## 2.6. Assets

The total Assets of the Company grew to Birr 996.0 million in 2016/17 from Birr 874.5 million in 2015/16 showing a 13.9% growth. Similarly, Net Assets rose by 8.9% from Birr 328.8 million to Birr 360.9 million.

## 2.7. Liabilities

As at June 30, 2017 the total liabilities of the Company stood at Birr 635.1 million showing an increase of Birr 90.0 million or 14.2% over that of the previous year.

## 2.8. Capital and Investment in Shares

During the year under review, the Company's paid-up capital has increased by 6.2% from Birr 233.5 million the previous year to Birr 248.0 million.

The company is investing in two major categories of business- shares and construction. Regarding investment in shares, as at June 30, 2017, Nib Insurance Company (S. Co.) has invested Birr 86.8 million in Nib International Bank, Birr 4.9 million in Agar Micro Finance, Birr 8.4 million in Zhemar Hulegeb Industries S.CO., Birr 25.5 million in Ethiopian Reinsurance Company (S. Co.) and Birr 1,000.00 in TIR Banker ATM, which in total amounts to Birr 125.6million. Compared to last year same period, the

Company's investments in shares have increased by Birr 10.1 million or 8.7%.

The total investment activities of the Company in shares, bank deposit and government bonds reached Birr 600.9 million during the budget year and have shown an increase of Birr 71.9 million or 13.6% from that of the previous year.

## 2.9. Human Resource Development

At the end of the 2016/2017 fiscal year, the number of employees of the Company was 408. Out of these Employees, 188 males and 220 females. The number of females is higher by 17% than that of males. The Number of staff remained nearly equal with that of the previous same period despite the increase of branches by 6. This is a clear indication of efficient utilization of the human resource because of improved competence of the management.

With a view to improve the skills of employees and achieve better performance, the Company has continued to invest in the training of its staff. Accordingly, various short-term trainings have been given to a total of 334 employees (almost 82% of the total employees) on Insurance, Accounting, Risk management, Survey, Procurement procedure, Leadership, Customer service and in other relevant training courses. Moreover, the Company has also sponsored 8 employees that have been pursuing their further education. Out of the 8 employees, 2 have been sponsored for Master's degree, 3 for first degree, 1 CII, 1 LOMA and 1 college diploma. During the reporting period, 2 employees received their bachelor's degree and another one employee graduated in diploma. A total of Birr 1.6 million was spent for the training and education of the employees within the limit of the NBE's requirement.

Various efforts have also been made to retain and motivate qualified employees. Some of the measures taken in this regard are: giving performance/merit based bonus and salary increment, involving employees in the process of decision making at various levels in the administrative structure of the company, trying to develop team orientation and respect for the employees. The Board was able to build competent and devoted executive management team which could provide effective leadership down the line.

Moreover, the management is working on the development of comprehensive and objective incentive and rewarding scheme, as per the direction given by the Board, which should basically be merit based. Various measures, like selling shares with minimum premium to employees as approved by the AGM, offering unlimited medical assistance, life insurance cover, and short term and long term loans, have also been taken so as to develop sense of ownership and belongingness to the company.



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## **3. OTHER MAJOR ACTIVITIES**

### **3.1. Branch Expansion**

During the reporting period, six additional new branches were opened based on careful feasibility study and increased the total branch network of the Company to 38; and the newly opened branches are expected to impact the growth of the company's production in the following budget year.

### **3.2. Construction Projects**

The construction project of Dire-Dawa Building is near completion; the Commercial wing has already been completed and the Guest house part is expected to be completed in the December 2017. As of June 30, 2017, Birr 84.4 million, nearly 68% of the Birr 125 million total cost of the project, has been paid for the construction.

Regarding the Head Office building construction, the Board and the management have come to learn late that there is a need for design review based on the recommendation given by a senior professional employed to offer independent technical advice to the Board and the management. Accordingly, it was decided that all the designs already prepared by the company's consultant be reviewed so as to bring them to the level of expected standard. Currently, the revision of the bid document has been completed and the designs review, which is believed to add aesthetic and functional value to the building, is near completion. Hence, the bid for the construction is planned to be floated in the second quarter of the 2017/18 budget year.

### **3.3. Automation**

Regarding IT Project of the implementation of the Core Insurance software, 80 percent of the user acceptance test (UAT) has already been accomplished, and the infrastructure works including the installation and configuration of servers, storages and network equipment are already completed. The project is planned to fully go live in December 2017 in selected branches in Addis Ababa.

### **3.4. Corporate Social Responsibility (CSR)**

During the budget year, various advertisement activities were performed using radio and print media so as to promote the Company's services and the new branch offices. Besides, with the view of discharging its social responsibilities, the Company has continued participating in supporting and sponsoring various social and economic activities and professional associations.

## 4. OTHER EXECUTED WORKS AND ACHIEVEMENTS

During the budget year, the Company performed, inter alia, the following worth mentioning successful activities;

- improving price competitiveness of some classes of business;
- offering trainings to the Board and top management members on IFRS(International Financial Reporting Standards), which all the financial institutions are required to mandatory implement as of the current budget year, so as to facilitate the process of effectively implementing it.
- restructuring some work units like the claims department with the objective of expediting service delivery, hence improving customer satisfaction;
- filling vacant senior management posts;
- business consultation meeting with major shareholders, insurance brokers and sales agents;
- senior management support and follow up of branch offices with the view of improving the branches' performance;
- establishing performance and merit based remuneration scheme;
- developing new operational manuals and reviewing the existing ones;
- putting in place risk management systems; and
- the board has taken various measures that aim at ensuring the prevalence of Good Corporate Governance in the Company.

## 5. CHALLENGES

The Company had achieved the encouraging result during the reporting year by overcoming various serious challenges. To mention but a few of the challenges:

- increase in defaulting contractors which has incurred high claims to our Company because of its high dependency on the construction sector;
- heavy reliance on operational business and limited investment income;
- rise in rent expenses;
- increase in claims cost due to increase in traffic accident rates and the ensuing spare parts cost;
- unhealthy price cutting competition in the insurance industry; and
- Shortage of skilled manpower in the market.



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## 6. FUTURE STRATEGIC DIRECTIONS

The Board of Directors and Management of NIC would draw important lessons from the performance of the 2016/2017 budget year and prepare to formulate the right strategy to combat the internal as well as external challenges to ensure the Company's sustainable growth and profitability.

Hence, in 2017/18 budget year, the last year of the five years strategic plan, the following major activities will be given priorities:

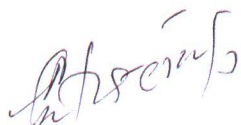
- preparing the Company's Five Years strategic plan (2018/19-2022/23);
- enhancing operational performance through selecting and pricing risks;
- working strongly to retain existing customers and securing new corporate customers;
- developing new products and getting competitive advantage in the market;
- increasing other incomes by investing in profitable ventures;
- continue building the capacity of the staff of the company through training, education, coaching, etc., and retaining competent and professional employees;
- improving service quality by fully going live with the Core Insurance System application;
- completing the construction of Dire-Dawa project and starting the construction of the Head Office building and
- successfully implementing IFRS.

## 7. VOTE OF THANKS

The Board of Directors would like to express its gratitude to shareholders for their continued support for the development of the Company, Customers for giving us the opportunity to serve them and achieve our mission, Brokers, Sales Agents and Re-insurers for their support and business partnership, the National Bank of Ethiopia and its Insurance Supervision Directorate for giving us guidance and support in our endeavor during 2016/17 budget year. The Board of Directors would also like to extend its thanks to those visionary individuals who have played significant role in the formation as well as ensuring the sustainable growth of the company.

Last but not least, the Board of Directors would also like to thank the Staff and the Management of the Company for their contribution in making the 2016/17 budget year a success.

Thank you,



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Berhanu W/Giorgis (Eng.)

# AUDITOR'S REPORT 2017



20 | NIB INSURANCE COMPANY (s.co.)

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
NIB INSURANCE SHARE COMPANY (S.C)*****Report on the Audit of the Financial Statements******Opinion***

We have audited the financial statements of Nib Insurance Share Company (S.C), which comprise the statement of balance sheet as at 30 June 2017, and the Income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2017, and (of) its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles,

***Basis for Opinion***

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

***Responsibilities of Directors for the Financial Statements***

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Generally Accepted Accounting Principles, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

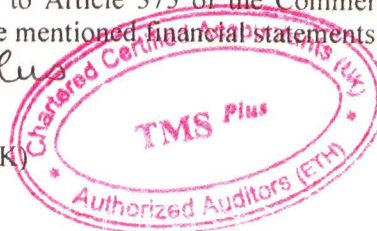
***Auditor's Responsibilities for the Audit of the Financial Statements***

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

***Other Reporting Responsibilities***

We have no comment to make on the report of your Directors so far as it related to these financial Statements and, pursuant to Article 375 of the Commercial Code of Ethiopia 1960, recommended approval of the above mentioned financial statements.

TMS Plus.  
Chartered Certified Accountants (UK)  
Authorized Auditors (ETH)



Addis Ababa  
30 September 2017

**NIB INSURANCE COMPANY(S.C)**  
**BALANCE SHEET**  
**AS AT 30 JUNE 2017**

Currency:- Ethiopian Birr

|                                   | <u>Notes</u> | <u>General Insurance Business</u> | <u>Long term Business</u> | <u>Total</u>       | <u>2016</u>        |
|-----------------------------------|--------------|-----------------------------------|---------------------------|--------------------|--------------------|
| <b>ASSETS</b>                     |              |                                   |                           |                    |                    |
| <b>Fixed Assets</b>               |              |                                   |                           |                    |                    |
| Property, plant and equipment     | 2.3,3        | 124,840,185                       | 7,130,086                 | 131,970,272        | 104,758,437        |
| Intangible assets                 |              | -                                 | -                         | -                  | 9,021              |
| Leasehold land                    | 2.5,4        | <u>13,168,664</u>                 | <u>3,532,520</u>          | <u>16,701,184</u>  | <u>16,977,557</u>  |
|                                   |              | <u>138,008,849</u>                | <u>10,662,606</u>         | <u>148,671,456</u> | <u>121,745,015</u> |
| <b>Investments</b>                |              |                                   |                           |                    |                    |
| Bank deposit at interest          |              | 424,127,038                       | 41,006,741                | 465,133,779        | 403,998,214        |
| Government bond                   |              | 9,000,000                         | 1,157,875                 | 10,157,875         | 10,110,000         |
| Investments                       | 5            | <u>120,226,565</u>                | <u>5,414,735</u>          | <u>125,641,300</u> | <u>115,492,500</u> |
|                                   |              | <u>553,353,603</u>                | <u>47,579,351</u>         | <u>600,932,954</u> | <u>529,600,714</u> |
| <b>Other Assets</b>               |              |                                   |                           |                    |                    |
| Cash and bank balances            | 6            | 79,131,097                        | 6,715,887                 | 85,846,984         | 76,221,727         |
| Trade receivable                  | 7            | -                                 | -                         | -                  | -                  |
| Other receivables                 | 8            | 83,591,892                        | 5,809,136                 | 89,401,027         | 84,884,663         |
| Statutory deposits                | 9            | 34,198,500                        | 3,000,000                 | 37,198,500         | 35,022,525         |
| Due from reinsurers               | 10           | <u>26,606,333</u>                 | <u>7,323,952</u>          | <u>33,930,285</u>  | <u>27,063,935</u>  |
|                                   |              | <u>223,527,822</u>                | <u>22,848,975</u>         | <u>246,376,797</u> | <u>223,192,850</u> |
| <b>Total Assets</b>               |              | <u>914,890,274</u>                | <u>81,090,932</u>         | <u>995,981,206</u> | <u>874,538,579</u> |
| <b>LIABILITIES</b>                |              |                                   |                           |                    |                    |
| <b>Technical provisions</b>       |              |                                   |                           |                    |                    |
| Provision for outstanding claims  | 2.1.2        | 231,026,397                       | 447,234                   | 231,473,631        | 199,441,702        |
| Provision for unearned Premium    | 2.1.1        | 165,344,546                       | -                         | 165,344,546        | 155,778,078        |
| Other technical reserves          | 2.1.3        | 32,189,454                        | -                         | 32,189,454         | 30,855,486         |
| Special reserve for bond          |              | <u>5,000,000</u>                  | <u>-</u>                  | <u>5,000,000</u>   | <u>4,500,000</u>   |
|                                   |              | <u>433,560,397</u>                | <u>447,234</u>            | <u>434,007,631</u> | <u>390,575,266</u> |
| <b>Other liabilities</b>          |              |                                   |                           |                    |                    |
| Due to reinsurers                 | 10           | 87,214,582                        | 6,407,769                 | 93,622,351         | 82,889,745         |
| Taxes payable                     | 11           | 3,176,793                         | 311,029                   | 3,487,822          | 3,594,036          |
| Creditors and accruals            | 13           | 73,207,244                        | 3,028,724                 | 75,920,328         | 50,515,645         |
| Land lease payable                | 14           | 7,490,776                         | 1,560,878                 | 9,051,654          | 9,650,305          |
| Actuarial liabilities             |              | -                                 | <u>19,031,302</u>         | <u>19,031,302</u>  | <u>8,497,182</u>   |
|                                   |              | <u>170,773,756</u>                | <u>30,339,702</u>         | <u>201,113,458</u> | <u>155,146,914</u> |
| <b>Total liabilities</b>          |              | <u>604,334,153</u>                | <u>30,786,936</u>         | <u>635,121,089</u> | <u>545,722,180</u> |
| <b>NET ASSETS</b>                 |              | <u>310,556,122</u>                | <u>50,303,996</u>         | <u>360,860,119</u> | <u>328,816,400</u> |
| <b>CAPITAL AND RESERVES</b>       |              |                                   |                           |                    |                    |
| Paid up capital                   | 16           | 227,990,000                       | 20,000,000                | 247,990,000        | 233,483,500        |
| Share Premium                     |              | 159,500                           | -                         | 159,500            | 127,200            |
| Legal reserve                     | 17           | 37,329,225                        | 1,022,014                 | 38,351,239         | 32,534,606         |
| Retained earnings                 | 18           | <u>45,077,398</u>                 | <u>6,372,285</u>          | <u>51,449,683</u>  | <u>45,042,808</u>  |
| <b>Shareholders' funds</b>        |              | <u>310,556,123</u>                | <u>27,394,299</u>         | <u>337,950,422</u> | <u>311,188,114</u> |
| <b>Life Fund</b>                  |              | -                                 | <u>22,909,697</u>         | <u>22,909,697</u>  | <u>17,628,286</u>  |
| <b>Total Capital and Reserves</b> |              | <u>310,556,123</u>                | <u>50,303,996</u>         | <u>360,860,119</u> | <u>328,816,400</u> |



Your Intelligent Choice!



**NIB INSURANCE COMPANY(S.C)  
INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2017**

**Currency:- Ethiopian Birr  
2016**

|  | Notes |                     |                     |
|--|-------|---------------------|---------------------|
| <b>INCOME</b>                                      |       |                     |                     |
| Underwriting result                                |       | 75,938,071          | 81,919,492          |
| Interest income- time deposit                      |       | 43,076,603          | 35,728,872          |
| Dividend income                                    |       | 17,414,122          | 13,015,601          |
| Gain on sales of fixed assets                      |       | 400,824             | 1,058,132           |
| Interest income- Gov't bond                        |       | 2,021,354           | 1,733,239           |
| Rental income                                      |       | 3,570,533           | 3,229,123           |
| Recovery from Debtors collection                   |       | 843,828             | 1,302,278           |
| Other income                                       |       | <u>3,321,318</u>    | <u>1,414,442</u>    |
|  |       | 146,586,652         | 139,401,179         |
| <b>EXPENSES</b>                                    |       |                     |                     |
| Salary and benefit                                 | 22    | 52,083,546          | 47,653,303          |
| Financial charges                                  |       | 527,222             | 320,209             |
| Office rent  |       | 18,373,784          | 16,124,159          |
| Advertising and publicity                          |       | 3,763,615           | 3,338,750           |
| Ordinary general meeting                           |       | 675,130             | 226,273             |
| Directors' Allowances                              |       | 474,000             | 210,000             |
| Audit fee  |       | 55,775              | 68,310              |
| Depreciation and amortization                      |       | 8,178,707           | 7,801,452           |
| Other expenses                                     | 19    | 14,451,177          | 10,263,785          |
| Doubtful account expenses                          |       | <u>(3,135,656)</u>  | <u>7,465,922</u>    |
|  |       | 95,447,301          | 93,472,164          |
| <b>Profit before taxation</b>                      |       | 51,139,351          | 45,929,015          |
| <b>Transfer from Long Term Insurance</b>           |       | <u>8,000,000</u>    | -                   |
|  |       | 59,139,351          | 45,929,015          |
| Provision for taxation                             | 12    | <u>919,683</u>      | <u>3,939,773</u>    |
|  |       | 58,219,668          | 41,989,242          |
| Prior period adjustment                            |       | <u>(53,352)</u>     | <u>8,599,989</u>    |
|  |       | 58,166,316          | 50,589,231          |
| Legal reserve                                      |       | <u>5,816,632</u>    | <u>5,058,923</u>    |
|  |       | 52,349,685          | 45,530,308          |
| <b>Balance brought forward</b>                     |       | 45,042,808          | 45,042,808          |
| Dividend declared                                  |       | <u>(45,042,808)</u> | <u>(45,042,808)</u> |
|  |       | -                   | -                   |
|  |       | 52,349,685          | 45,530,308          |
| <b>Directors remuneration</b>                      | 15    | <u>(900,000)</u>    | <u>(487,500)</u>    |
| <b>Balance carried forward (General Insurance)</b> |       | <u>51,449,685</u>   | <u>45,042,808</u>   |
| <b>Earnings per share of Birr 500 par value</b>    | 21    | <u>117</u>          | <u>108</u>          |



**NIB INSURANCE COMPANY(S.C)  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2017**

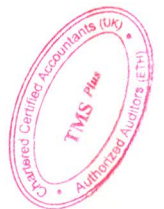
Currency:- Ethiopian Birr

|  | General<br>Insurance<br>Business | Long term<br>Business | Total               | 2016                |
|--|----------------------------------|-----------------------|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>            |                                  |                       |                     |                     |
| Net profit before taxation                             | 51,139,351                       | 8,000,000             | 59,139,351          | 45,927,608          |
| Divided income   | (17,414,122)                     | (993,380)             | (18,407,502)        | (13,681,101)        |
| Interest income  | (45,097,957)                     | (3,946,238)           | (49,044,194)        | (40,393,887)        |
| Rent income  | (3,570,533)                      | -                     | (3,570,533)         | (3,229,123)         |
| Prior years adjustment                                 | (53,353)                         | -                     | (53,353)            | 8,599,898           |
| Gain on disposal of fixed assets                       | (400,824)                        | -                     | (400,824)           | (1,058,132)         |
| Depreciation and amortization                          | 8,178,707                        | 212,796               | 8,391,503           | 7,956,704           |
| Interest expense                                       | 214,932                          | -                     | 214,932             | 205,683             |
| <b>Operating profit before working capital changes</b> | <b>(7,003,797)</b>               | <b>3,273,178</b>      | <b>(3,730,619)</b>  | <b>4,327,650</b>    |
| Decrease in trade debtors                              | 843,828.44                       | -                     | 843,828             | 1,869,897           |
| Increase in other debtors                              | (7,222,078)                      | (2,077,262)           | (9,299,340)         | (19,682,599)        |
| Increase in amount due from reinsurers                 | (1,233,643)                      | (5,632,708)           | (6,866,351)         | 62,573              |
| Increase (decrease) in outstanding claims              | 33,131,018                       | (1,099,089)           | 32,031,929          | 9,688,026           |
| Increase in unearned premium                           | 9,566,468                        | 10,534,120            | 20,100,588          | 12,804,257          |
| Increase in IBNR provision                             | 1,333,968                        | -                     | 1,333,968           | 2,773,718           |
| Increase in amount due to re-insurers                  | 7,933,495                        | 2,799,111             | 10,732,606          | (6,765,638)         |
| Increase in other creditors and taxes payable          | 23,082,612                       | 454,246               | 23,536,858          | (7,735,949)         |
| Increase in special reserve for bond                   | 500,000                          | -                     | 500,000             | 500,000             |
| Advance profit tax deducted from profit tax            | 3,004,931                        | 1,778,044             | 4,782,975           | 3,270,609           |
|  | 70,940,599                       | 6,756,462             | 77,697,062          | (3,215,107)         |
| Profit tax paid  | (669,164)                        | -                     | (669,164)           | (1,579,289)         |
| <b>Net cash inflow from operating activities</b>       | <b>63,267,638</b>                | <b>10,029,640</b>     | <b>73,297,279</b>   | <b>(466,746)</b>    |
| <b>INVESTING ACTIVITIES</b>                            |                                  |                       |                     |                     |
| Increase in investment in time deposit                 | (50,505,746)                     | (10,629,819)          | (61,135,565)        | (6,352,514)         |
| Purchase/Construction of fixed assets                  | (28,869,133)                     | (6,663,583)           | (35,532,716)        | (30,625,126)        |
| Proceeds/adjustment from the sale of fixed assets      | 1,850,011                        | (1,467,150)           | 382,861             | 1,058,132           |
| Investment in equities                                 | (9,588,265)                      | (560,535)             | (10,148,800)        | (41,854,400)        |
| Investment in Government bond                          | -                                | (47,875.00)           | (47,875)            | -                   |
| Dividend received                                      | 17,414,122                       | 993,380               | 18,407,502          | 13,681,101          |
| Interest received                                      | 45,097,957                       | 3,946,238             | 49,044,194          | 40,393,887          |
| Rent income  | 3,570,533                        | -                     | 3,570,533           | 3,229,123           |
| <b>Net cash used for investing activities</b>          | <b>(21,030,522)</b>              | <b>(14,429,344)</b>   | <b>(35,459,866)</b> | <b>(14,117,283)</b> |
| <b>FINANCING ACTIVITIES</b>                            |                                  |                       |                     |                     |
| Equity dividend paid                                   | (45,042,808)                     | -                     | (45,042,808)        | (39,993,281)        |
| Interest paid  | (214,932)                        | -                     | (214,932)           | (205,683)           |
| Increase in land lease                                 | (1,409,890)                      | 811,239               | (598,651)           | 247,873             |
| Increase in statutory deposit                          | (2,175,975)                      | -                     | (2,175,975)         | (6,919,050)         |
| Increase in life fund (net)                            | -                                | 5,281,411             | 5,281,411           | 6,862,502           |
| Additional shares issued                               | 14,506,500                       | -                     | 14,506,500          | 46,127,000          |
| Share Premium  | 32,300                           | -                     | 32,300              | 28,550              |
| <b>Net cash inflow from financing activities</b>       | <b>(34,304,805)</b>              | <b>6,092,650</b>      | <b>(28,212,155)</b> | <b>6,147,911</b>    |
| Increase in cash and bank balances during the year     | 7,932,310                        | 1,692,946             | 9,625,256           | (14,788,631)        |
| Cash and bank balances at the beginning of the year    | 71,198,787                       | 5,022,941             | 76,221,728          | 91,010,357          |
| Cash and bank balances at the end of the year          | 79,131,097                       | 6,715,887             | 85,846,984          | 76,221,726          |
| <b>Cash and bank balances consists of:</b>             |                                  |                       |                     |                     |
| Cash on hand   | 14,449,048                       | 7,088                 | 14,456,136          | 8,088,186           |
| Cash at bank   | 64,682,049                       | 6,708,799             | 71,390,848          | 68,133,541          |
|  | 79,131,096                       | 6,715,888             | 85,846,984          | 76,221,727          |



**NIB INSURANCE COMPANY(S.C)  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

|                                | Currency:- Ethiopian Birr |                |                       |                           |                   |                    |
|--------------------------------|---------------------------|----------------|-----------------------|---------------------------|-------------------|--------------------|
|                                | Paid up capital<br>Birr   | Share premium  | Legal reserve<br>Birr | Retained earnings<br>Birr | Life fund<br>Birr | Total<br>Birr      |
| <b>Balance at 30 June 2015</b> | 187,356,500               | 98,650         | 27,475,683            | 49,855,705                | 10,597,258        | 275,383,796        |
| <b>Change in 2015/2016</b>     |                           |                |                       |                           |                   |                    |
| Dividend declared              | -                         | -              | -                     | (49,855,705)              | -                 | (49,855,705)       |
| Additional shares issued       | 46,127,000                | 28,550         | -                     | -                         | -                 | 46,155,550         |
| Net profit for the year        | -                         | -              | -                     | 41,501,742                | -                 | 41,501,742         |
| Prior year adjustment          | -                         | -              | -                     | 8,599,989                 | -                 | 8,599,989          |
| Transfer to legal reserve      | -                         | -              | 5,058,923             | (5,058,923)               | -                 | -                  |
| Increase in life fund          | -                         | -              | -                     | -                         | 7,031,028         | 7,031,028          |
| <b>Balance at 30 June 2016</b> | <u>233,483,500</u>        | <u>127,200</u> | <u>32,534,606</u>     | <u>45,042,808</u>         | <u>17,628,286</u> | <u>328,816,400</u> |
| <b>Change in 2016/2017</b>     |                           |                |                       |                           |                   |                    |
| Dividend declared              | -                         | -              | -                     | (45,042,808)              | -                 | (45,042,808)       |
| Additional shares issued       | 14,506,500                | 32,300         | -                     | -                         | -                 | 14,538,800         |
| Net profit for the year        | -                         | -              | -                     | 57,319,670                | -                 | 57,319,670         |
| Transfer to legal reserve      | -                         | -              | 5,816,633             | (5,816,633)               | -                 | -                  |
| Prior year adjustment          | -                         | -              | -                     | (53,353)                  | -                 | (53,353)           |
| Increase in life fund          | -                         | -              | -                     | -                         | 5,281,411         | 5,281,411          |
| <b>Balance at 30 June 2017</b> | <u>247,990,000</u>        | <u>159,500</u> | <u>38,351,239</u>     | <u>51,449,682</u>         | <u>22,909,697</u> | <u>360,860,119</u> |



**NIB INSURANCE SHARE COMPANY (S.CO)  
GENERAL INSURANCE BUSINESS REVENUE ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 2017**

Currency: Ethiopian Birr

|                                    | 2016                      |                           |
|------------------------------------|---------------------------|---------------------------|
| <b>PREMIUMS</b>                    |                           |                           |
| Gross written premium              | 388,185,437               | 366,884,900               |
| Less: Premium ceded                | <u>(60,792,687)</u>       | <u>(49,489,066)</u>       |
| Net written premium                | <b>327,392,748</b>        | <b>317,395,834</b>        |
| Change in unearned premium-net     | <u>(9,566,468)</u>        | <u>(12,804,256)</u>       |
| <b>Net Premium earned</b>          | <b>317,826,280</b>        | <b>304,591,577</b>        |
| <b>CLAIMS</b>                      |                           |                           |
| Claims paid net of re-insurance    | 202,616,528               | 201,851,132               |
| Change in net provision for claims | 34,964,986                | 12,950,247                |
| <b>Net claims Incurred</b>         | <u><b>237,581,514</b></u> | <u><b>214,801,379</b></u> |
| <b>OPERATING EXPENSES</b>          |                           |                           |
| Insurance commission (Net)         | <u>4,306,694</u>          | <u>7,870,706</u>          |
|                                    | <u><b>4,306,694</b></u>   | <u><b>7,870,706</b></u>   |
| <b>Total out go</b>                | <u><b>241,888,208</b></u> | <u><b>222,672,085</b></u> |
| <b>UNDERWRITING SURPLUS</b>        | <u><b>75,938,071</b></u>  | <u><b>81,919,492</b></u>  |



**Your Intelligent Choice!**

**NIB INSURANCE SHARE COMPANY (S.CO)  
LONG TERM INSURANCE BUSINESS REVENUE ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 2017**

Currency: Ethiopian Birr

2016

**GROSS WRITTEN PREMIUMS**

|  |                    |                     |
|--|--------------------|---------------------|
| Gross written premium                  | 31,638,800         | 19,359,648          |
| Less: Premium ceded                    | <u>(2,799,112)</u> | <u>(5,180,068)</u>  |
| Net written premium                    | 28,839,688         | 14,179,580          |
| Policy owners benefits -claim incurred | <u>(7,631,726)</u> | <u>(10,491,773)</u> |
| Net written premium in excess of claim | 21,207,962         | 3,687,806           |

**OTHER INCOME**

|                                    |                  |                  |
|------------------------------------|------------------|------------------|
| Net commission expense             | (2,232,831)      | (158,376)        |
| Interest income fixed time deposit | 3,665,854        | 2,631,962        |
| Net travel health Commission       | 2,408,782        | 2,372,246        |
| Dividend income                    | 993,380          | 665,500          |
| Interest income on saving          | 146,402          | 90,658           |
| Interest on Gov't saving bond      | 133,982          | 151,050          |
| Other income                       | <u>2,941</u>     | <u>533</u>       |
| Total other income                 | <u>5,118,510</u> | <u>5,753,573</u> |

**EXPENSES**

|   |                     |                   |
|---|---------------------|-------------------|
| Management expense                                    | <u>2,510,941</u>    | <u>2,637,520</u>  |
| Increase in life fund                                 | 23,815,531          | 6,803,859         |
| Balance brought forward                               | 17,628,286          | 10,597,258        |
| Surplus to be distributed                             | (8,000,000)         | -                 |
| Transferred to Liability account(Actuarial Liability) | <u>(10,534,120)</u> | <u>227,169</u>    |
| Balance carried forward                               | <u>22,909,697</u>   | <u>17,628,286</u> |



## **1. BACKGROUND**

Nib Insurance Share Company (S.C.) commenced its operation on 2 May 2002. The Company has been undertaking general insurance businesses and has started long term life insurance business as of 01 September 2007.

## **2. ACCOUNTING POLICIES**

The following are the major accounting policies adopted by the Company in the preparation of its financial statements.

### **2.1 REVENUE ACCOUNT**

The underwriting surplus is arrived at by deducting provisions for unearned Premium, outstanding claims, other technical reserves, special reserves for financial guarantee and unconditional bonds and commission expenses from the net premiums, reinsurance commissions and profit commission.

#### **2.1.1 Provision for unearned premiums**

The provision for unexpired risks (unearned premiums) represents premiums related to risks written but expiring beyond the balance sheet date and are calculated on the basis of the one-twenty-fourth method.

#### **2.1.2 Provision for outstanding claims**

This refers to provisions maintained for estimated costs of claims lodged on or before the end of the financial year.

#### **2.1.3 Other technical reserves**

This refers to provisions for claims incurred but not reported (IBNR) up to the end of the fiscal period calculated at 10% of net earned premium as per the National Bank of Ethiopia's Directive No. SIB/38/14.

### **2.2 INSURANCE BONDS (GUARANTEES)**

During the normal course of business the Company gives conditional guarantee to third parties on behalf of its customers. These are commitments, secured partially against collateral as counter-guarantee to the Company, arising from such obligations that are being reduced as repayments or liquidations of performance made by the insured customers to the guaranteed parties. The Company's policies normally include "counter indemnity" clause.



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### **2.3 FIXED ASSETS**

Fixed assets of the Company are stated at cost less accumulated depreciation, calculated on the straight-line method at the following rates per annum:

|   | <u>%</u> |
|---|----------|
| Building                                | 5        |
| Recovery shed, office and guard quarter | 20       |
| Motor vehicles                          | 20       |
| Furniture, fixture and fittings         | 20       |
| Computers and accessories               | 25       |

### **2.4 INTANGIBLE ASSETS**

Intangible assets are amortized at the rate of 10% per annum on the straight line method.

### **2.5 LAND LEASEHOLD**

Land leasehold is amortized over the lease periods of each leased land.

The company has acquired a leasehold land from the Diredawa Provisional Administration Land. Development Authority with a total cost of Birr 14,491,868.00 for leasehold period of 70 years . It has also obtained a leasehold land from Addis Ababa City Government, Urban Development and Works Bureau, with a total cost of Birr 4,160,738.40 for leasehold period of 60 years



**NIB INSURANCE SHARE COMPANY (S.CO)  
NOTES TO THE FINANCIAL STATEMENTS  
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Currency:- Ethiopian Birr

**3. PROPERTY ,PLANT AND EQUIPMENT**

|                                 | General Insurance Business |                   |                      |                      | Long term Insurance Business |                  |                      |                      |                    |                    |
|---------------------------------|----------------------------|-------------------|----------------------|----------------------|------------------------------|------------------|----------------------|----------------------|--------------------|--------------------|
|                                 | Balance at 1/7/2016        | Additions         | Disposal/ Adjustment | Balance at 30/6/2017 | Balance at 1/7/2016          | Additions        | Disposal/ Adjustment | Balance at 30/6/2017 | Total 30/6/2017    | Total 30/6/2016    |
| <b>COST</b>                     |                            |                   |                      |                      |                              |                  |                      |                      |                    |                    |
| Building                        | 26,245,228                 | -                 | -                    | 26,245,228           | -                            | -                | -                    | -                    | 26,245,228         | 26,245,228         |
| Recovery building and fence     | 845,276                    | -                 | -                    | 845,276              | -                            | -                | -                    | -                    | 845,276            | 845,276            |
| Motor vehicles                  | 35,326,421                 | 9,243,315         | (252,350)            | 44,317,386           | 613,532                      | -                | -                    | 613,532              | 44,930,918         | 35,939,952         |
| Furniture, fixture and fittings | 9,566,633                  | 398,358           | -                    | 9,964,992            | 108,058                      | 38,993           | -                    | 147,051              | 10,112,043         | 9,674,692          |
| Computer and accessories        | 7,259,435                  | 41,829            | (22,000)             | 7,279,264            | 102,216                      | -                | -                    | 102,216              | 7,381,480          | 7,361,651          |
| Construction in progress        | 59,502,097                 | 14,003,047        | -                    | 73,505,144           | -                            | 6,624,590        | -                    | 6,624,590            | 80,129,734         | 59,502,097         |
| IT project                      | 4,767,596                  | 4,793,729         | -                    | 9,561,326            | -                            | -                | -                    | -                    | 9,561,326          | 4,767,596          |
| Office Equipment                | -                          | 256,404           | -                    | 256,404              | -                            | -                | -                    | -                    | 256,404            | -                  |
| Fixed asset in store            | -                          | 132,450           | -                    | 132,450              | -                            | -                | -                    | -                    | 132,450            | -                  |
|                                 | <u>143,512,687</u>         | <u>28,869,133</u> | <u>(274,350)</u>     | <u>172,107,469</u>   | <u>823,807</u>               | <u>6,663,583</u> | <u>-</u>             | <u>7,487,390</u>     | <u>179,594,859</u> | <u>144,336,493</u> |
|                                 | 4,081,677                  | 1,312,291         | 58                   | 5,394,026            | -                            | -                | -                    | -                    | 5,394,026          | 4,081,677          |
| Recovery building and fence     | 380,374                    | 42,264            | -                    | 422,638              | -                            | -                | -                    | -                    | 422,638            | 380,374            |
| Motor vehicles                  | 23,555,423                 | 4,622,446         | (38,415)             | 28,139,454           | 72,260                       | 124,411          | -                    | 196,671              | 28,336,125         | 23,627,684         |
| Furniture, fixture and fittings | 6,552,710                  | 1,065,931         | -                    | 7,618,640            | 60,947                       | 22,399           | -                    | 83,346               | 7,701,986          | 6,613,657          |
| Computer and accessories        | 4,812,677                  | 879,433           | (21,221)             | 5,670,889            | 61,987                       | 15,300           | -                    | 77,286               | 5,748,175          | 4,874,664          |
| Office Equipment                | -                          | 21,637            | -                    | 21,637               | -                            | -                | -                    | -                    | 21,637             | -                  |
|                                 | <u>39,382,861</u>          | <u>7,944,000</u>  | <u>(59,577)</u>      | <u>47,267,284</u>    | <u>195,195</u>               | <u>162,109</u>   | <u>-</u>             | <u>357,303</u>       | <u>47,624,587</u>  | <u>39,578,056</u>  |
|                                 | <u>104,129,825</u>         |                   |                      | <u>124,840,185</u>   | <u>628,612</u>               |                  |                      | <u>7,130,086</u>     | <u>131,970,272</u> | <u>104,758,437</u> |
| <b>NET BOOK VALUE</b>           |                            |                   |                      |                      |                              |                  |                      |                      |                    |                    |

**4. LEASEHOLD LAND**

|                    | General Insurance Business |           |                      |                      | Long term Insurance Business |           |                      |                      |                   |                   |
|--------------------|----------------------------|-----------|----------------------|----------------------|------------------------------|-----------|----------------------|----------------------|-------------------|-------------------|
|                    | Balance at 1/7/2016        | Additions | Disposal/ Adjustment | Balance at 30/6/2017 | Balance at 1/7/2016          | Additions | Disposal/ Adjustment | Balance at 30/6/2017 | Total 30/6/2017   | Total 30/6/2016   |
| Cost               | 16,152,606                 | -         | (1,449,187)          | 14,703,419           | 2,500,000                    | 1,449,187 | -                    | 3,949,187            | 18,652,606        | 18,652,606        |
| Less: Amortization | 1,300,049                  | 234,706   | -                    | 1,534,755            | 375,000                      | 41,667    | -                    | 416,667              | 1,951,422         | 1,675,049         |
|                    | <u>14,852,557</u>          |           |                      | <u>13,168,664</u>    | <u>2,125,000</u>             |           |                      | <u>3,532,520</u>     | <u>16,701,184</u> | <u>16,977,557</u> |





**NIB INSURANCE COMPANY(S.C)  
NOTES TO THE FINANCIAL STATEMENTS  
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Currency: Ethiopian Birr

**5. INVESTMENT**

|                              | <b>General<br/>Insurance<br/>Business</b> | <b>Long term<br/>Insurance<br/>Business</b> | <b>Total</b>       | <b>2016</b>        |
|------------------------------|---|---|--------------------|--------------------|
| Nib International Bank S. C. | 82,290,365                                | 4,550,135                                   | 86,840,500         | 77,878,300         |
| Agar Micro Finance S. C.     | 4,035,200                                 | 864,600                                     | 4,899,800          | 3,713,200          |
| Jemar Hulegbe Industry S.C   | 8,400,000                                 | -   | 8,400,000          | 8,400,000          |
| Tir bankers ATM              | 1,000                                     | -   | 1,000              | 1,000              |
| Indigenous Reinsurance       | <u>25,500,000</u>                         | <u>-</u>                                    | <u>25,500,000</u>  | <u>25,500,000</u>  |
|                              | <u>120,226,565</u>                        | <u>5,414,735</u>                            | <u>125,641,300</u> | <u>115,492,500</u> |

**6. CASH AND BANK BALANCES**

|                                 | <b>General<br/>Insurance<br/>Business</b> | <b>Long term<br/>Insurance<br/>Business</b> | <b>Total</b>      |                   |
|---------------------------------|---|---|-------------------|-------------------|
| Cash on hand                    | 14,449,049                                | 7,087                                       | 14,456,136        | 8,088,186         |
| Cash at Bank (Current & Saving) | <u>64,682,049</u>                         | <u>6,708,799</u>                            | <u>71,390,848</u> | <u>68,133,541</u> |
|                                 | <u>79,131,097</u>                         | <u>6,715,887</u>                            | <u>85,846,984</u> | <u>76,221,727</u> |

**7. TRADE RECEIVABLES**

|                                    |                     |          |                     |                     |
|------------------------------------|---------------------|----------|---------------------|---------------------|
| Trade debtors                      | 29,647,513          | -        | 29,647,513          | 29,647,513          |
| Provision for doubtful receivables | <u>(29,647,513)</u> | <u>-</u> | <u>(29,647,513)</u> | <u>(29,647,513)</u> |
|                                    | <u>-</u>            | <u>-</u> | <u>-</u>            | <u>-</u>            |

**8. OTHER RECEIVABLES**

|                                | <b>General<br/>Insurance<br/>Business</b> | <b>Long Term<br/>Insurance<br/>Business</b> | <b>Total</b>      |                   |
|--------------------------------|---|---|-------------------|-------------------|
| Prepayments                    | 25,997,085                                | 1,797,048                                   | 27,794,133        | 46,224,661        |
| Inter business current account | 7,437,837                                 | -   | 7,437,837         | 1,969,348         |
| Staff debtors                  | 9,658,241                                 | 323,088                                     | 9,981,328         | 7,069,501         |
| Sundry receivables             | 12,838,269                                | -   | 12,838,269        | 9,029,390         |
| Withholding tax receivable     | <u>3,004,931</u>                          | <u>1,156,645</u>                            | <u>4,161,576</u>  | <u>-</u>          |
|                                | 58,936,362                                | 3,276,781                                   | 62,213,143        | 64,292,900        |
| Accrued interest               | 24,498,030                                | 2,532,355                                   | 27,030,385        | 20,431,912        |
| Accrued rent receivables       | <u>157,500</u>                            | <u>-</u>                                    | <u>157,500</u>    | <u>159,852</u>    |
|                                | <u>83,591,892</u>                         | <u>5,809,136</u>                            | <u>89,401,027</u> | <u>84,884,664</u> |



**NIB INSURANCE COMPANY(S.C)  
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**9. STATUTORY DEPOSIT**

This represents 15% of the paid up capital at 30 June 2017 and is deposited with National Bank of Ethiopia in accordance with Article 20 of Proclamation No. 746/2012 in the form government bond supporting the construction of the Renaissance Dam project statutory deposit NBE (cash) Birr 6,988,875.00 and Ethiopia Government Saving Bonds Birr 30,209,625.00

**10. DUE FROM/TO REINSURERS**

The amount payable to or receivable from reinsurers arises from premium ceded, reinsurance commission, and reinsurers share of claims paid.

**11. TAXES PAYABLE**

|                              | <b>General<br/>Insurance<br/>business</b> | <b>Long Term<br/>Insurance<br/>Business</b> | <b>Total</b>     | <b>2016</b>      |
|------------------------------|---|---|------------------|------------------|
| Income tax payable           | 676,343                                   | -   | 676,343          | 780,098          |
| Profit tax payable (Note 12) | -   | 298,284                                     | 298,284          | 669,164          |
| VAT                          | 653,131                                   | -   | 653,131          | 774,279          |
| Withholding tax payable      | 554,478                                   | 1,014                                       | 555,491          | 537,387          |
| Dividend tax                 | <u>977,201</u>                            | <u>-</u>                                    | <u>977,201</u>   | <u>833,108</u>   |
|                              | <u>2,861,153</u>                          | <u>299,298</u>                              | <u>3,160,451</u> | <u>3,594,036</u> |

**12. PROFIT TAX PAYABLE**

|  |                    |                  |                    |                    |
|--|--------------------|------------------|--------------------|--------------------|
| <b>Profit before tax for the year</b>      | 51,139,351         | 8,000,000        | 59,139,351         | 45,929,015         |
| <b>Less:- Income taxed at source</b>       |                    |                  |                    |                    |
| Interest income                            | 43,076,603         | 3,812,256        | 46,888,859         | 35,728,872         |
| Divided income                             | 17,414,122         | 993,380          | 18,407,502         | 13,015,601         |
| Interest on Gov't Saving Bond              | <u>2,021,354</u>   | <u>133,982</u>   | <u>2,155,336</u>   | <u>1,733,239</u>   |
|  | <u>62,512,078</u>  | <u>4,939,618</u> | <u>67,451,696</u>  | <u>50,477,711</u>  |
|  | (11,372,727)       | 3,060,382        | (8,312,345)        | (4,548,696)        |
| Add:- Unallowable expenses                 |                    |                  |                    |                    |
| provision for uncleared deposits           | 266,687            |                  | 266,687            |                    |
| Fuel allowance                             | 1,360              | -                | 1,360              | -                  |
| Depreciation as per straight line method   | 7,944,002          |                  | 7,944,002          | 7,801,452          |
| Depreciation on pooling method (286/2002)  | (9,187,067)        | -                | (9,187,067)        | (6,669,731)        |
| Donation, Fines and penalties              | 7,298              | -                | 7,298              | 6,446              |
| Entertainment & others                     | <u>1,039,630</u>   | <u>5,228</u>     | <u>1,044,858</u>   | <u>477,194</u>     |
|  | <u>71,910</u>      | <u>5,228</u>     | <u>77,138</u>      | <u>1,615,362</u>   |
|  | (11,300,817)       | 3,065,610        | (8,235,207)        | 13,132,577         |
| Profit tax 30%                             |                    | 919,683          | 919,683            | 3,939,773          |
| Less:-Withholding tax paid during the year | <u>(3,004,931)</u> | <u>621,399</u>   | <u>(2,383,532)</u> | <u>(3,270,609)</u> |
|  | <u>(3,004,931)</u> | <u>298,284</u>   | <u>(1,463,849)</u> | <u>669,164</u>     |



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**NIB INSURANCE COMPANY(S.C)  
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**13. CREDITORS AND ACCRUALS**

|                                  | General<br>Insurance<br>business | Long Term<br>Insurance<br>Business | Total             | 2016              |
|----------------------------------|----------------------------------|------------------------------------|-------------------|-------------------|
| Trade creditors                  | 2,067,674                        | 324,604                            | 2,392,278         | 311,237           |
| Sundry creditors                 | 34,175,518                       | 2,418,477                          | 36,593,995        | 32,711,725        |
| Accrued charges                  | 4,740,912                        | -                                  | 4,740,912         | 4,015,015         |
| Directors remuneration           | 900,000                          | -                                  | 900,000           | 487,500           |
| Third party motor insurance fund | 1,240,477                        | -                                  | 1,240,477         | 912,397           |
| Inter-business current account   | -                                | 252,374                            | 252,374           | 1,964,795         |
| Portfolio withdrawal             | 3,988,635                        | -                                  | 3,988,635         | 3,817,233         |
| Payable to clients               | 26,094,028                       | -                                  | 26,094,028        | 6,255,743         |
| Actuarial fee                    | -                                | 45,000                             | 45,000            | 40,000            |
|                                  | <u>73,207,244</u>                | <u>3,040,455</u>                   | <u>76,247,699</u> | <u>50,515,645</u> |

**14. LAND LEASE PAYABLE**

Represents amount payable to the Addis Ababa City Government, Urban Development and Works Bureau, at eighteen yearly installments. The first installment was due on Tir 6, 1997 E.C. after a grace period of two years and amount payable to Diredawa Administration, after a grace period of three years at thirty yearly installments.

**15. DIRECTORS' REMMUNERATION**

|                        |                |          |                |                |
|------------------------|----------------|----------|----------------|----------------|
| Accrued Directors' fee | 900,000        | -        | 900,000        | 487,500        |
|                        | <u>900,000</u> | <u>-</u> | <u>900,000</u> | <u>487,500</u> |

**16. PAID UP CAPITAL**

Fully paid 495,980.00 shares, at par value of Birr 500 each.

**Paid up capital is made up of as follows:**

|   |                    |                   |                    |                    |
|---|--------------------|-------------------|--------------------|--------------------|
| Balance at 1 July 2016                            | 213,483,500        | 20,000,000        | 233,483,500        | 187,356,500        |
| Add: Shares issued to existing & new shareholders | <u>14,506,500</u>  | <u>-</u>          | <u>14,506,500</u>  | <u>46,127,000</u>  |
|   | <u>227,990,000</u> | <u>20,000,000</u> | <u>247,990,000</u> | <u>233,483,500</u> |



**NIB INSURANCE COMPANY(S.C)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

Currency:- Ethiopian Birr

|   | <u>General Insur-<br/>ance business</u> | <u>Long Term<br/>Insurance<br/>Business</u> | <u>Total</u>      | <u>2016</u>       |
|---|---|---|-------------------|-------------------|
| <b>17. LEGAL RESERVE</b>  |   |   |                   |                   |
| In compliance with Article 22 of proclamation No.746/2012, 10% of the net profit after tax is transferred to legal reserve account until the balance reaches the paid up capital. |   |   |                   |                   |
| Balance brought forward   | 32,220,625                              | 313,982                                     | 32,534,607        | 27,475,683        |
| Add:-Current year transfer  | <u>5,108,600</u>                        | <u>708,032</u>                              | <u>5,816,632</u>  | <u>5,058,923</u>  |
| Balance carried forward   | <u>37,329,225</u>                       | <u>1,022,014</u>                            | <u>38,351,239</u> | <u>32,534,606</u> |

**18. RETAINED EARNING**

|                            |                     |                  |                     |                     |
|----------------------------|---------------------|------------------|---------------------|---------------------|
| Balance brought forward    | 45,042,808          | -                | 45,042,808          | 49,855,705          |
| Less:- Dividend declared   | <u>(45,042,808)</u> | <u>-</u>         | <u>(45,042,808)</u> | <u>(49,855,705)</u> |
| Restated balance           | -                   | -                | -                   | -                   |
| Add:-Current year transfer | <u>45,077,398</u>   | <u>6,372,285</u> | <u>51,449,683</u>   | <u>45,042,808</u>   |
| Balance carried forward    | <u>45,077,398</u>   | <u>6,372,285</u> | <u>51,449,683</u>   | <u>45,042,808</u>   |



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**NIB INSURANCE COMPANY(S.C)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

Currency:- Ethiopian Birr

**19. OTHER EXPENSES(General Insurance)**

|                              |                   | <b>2016</b>       |
|------------------------------|-------------------|-------------------|
| Communications               | 1,433,630         | 1,544,018         |
| Utilities                    | 191,913           | 229,906           |
| Fuel and lubricants          | 1,721,262         | 1,892,832         |
| Perdiem and travelling       | 264,674           | 329,635           |
| Annual vehicle inspection    | 55,695            | 66,411            |
| Repair and maintenance       | 2,661,681         | 2,848,419         |
| Printing and stationery      | 3,518,338         | 1,033,530         |
| Membership and subscription  | 147,559           | 237,677           |
| Legal fee                    | 144,924           | 106,114           |
| Insurance                    | 378,836           | 387,153           |
| License                      | 6,000             | 9,867             |
| Municipal and sanitation     | 35,903            | 1,921             |
| Cleaning and sanitation      | 218,551           | 49,038            |
| Guarding and janitorial      | 501,626           | 416,857           |
| Entertainment                | 838,647           | 477,194           |
| Transportation               | 140,225           | 138,560           |
| Fines and penalty            | 7,298             | 6,446             |
| Training & capacity building | 1,456,170         | -                 |
| Miscellaneous                | 724,032           | 421,823           |
| Stamp                        | <u>4,215</u>      | <u>66,384</u>     |
|                              | <u>14,451,176</u> | <u>10,263,785</u> |



**Currency:- Ethiopian Birr**

## **20. RELATED PARTY TRANSACTIONS**

The Company has various related parties, primarily by virtue of being shareholders and directorship. The other related parties include the staff of the Company as defined in IAS 24.

Transaction with directors are as stated in Profit & Loss statement and note 15. Transactions with key managing staff remunerations' are all of the nature of salaries and related expenses and are included in salaries and employees benefits.

Related parties by virtue of shareholding and directorship which could have significant influence had transaction with the Company in the ordinary course of business at terms and conditions similar to those offered to others.

## **21. EARNINGS PER SHARE**

Earnings per share for the year is calculated on the basis of the number of shares outstanding during the year.

## **22. STAFF COSTS**

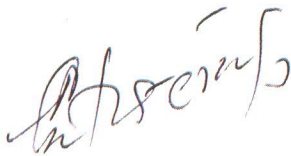
Staff costs for the year amount to Birr 52,083,546.11 ( 2016:- Birr 47,653,303.00) and are shown under Profit & Loss Statement.

## **23. COMPARATIVE FIGURES**

In order to facilitate comparison, some of the previous year figures in the accounts have been rearranged.

## **24. DATE OF AUTHORIZATION**

The Company's management authorized the issue of these financial statement on 21 September 2017.



Eng. Birhanu W/Giorgis  
Chairman, Board of Directors



W/ro Zufan Abebe  
General Manager



**Nib Insurance Company (S.Co.)**  
**Actuary's Valuation as at June 2017**  
**Actuary Certificate**

I, Abed Mureithi representing Actuarial Services (E.A) Limited, 10<sup>th</sup> floor, Victoria Towers, Upper Hill, P.O. Box 10472-0100 Nairobi, being an Actuary duly qualified in accordance with the Ethiopian Insurance Regulations, having conducted an investigation in terms of the Manner of Reporting Quarterly and Annual Returns Directives No. SIB/38/2014 and other requirements for carrying out insurance business, do hereby certify that as at 30 June 2017.

That in my opinion the value placed upon the aggregate liabilities relating to the Individual Life and Group Life business of NIB Insurance Company S Co in respect of policies provided and on the basis of valuation adopted by me have been done using prudent actuarial basis;

05 September 2017  
Date



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Abed Mureithi  
Fellow of the Institute and Faculty  
of Actuaries (U.K)



**actserv**