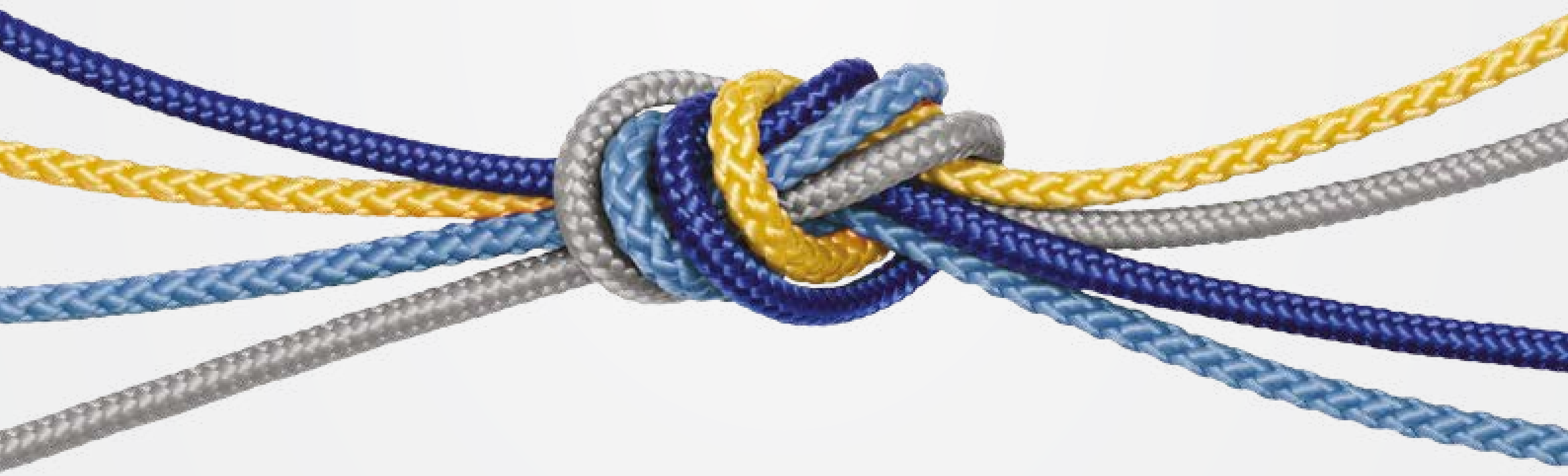
FBNInsurance

ONE GROUP
MULTIPLE SOLUTIONS



FBN Insurance Limited

Annual Report and Accounts 2014

IN THIS REPORT

INTRODUCTION

FINANCIAL STATEMENTS

The term 'FBN Holdings Plc' or the 'Group' means FBNHoldings together with its subsidiaries, which include FBN Insurance Limited. FBN Holdings Plc is a financial holding company incorporated in Nigeria on 14 October 2010. The Group was listed on the Nigerian Stock Exchange under the 'other financial services' sector on 26 November 2012 and has issued and fully paid-up share capital of 32,632,084,356 ordinary shares of 50 kobo each (₦16,316,042,178). In this report the abbreviations '₦mn' and '₦bn' represent millions and billions of naira respectively.

FBN Holdings Plc is structured under four business groups, namely: Commercial Banking, Investment Banking and Asset Management, Insurance and Other Financial Services.

- The Commercial Banking business group comprises First Bank of Nigeria Limited, FBNBank (UK) Limited, FBNBank DRC Limited, First Pension Custodian Nigeria Limited and FBN Mortgages Limited. It also includes ICB Senegal[1] and FBNBank in Ghana, Guinea, The Gambia and Sierra Leone. First Bank of Nigeria Limited is the lead entity of the Commercial Banking business group.
- The Investment Banking and Asset Management business group consists of FBN Capital Limited, FBN Funds Limited, FBN Trustees Limited, FBN Securities Limited and FBN Capital Asset Management Limited. FBN Capital Limited is the lead entity of the Investment Banking and Asset Management business group.
- The Insurance business group comprises FBN Insurance Limited, FBN Insurance Brokers Limited and FBN General Insurance Limited.
- The Other Financial Services business group includes the Group's non-operating holding company and other non-banking financial services businesses, primarily FBN Microfinance Bank Limited and most recently Kakawa Discount House Limited.

This report has been prepared under the International Financial Reporting Standards (IFRS) and, unless otherwise stated, the income statement analysis compares the 12 months to December 2014 to the corresponding 12 months of 2013, and the balance sheet comparison relates to the corresponding position at 31 December 2013. Unless otherwise stated, all disclosed figures relate to continuing operations. Relevant terms that are used in this document but are not defined under applicable regulatory guidance or IFRS are explained in the glossary or abbreviations section of this report.

Shareholders will receive a CD containing the Annual Report and Accounts for FBN Holdings Plc, as well as information on outstanding dividend claims and a list of all our business locations. There will be an option to view a navigable PDF copy of the FBNHoldings report and the First Bank of Nigeria report as well as standard PDFs of certain subsidiary reports at the download centre. A CD will be available on request by contacting FBN Holdings Plc Investor Relations department, Samuel Asabia House, 35 Marina, Lagos, Nigeria.

1 To be renamed and rebranded to FBNBank Senegal.

Corporate information

COMPANY DETAILS

Registered address:	34 Marina Lagos Nigeria
RC number:	707564
FRC number:	FRC/2013/00000000001223
Telephone:	+234 1 905 4444 +234 1 905 4428 +234 808 047 9319
Email:	Insuranceinfo@fbninsurance.com
Postal address:	PO Box 5216 Lagos Nigeria
Company Secretary:	Adewale Arogundade
Auditors:	PricewaterhouseCoopers Registered address: 252E Muri Okunola Street Victoria Island Lagos Nigeria www.pwc.com/ng
Shareholders:	FBN Holdings Plc Sanlam Emerging Markets (Pty) Ltd
Bankers:	First Bank of Nigeria Limited Guaranty Trust Bank Plc Zenith Bank Plc Standard Chartered Plc Stanbic IBTC Bank Plc Access Bank Plc Ecobank Plc
Reinsurers:	African Reinsurance Corporation Ltd Continental Reinsurance Plc
Actuary:	HR Nigeria Ltd

Vision, mission and values

OUR VISION

To be Nigeria's first choice in wealth creation and financial security.

OUR MISSION

Providing the Nigerian insurance market with best-in-class, innovative and solution-driven products and services that create value for all stakeholders while consistently demonstrating integrity, professionalism and confidence.

OUR VALUES

INTEGRITY

We believe that trust is an invaluable asset in our line of work. Hence, we ensure that in all our dealings, in every contract we have with our customers, in our relationships with all other stakeholders and in all our processes, our character is never called into question.

Our word is our bond.

INNOVATION

We are committed to the continuous offering of modern and relevant products and services that meet the yearnings and expectations of our customers. We are always forward thinking.

PROFESSIONALISM

We have a crop of highly qualified and dedicated professionals with enviable antecedents and ample experience in their respective backgrounds. Together, we all work passionately to ensure optimal results for all our stakeholders and the Company as a whole. We take our work seriously.

RESPECT FOR THE INDIVIDUAL

We understand that our customers are more than just facts and figures of our business. We appreciate that they have concerns, challenges, hopes and aspirations. That's why we greatly esteem and value them. And that's why we show each of our customers a heartfelt concern and empathy that is uncommon in our industry. The customer is king.

QUALITY SERVICE

In every aspect of our business, excellence is our benchmark. Whether our customers interact with our people, processes or products, they are sure to have an experience that is truly pleasing and rewarding. Only the best will do.

Statement of directors' responsibilities

The directors accept responsibility for the preparation of the annual consolidated financial statements that give a true and fair view of the statement of financial position of the group and company at the end of the year and of its comprehensive income as required by the Companies and Allied Matters Act of Nigeria and the Insurance Act of Nigeria.

The responsibilities include ensuring that the group:

(a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the group and complies with the requirements of the Companies and Allied Matters Act and the Insurance Act;

(b) establishes adequate internal controls to safeguard its assets, and prevents and detects fraud and other irregularities;

(c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, which are all consistently applied.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with:

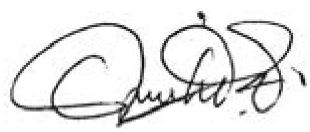
- International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- the requirements of the Insurance Act;
- the relevant guidelines and circulars issued by the National Insurance Commission (NAICOM);
- the requirements of the Companies and Allied Matters Act; and
- the Financial Reporting Council Act of Nigeria.

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

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least 12 months from the date of this statement.

By order of the Board

Adenrele Kehinde
Chairperson
FRC/2014/NBA/00000006842



Valentine Ojumah
Managing Director/
Chief Executive Officer
FRC/2014/CIIN/00000002422

Certification by Company Secretary

In my capacity as Company Secretary, I hereby certify, in terms of the Companies and Allied Matters Act, that for the year ended 31 December 2014, the company has lodged all such returns as are required of a company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Adewale Arogundade
Company Secretary
FRC/2014/NBA/00000006810

Certification by actuary

H R Nigeria Limited
Consultants and Actuaries

FORM 7
(Under the Insurance Act 2003)

CERTIFICATE OF SOLVENCY OTHER THAN ACTUARIAL AND VALUATION REPORT OF AN INSURER IN RESPECT OF LIFE INSURANCE BUSINESS

FBN LIFE INSURANCE COMPANY LIMITED

To the Commissioner for Insurance, Abuja:

This Certificate witnesseth that as respects the above mentioned Insurer, having its head office at 7th Floor, 9/11 Macarthy Street, Onikan, Lagos and carrying on Life Insurance Business, the liabilities under its life policies, in respect of business carried on in Nigeria **did not exceed the amount of the Life Insurance Fund** relating to that business at the end of the preceding financial year, that is to say as at the 31st day of December 2014.

Dated: February 2015

Olurotimi Okpaise B Sc, ASA, FIA
Consulting Actuary
FRC/NAS/00000000738

Location:
7th Floor, Allco Plaza,
Afribank Street, PO Box 75399
Victoria Island, Lagos, Nigeria

Tel: +234 1 462 7313/4
+234 1 461 6768
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Email: info@hractuaries.com
Web: www.hractuaries.com

Corporate governance

The group is committed to high standards of corporate governance. Corporate governance practice in the group is drawn from various applicable codes of corporate governance issued by NAICOM and the Securities and Exchange Commission (SEC). This ensures compliance with regulatory requirements, as well as the core values on which the group was established.

The group has developed corporate policies and standards to encourage good and transparent corporate governance framework to avoid potential conflicts of interest between all stakeholders while promoting ethical business practices.

The activities of the group are at all times conducted with high standards of professionalism, accountability and integrity with due regard to the genuine interests of all our stakeholders. This is the foundation of our history, values and culture as a group for building and sustaining an endurable institution that guarantees profitability and professionalism while enhancing shareholders' value.

The partnership with Sanlam Emerging Markets (Pty) Ltd, a leading South African insurance company, has further enhanced the improvement of our processes, procedures and operations, particularly in the areas of corporate governance that are in line with global best practice. This ensures the highest standards of accountability of our officers, continuous transparency of the Board and disclosure of information to all stakeholders.

FBN Insurance is committed to the continuous management of its business operations by identifying and implementing key governance indicators that aid sustainable development and guarantee shareholders an excellent return on investment.

GOVERNANCE STRUCTURE

The governance of the group resides with the Board of Directors who are accountable to shareholders for creating and delivering sustainable value through the management of the group's business. The Board of Directors is responsible for the efficient operation of the group and for ensuring it fully discharges its legal, financial and regulatory responsibilities.

The membership of the Board is a mix of executive and non-executive directors based on integrity, professionalism, career success, recognition and the ability to add value to the organisation. In reviewing the Board composition, the Board ensures a mix, with representatives from different industry sectors.

The group's financial performance is reviewed at each Board meeting. The Board reviews all annual financial reports before they are released. The effectiveness of the process for assessing risks and the execution of control activities are monitored continuously at various levels. This involves reviewing results in comparison with budgets and plans. Responsibility for maintaining an effective control environment and operating the system for risk management and internal control of financial reporting is delegated to the Chief Executive Officer (CEO).

The group has a compliance programme. Standard requirements have been defined for internal control over financial reporting. Management expects all employees to maintain high moral and ethical standards and those expectations are communicated to employees through internal channels.

The Board monitors the effectiveness of its governance practices, manages potential conflict and provides general direction to management. These oversight functions of the Board of Directors are exercised through its various committees. In the course of the period under review, the Board had three committees to ensure the proper management and direction of the group via interactive dialogue on a regular basis.

The Board comprises six members led by a chairperson who is a non-executive director. One executive director who is the managing director and CEO, two external directors who represent Sanlam Emerging Markets (Pty) Ltd and two other internal non-executive directors.

The Board derives its effectiveness from the various skills and vast experiences of each director.

The members of the Board bring various and varied competencies to bear on all Board deliberations. The directors have attained the highest pinnacle of their various professions. The Board meets quarterly, with other meetings convened when necessary, and is responsible for the effective control and monitoring of the group's strategies.

The directors are provided with comprehensive information at each of the quarterly Board meetings and are also briefed on business developments monthly.

The primary responsibility of the Board of Directors is to build long-term shareholder value and ensure oversight of management. The Board ensures that adequate systems, policies and procedures are in place to safeguard the assets of the group. The Board is also responsible to shareholders for creating and delivering sustainable shareholder value through the management of the group's business.

RESPONSIBILITIES OF THE BOARD

- The Board determines the group's objectives and strategies, and plans to achieve them
- The Board approves mergers and acquisitions, equity investments, branch expansion, the establishment of subsidiaries and approval of the remuneration policy and packages of Board members
- The Board considers and approves the annual budget, monitors performance and ensures that the group remains a going concern
- The Board approves resolutions and corresponding documentation for shareholders in general meetings, shareholder circulars, prospectuses and principal regulatory filings with the regulators
- The Board ensures that a risk culture and effective risk management processes exist and are maintained
- The Board approves changes to the group's corporate structure and those relating to the group's capital structure
- The Board approves yearly audited financial statements
- The Board monitors the statutory audit of the financial statements, evaluates the independence of the statutory auditor or audit firm, particularly the provision of related services to the group, and prepares the proposal for resolution on the election of the auditor. It performs this function through the Board Audit, Compliance and Risk Committee
- The Board determines the terms of reference and procedures of the Board committees, including reviewing and approving the reports of such committees where appropriate
- The Board ensures that an adequate process exists such that performance is measured against budgets and plans
- The Board reviews annually the description of the main features of the internal control and risk management systems in relation to the financial reporting process.

COMPOSITION OF THE BOARD

Adenrele Kehinde - Chairperson
Valentine Ojumah - Managing Director and Chief Executive Officer (CEO)
Caleb Yaro - Independent Non-Executive Director
Margaret Dawes - Non-Executive Director
Aderemi Ogunmefun - Non-Executive Director
Hendrik Nel - Non-Executive Director (appointed 14 February 2014)

CHAIRPERSON OF THE BOARD

The Chairperson is responsible for leading and managing the Board to ensure that it operates effectively and fully discharges all its legal and regulatory responsibilities while promoting effective relationships and open communication within the boardroom.

CEO

The CEO is charged with the strategic and supervisory role over all core operations of the group which involves risk management, the formulation of policies and the implementation of operational decisions. The CEO is the first line of reference for issues to be discussed by the Board and is charged with ensuring compliance with regulations and policies of both the Board and regulatory authorities.

BOARD MEETINGS

The Board of Directors meetings are held every quarter or as the need arises to consider the financial statements of the group for the period, review the management accounts for the quarter, consider the reports and minutes of Board committees and any other reports pertaining to issues within the purview of the Board's responsibilities.

BOARD COMMITTEES

The Board discharges its responsibilities through the different committees and is regularly informed about the work of the committees by their respective chairpersons.

The Board has three committees, namely:

- Board Audit, Compliance and Risk Committee;
- Board Investment Committee; and
- Board Establishment Committee.

The committees make recommendations to the Board, which retains responsibility for final decision-making.

All committees report to the Board and as such must conform to the regulations laid down by the Board, with well-defined terms of reference contained in the charter of each committee. The committees render reports to the Board at its quarterly meetings.

A summary of the functions of each committee is stated below.

BOARD AUDIT, COMPLIANCE AND RISK COMMITTEE

The Board Audit, Compliance and Risk Committee provides oversight responsibility for the audit, regulatory, compliance and risk functions of the group. The Committee also discusses the quarterly compliance reports and takes delivery of the audit reports and other reports and statements by the external auditors. It monitors the effectiveness of the group's internal control system, risk management system, compliance system and internal audit system. It also recommends the appointment of external auditors, monitors its independence and quality, and reviews the external auditor's fee arrangements.

Core responsibilities of the committee include:

- setting and overseeing the overall standard for financial and actuarial reporting, risk management and internal controls within the group;
- monitoring the effectiveness of business risk management processes in the group;
- reviewing and assessing the quality of the work done by the professionals responsible for financial and actuarial reporting, risk management and internal control; and
- engaging in discussions with external and internal auditors on the quality and acceptability of the control environment and reporting structures.

Quorum

Two members will constitute a quorum, provided that one of the members is an independent director.

BOARD INVESTMENT COMMITTEE

The Board Investment Committee monitors and reviews the group's investment policies. It ensures at all times that the group's investment policies reflect the objectives of safety and maintenance of fair returns on investments. The committee equally establishes standards, rules and guidelines for the group's investment management operations while also reviewing the group's investment strategy with a view to sustaining its medium- to long-term competitive edge. The value of the group's marked-to-market portfolios is also evaluated by this committee.

Core responsibilities of the committee include:

- establishing, implementing and reviewing (from time to time) the investment strategy for: the assets backing each type of policyholder liability, matching the term and nature of the liability and the needs of the policyholder, the assets backing the group's statutory solvency requirements and the surplus assets;
- monitoring performance of the group's investment against relevant benchmarks;
- choosing and monitoring the use of any providers of investment advice or management, in particular ensuring that providers are reputable, financially stable and practise good governance;
- monitoring the group's assets and liabilities matching position;
- setting policy for and monitoring the use of risky assets such as derivatives and unlisted investments;
- governing the unit pricing process to ensure that prices are calculated accurately and customers are treated fairly;
- reviewing compliance with regulatory requirements; and
- monitoring the investment process from a governance point of view, e.g., avoiding conflicts of interest, insider trading and other ethically suspect practices.

The Board Investment Committee will be responsible for ensuring that the following documents are produced:

- An investment policy describing the high-level policy to be applied including:
  - what asset portfolios are to be created;
  - what the investment objectives of each portfolio should be;
  - what the group's risk tolerance should be in terms of credit risk, concentration risk and the use of speculative and usual investments, e.g., derivate and hedge funds; and
  - who within the group is authorised to give instructions relating to investments.

- An investment guideline for each portfolio covering:
  - the investment objective of the portfolio;
  - what benchmark the portfolio is to be measured against;
  - what assets and asset classes the fund is and is not allowed to invest in (e.g., only A-rated or better); and
  - restrictions on the amounts of particular assets and asset classes to be included.
- A recommendation as to whether investment management should be done internally or outsourced and a recommendation as to which external provider to use (if appropriate).
- An appropriate service level agreement (SLA) with any external investment managers to be used.
- A document detailing the group's approach to unit pricing (if required).
- Whenever a new product is designed:
  - an assessment of whether a new portfolio is required or whether the product can be incorporated into an existing portfolio; and
  - an update of the investment policy and guidelines for the new portfolio if required.

Quorum

Quorum will be formed when there are at least two non-executive directors including one from Sanlam Emerging Markets (Pty) Ltd and one executive director of the committee.

BOARD ESTABLISHMENT COMMITTEE

This Board Establishment Committee advises the Board on its oversight responsibilities in relation to recruitment, compensation and benefits, promotions and disciplinary issues affecting senior officers of the company on manager grade and above and on other HR strategic issues.

In addition, the committee also acts as the Governance Committee and advises the Board on corporate governance including facilitating the Board performance review, succession planning for senior management staff and other matters as may be delegated from time to time by the Board of Directors.

Core responsibilities of the committee include:

- reviewing and approving proposals from the Executive Management Committee for recruitment, promotion and termination of senior officers on Assistant General Manager (AGM) grade and above;
- reviewing and approving disciplinary actions proposed by the Board to be carried out against senior officers on manager grade or above;
- reviewing and making recommendations to the Board for approval of disciplinary action to be carried out against senior officers on AGM grade or above;
- reviewing and making recommendations to the Board for approval on the organisation structure, remuneration policy and policies covering the evaluation, compensation and provision of benefits to employees and any other human capital issues;
- reviewing and making recommendations to the Board for approval on the group's policy on health and safety at work and any proposed amendments;
- reviewing and making recommendations to the Board for approval on the group's human resource strategies;
- reviewing and making recommendations to the Board for approval on the succession plan for senior management staff and any proposed amendments; and
- performing any other duties or responsibilities expressly delegated to the committee by the Board from time to time.

Quorum

Three members of the committee including two non-executive directors and one executive director shall constitute a quorum.

The composition of the committees is as follows:

Board Audit, Compliance and Risk Committee

Caleb Yaro - Chairperson
Margaret Dawes - Member
Hendrik Nel - Member (appointed February 2014)
Valentine Ojumah - Member
Adebayo Adelabu - Member (until March 2014)

Board Investment Committee

Aderemi Ogunmefun - Chairperson
Caleb Yaro - Member
Valentine Ojumah - Member
Hendrik Nel - Member (appointed February 2014)
Adebayo Adelabu - Member (until March 2014)

Board Establishment Committee

Margaret Dawes - Chairperson
Aderemi Ogunmefun - Member
Caleb Yaro - Member
Valentine Ojumah - Member

ATTENDANCE OF BOARD AND COMMITTEE MEETINGS

Board meetings	Composition	No of meetings attended	13 Feb 2014	30 Apr 2014	10 Sept 2014	28 Oct 2014
Adenrele Kehinde	Chairperson	4	1	1	1	1
Valentine Ojumah	Managing Director	4	1	1	1	1
Caleb Yaro	Independent Non-Executive Director	4	1	1	1	1
Margaret Dawes	Member	4	1	1	1	1
Aderemi Ogunmefun	Member	4	1	1	1	1
Hendrik Nel (appointed 13 February 2014)	Member	4	1	1	1	1
Adebayo Adelabu (resigned March 2014)	Member	1	1	0	0	0

Board Audit, Compliance and Risk Committee	Composition	No of meetings attended	12 Feb 2014	29 Apr 2014	10 Sept 2014	27 Oct 2014
Caleb Yaro	Chairperson	4	1	1	1	1
Margaret Dawes	Member	4	1	1	1	1
Hendrik Nel (appointed 13 February 2014)	Member	3	0	1	1	1
Adebayo Adelabu (resigned March 2014)	Member	1	1	0	0	0
Valentine Ojumah	Member	4	1	1	1	1

Board Investment Committee	Composition	No of meetings attended	12 Feb 2014	29 Apr 2014	10 Sept 2014	28 Oct 2014
Aderemi Ogunmefun	Chairperson	4	1	1	1	1
Caleb Yaro	Member	4	1	1	1	1
Adebayo Adelabu (resigned March 2014)	Member	1	1	0	0	0
Valentine Ojumah	Member	4	1	1	1	1
Hendrik Nel (appointed 13 February 2014)	Member	3	0	1	1	1

Board Establishment Committee	Composition	No of meetings attended	12 Feb 2014	29 Apr 2014	10 Sept 2014	27 Oct 2014
Margaret Dawes	Chairperson	4	1	1	1	1
Aderemi Ogunmefun	Member	4	1	1	1	1
Caleb Yaro	Member	4	1	1	1	1
Valentine Ojumah	Member	4	1	1	1	1

SUPPORT COMMITTEES

Executive Management Committee (ExCo)

This committee reports to the Board on the activities of the group. The committee is responsible for the following:

- ensuring alignment of the group's strategy and plan with operations activities;
- reviewing strategic and business performance against the approved plans and budget of the group, and agreeing recommendations and corrective actions; and
- discussing and monitoring compliance with policies.

Members of the committee are staff on the Principal Manager grade and above.

Management Investment Committee

This committee reports to the Board Investment Committee on the investment activities of the group. The committee meets monthly to discuss and review the portfolio of the group as managed by FBN Capital. The committee members are:

Managing Director/CEO - Chairperson
Chief Financial Officer - Member
Chief Operating Officer - Member
Financial Control Officer - Secretary

WHISTLE-BLOWING PROCEDURES

The whistle-blowing process involves steps that should be taken by the whistle blower in reporting a reportable misconduct, and steps required for the investigation of the reported misconduct. The Company has a procedure that encourages staff and other relevant stakeholders to report perceived unethical or illegal conduct of employees, management, directors and other stakeholders across the group to appropriate authorities in a confidential manner without any fear of harassment, intimidation, victimisation or reprisal of anyone for raising concern(s) under this policy.

The Board of Directors and management are committed towards promoting a culture of openness, accountability and integrity, and will not tolerate any harassment, victimisation or discrimination of the whistle blower provided such disclosure is made in good faith and with reasonable belief that what is being reported is fact. The group has a dedicated email address and telephone numbers through which staff are encouraged to raise any concern or unethical conduct.

Risk declaration

The Board Audit, Compliance and Risk Management Committee of FBN Insurance hereby declares as follows:

(a) the Company has systems in place for the purpose of ensuring compliance with the NAICOM guideline;

(b) the Board is satisfied with the efficacy of the processes and systems surrounding the production of financial information of the Company;

(c) the Company has in place a risk management strategy, developed in accordance with the requirements of the NAICOM guideline on enterprise risk management (ERM), setting out its approach to risk management; and

(d) the systems that are in place for managing and monitoring risks, and the risk management framework, are appropriate to the Company, having regard to such factors as the size, business mix and complexity of the Company's operations.

Adenrele Kehinde
Chairperson
FRC/2014/NBA/00000006842

Valentine Ojumah
Managing Director/
Chief Executive officer
FRC/2014/CIIN/00000002422

Management's discussion and analysis

FBN Insurance is registered and incorporated in Nigeria and is engaged in providing insurance services.

OPERATING ENVIRONMENT

2014 was characterised by the progressive recovery of the world economy at a slower pace than anticipated. The underlying dynamics are changing, and the risks to the forecast remain on the downside, which could pose risks for emerging market economies. As a result, new policy challenges are arising and policy spillovers may pose greater concern. Global growth remains in low gear, averaging only 2.5% during the first half of 2014, which is about the same pace as in the second half of 2013. However, global growth is expected to pick up in 2015 as estimates forecast growth at 3.6%. In a departure from previous developments since the Great Recession, the advanced economies have recently gained some speed, while the emerging markets have slowed. In Nigeria, insecurity and a tough economic climate persisted in 2014. Despite efforts by the Government to diversify its revenue stream, oil receipts still accounted for a large part of Government revenues.

In the Nigerian insurance sector, the regulatory environment was relatively stable, which stimulated the insurance penetration rate in Nigeria to grow from 0.4% to 0.77% in 2014, and further attracted foreign players into the industry through various mergers and acquisitions. The renewed interests of foreign investors in the insurance industry during the year stimulated the competitive landscape and continued to shape the ethical milieu. However, many of the insurance companies have not fully recovered from the impact of the No Premium No Cover (premium payment as a condition for the inception of insurance cover) policies, as well as the Central Bank of Nigeria's (CBN's) restriction on the sale of bancassurance products.

OVERALL PERFORMANCE

FBN Insurance has consistently maintained strong operating results in the last four years, recording a compound annual growth (CAGR) rate in gross premium income of 80% and 280% in profitability. Total assets also witnessed modest growth with a CAGR of 72% to close at ₦16.7 billion in December 2014 (2013: ₦11.3 billion).

Despite a generally cautious customer approach and sustained apathy to the insurance business, our year-on-year gross premium grew by 91% to ₦8.4 billion at the end of 2014. This achievement further lends credence to our sound corporate governance and management policies, as well as exceptional commitment to our goals by employees. We recorded modest top-line financial figures for the Company in the year under review, including a profit before tax of ₦1.1 billion.

Total assets closed at ₦16.7 billion, an increase of 50.2% (December 2013: ₦11.3 billion). This improvement in performance was driven by strong top-line and bottom-line growth in the life assurance business, which benefited from improvements in business volumes and improved market penetration. The synergy arising from the acquisition of the general insurance business has contributed to enhance market share by about 2%.

OUTLOOK

The group's strategy is to use technology and international best practice to provide its customers with tailor-made solutions, superior services and specially designed products to assist its patrons through a network of regional and agency offices spread throughout Nigeria.

Enterprise risk management

The group has a robust enterprise risk management framework, which has been designed to meet the requirements of NAICOM and the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Effective risk management remains fundamental to the business activities of the group and there is a framework that supports a culture where risk management is everyone's responsibility from the levels of the Board and executive committees down to risk owners and the respective risk units.

The group's enterprise risk management framework clearly identifies, assesses, monitors, evaluates and manages the principal risks it assumes in conducting its activities. These risks include credit, market and operational risks, as well as legal, compliance, reputational, information security and underwriting risks. The risk structure includes management's approach to risk inherent in the business and its appetite for these risk exposures. Under this approach, the group continuously assesses its top risks and monitors the risk profile against approved limits. The main strategies for managing and mitigating risk include policies and tools that target specific broad risk categories.

ENTERPRISE RISK MANAGEMENT PHILOSOPHY

The group's risk management principles and strategy are hinged on maximising value creation and returns on investments. The risk management strategy assists the group in achieving its vision and the delivery of its business objectives. As part of the risk strategy, the group's enterprise risk management framework ensures the identification, quantification and treatment of all the foreseeable key risks. The risk management process:

- upholds the group's integrity and value system;
- adds sustainable value to all the activities of the organisation;
- aids the understanding of the potential upside and downside of key risks;
- supports compliance to regulatory requirements;
- increases probability of success;
- reduces the uncertainty of achieving the organisation's overall objectives;
- supports the culture that 'managing risk is everybody's responsibility' and pursues and reinforces this objective through risk awareness, clear executive sponsorship and setting risk appetite and risk boundaries that are generally known, agreed and widely discussed; and
- provides clear lines of responsibilities.

Our risk management context is entrenched in our mission statement that states that we are a team of risk and investment managers who provide our customers and other stakeholders with effective solutions, assuring their financial security with our superior strength and capacity in the Nigerian market.

OUR RISK CULTURE

- The Board and senior management promote a responsible approach to risk management and ensure that the sustainability and reputation of the group are not jeopardised while expanding its market share
- The responsibility for risk management at the group is fully vested in the Board, which in turn delegates to senior management
- The group pays adequate attention to both quantifiable and unquantifiable risks
- The group management creates awareness of risk and risk management across the group
- The group continually subjects its products, distribution channels and businesses to an effective risk assessment process and it will not engage in any business until it has objectively assessed and managed the associated risks.

RISK MANAGEMENT FRAMEWORK

Our risk management framework was designed and embedded in our operating culture and processes. There are clear levels of responsibilities (from the Board of Directors to employees) assigned for the effective management of our business risk.

We operate and maintain three levels of risk governance structure for the oversight and management of risk. These are:

FIRST LINE: MANAGEMENT

The Board, which includes the Board of Directors and the Board Audit, Compliance and Risk Committee, is responsible for oversight of the enterprise risk management process, proposing and approving the risk appetite level for the business and delegating responsibility of detailed oversight to the Board Audit, Compliance and Risk Committee.

SECOND LINE: RISK OVERSIGHT

This consists of the Board Audit, Compliance and Risk Committee and the Chief Risk Officer (CRO) of the group. Management evaluates the risks inherent within the business and ensures they are captured appropriately within the business risk profile. The CRO facilitates an improved understanding of the risk management process throughout the organisation in order to embed and continuously improve a risk awareness culture and to work with management to review and update the risk and control log.

The CRO is responsible for setting policies and procedures necessary for the implementation of the risk framework. The role includes communicating the group's risk profile to the Board and Executive Management Committee and also communicating the decisions of the Board Audit, Compliance and Risk Committee to the other employees.

THIRD LINE: INDEPENDENT ASSURANCE

This is the last line or level of defence within our risk management structure and comprises the internal audit and external auditor's function that provides independent and objective assurance of the effectiveness and adequacy of risk management control and governance process.

RISK APPETITE

The group is committed to driving its business initiatives without loss of value or unmitigated exposures to related risks. In order to improve the value of shareholders' wealth and remain profitable, the group designed its appetite for risk exposure in any given situation. The risk appetite represents the amount of risk exposure or potential adverse effects from an event that the group is willing to accept/retain. The risk appetite of the group is set by the Board of Directors annually, and is aimed at minimising erosion of earnings or capital due to avoidable losses in the trading, investment and underwriting books, or from frauds or operational inefficiencies. The group's risk appetite objectives include:

- optimising capital employed through enhanced returns on equity.
- consistently striving to minimise the overall cost of risk exposure and its management through effective risk mitigation practices and also ensuring there are adequate provisions for all non-performing assets.

- ensuring losses due to frauds and operational lapses are a maximum of a specified percentage of gross earnings and in any case are lower than the industry average.

RISK MANAGEMENT POLICIES AND PROCEDURES

The enterprise-wide risk management policies and procedures are strategically aimed at managing potential, inherent and residual risk categories in our operations.

The Board recognises that the practice of risk management is critical to the achievement of our corporate objectives and has actively encouraged a risk culture that embraces innovation and opportunity, calculated risk-taking and the acceptance of risk as inherent in all our activities, while reducing barriers to successful implementation of these objectives.

RISK CLASSIFICATION

The group is exposed to different kinds of risk while conducting its business. Some of these include:

Market risk/Investment risk

This is the risk to a company's financial condition resulting from adverse movements in the level of volatility of market prices. The group has a structured process and basis for measuring and calculating the probability of loss and possible impact on the group's capital resources caused by adverse changes in the price of stock and shares, property, exchange rates and other market conditions that are relevant. The company has established investment limits in its operational guidelines and policy of assets diversification in line with NAICOM regulations to prevent over-concentration and overexposure to any particular market.

Credit risk

This is the risk that a counterparty will default on payment or fail to perform an obligation to the group. The group has a system for conducting due diligence on the credit-worthiness of any party to which it has credit exposure. The group does not ordinarily grant credit facilities to third parties but could have credit risk associated with insurance brokers as a result of the No Premium No Cover enforcement by NAICOM.

Operational risk

This is the risk of loss from inadequate or failed internal processes, people and systems or from external events that arises from the potential that inadequate information systems, operational problems, breaches in internal controls, fraud, or unforeseen catastrophes will result in unexpected losses. The group has policies that cover risk that may arise from people, systems or internal process failures. The policies include staff recruitment, training, retention plans, succession plans, remuneration and welfare benefits, designing standard operating procedure and policies, driving a compliance culture, process automation, information technology (IT) support systems, data integrity, IT systems access, etc.

Liquidity risk

Liquidity risk exists when there is insufficient cash flow to meet the group's operational and financial obligations and is usually associated with an inability to liquidate assets or obtain funding from external sources to pay claims and other liabilities when due. The group manages its liquidity risk through appropriate assets and a liability management strategy through the Board Investment Committee. Monthly reports and a review of liquidity gaps are conducted to assess the level of liquidity risk.

Reinsurance risk

This is the risk of having inadequate reinsurance cover to mitigate underwriting risk. It usually occurs when a reinsurer becomes insolvent, risk exposures are discovered that are not currently covered for reinsurance, or when our reinsurance coverage is exhausted from multiple losses. The group has documented reinsurance policies for adequate reinsurance arrangements and treaties for all categories of insurance business transacted. The policies include the process for reinsurer selection, monitoring, claims recovery, etc.

Underwriting risk

Underwriting is the process by which an insurer determines the conditions necessary and suitable to accept insurance risk. The risk crystallises when there is severe and frequent claims against the group's projected capacity. The group has embedded internal control processes to guide its insurance business and guide against the risk of unexpected losses and capital erosion. There are well-documented underwriting policies and procedures, which are enforced throughout the organisation.

Business risk

The group's business risk is associated with gaining market share and remaining profitable. This risk is considered through a documented process for product development and launch, business segment profitability analysis and stakeholder engagement, and is embedded in our brand promise.

Reputational risk

This is the risk of events that could cause public distrust or damage to the group's integrity, reputation and goodwill, especially in the eyes of customers, regulators, competitors and the general public. We manage reputational risk through a structured approach for defining and implementing core values and acceptable standards of behaviour that staff are expected to follow while conducting the day-to-day business of the group. The group's risk assessment and monitoring process has embedded controls for testing reputational risk and the outcome of such an exercise is communicated to the Board Audit, Compliance and Risk Committee on a quarterly basis.

LEGAL/COMPLIANCE RISK MANAGEMENT

The group has procedures to ensure that all statutory regulations are completely adhered to by the business unit at all times. These regulations include those set by NAICOM and other relevant Government agencies. There are internal control processes that identify potential breaches to the regulations and are promptly mitigated. Some of the control processes include:

- the know-your-customer (KYC) procedure;
- anti-money laundering/combating the financing of terrorism;
- anti-bribery and anti-corruption measures;
- guidelines for adherence to corporate governance principles;
- gift policies; and
- whistle-blowing policies.

RISK REPORT AND RISK MAP

Issues arising from the risk assessment process are collated and presented in a report called the Risk Report, which forms the basis of contrasting the risk map. The risk map draws senior management's attention to the critical risk factors as well as the adequacy of existing controls to mitigate risk. The risk map provides a snapshot summary of the significant risk and the ratings and probability of occurrence within a specific period. This forms the basis for estimating the potential operational loss.

RISK CONTROL SELF-ASSESSMENT (RCSA)

The group has a mechanism for risk assessment on a periodic basis and this is known as the RCSA principle. It involves the tests and procedures or assessments that need to be performed periodically to assure that key controls are in place and are working as designed. The control requirements are assessed through process risk analysis and the review of policy requirements, loss events and audit findings. The group then sets the controls required to comply with policy requirements and tests these processes for adequacy and risk mitigation capability. Risk Champions are engaged in each business or risk unit and facilitate the process of RCSA in the group.

KEY RISK INDICATORS (KRIs)

The KRIs provide trend analysis of risk exposures or deviation from standard processes. This helps the risk officers and risk owners to promptly identify increasing threat to business activities and escalate them to the appropriate senior levels for control and review of the risk appetite. Trend analysis is one of the sources of data for the risk report and risk map documented by the group.

LOSS EVENTS REPORTING

The group has a loss event register that captures all actual losses sustained during operational processes.

HEALTH AND SAFETY MANAGEMENT

The Health and Safety Management has been instituted to provide and maintain safe healthy working conditions, work equipment and systems for all staff. This responsibility also extends to visitors, contractors and others who may potentially be affected by our activities. The Health and Safety Policy framework underpins the policy statements, roles and responsibilities of Health, Safety and Environment (HSE) officers.

BUSINESS CONTINUITY PLAN (BCP)

The BCP has been designed to promote resilience against operational threats especially with regard to the continuity of critical operations in the event of a disaster or disruption to critical operations. The BCP framework also addresses adherence to contingency planning procedures in the event of emergencies. We aim to continually improve on any inherent gaps identified during each simulation exercise.

Directors' report

The directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2014, which disclose the state of affairs of the group.

(a) Incorporation and address

FBN Insurance, (the 'company') was incorporated in Nigeria in September 2007 under the Companies and Allied Matters Act as a private limited liability company, and is domiciled in Nigeria. The National Insurance Commission licensed the company on 22 February 2010 to carry on the business of life insurance and investment contracts. The company commenced operations on 1 September 2010. The address of its registered office is 34 Marina, Lagos.

FBN Insurance acquired 71.2% of the equity of Oasis Insurance on 19 February 2014, and the acquiree became a wholly owned subsidiary of the group in December 2014. Oasis Insurance was incorporated on 9 November 1992 to carry on non-life insurance business. Following the acquisition, Oasis Insurance was delisted from the Nigerian Stock Exchange in December 2014.

(b) Principal activities

The principal activity of the group is the provision of life and non-life business risk management solutions and financial services to corporate and retail customers in Nigeria.

(c) Results

The group's results for the year are set out on pages 24 to 41. The profit for the year of ₦1.1 billion for the group and ₦1.0 billion for the company (₦0.4 million: 2013) has been transferred to retained earnings.

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Gross premium income	8,412,909	7,129,474	3,898,947
Net underwriting income	7,812,184	6,887,353	3,698,453
Profit before tax	1,330,547	1,125,478	520,451
Taxation	(241,591)	(172,292)	(86,852)
Profit after tax	1,088,956	953,186	433,599

(d) Dividends

The Board of Directors has recommended for the approval of the shareholders an ordinary dividend of 15 kobo per ordinary share in respect of the financial year ended 31 December 2014.

(e) Directors

The directors who held office during the year and up to the date of this report were:

Adenrele Kehinde - Chairperson
Valentine Ojumah - Managing Director and Chief Executive Officer
Caleb Yaro - Independent Non-Executive Director
Margaret Dawes - Non-Executive Director
Aderemi Ogunmefun - Non-Executive Director
Adebayo Adelabu (retired on 31 March 2014) - Non-Executive Director
Hendrik Nel (appointed on 13 February 2014) - Non-Executive Director

Appointment of directors

Hendrik Nel was appointed as a Non-Executive Director effective 13 February 2014.

Retirement of directors

Adebayo Adelabu retired from the Board on 31 March 2014.

(f) Directors' shareholding

The directors had no interests in, nor held any shares in, the group.

(g) Directors' interests in contracts

None of the directors has notified the group for the purpose of section 277 of the Companies and Allied Matters Act of their direct or indirect interest in contracts or proposed contracts with the group during the year.

(h) Shareholding

The shareholding structure of the group is as follows:

	2014		2013	
	Number of shares	Percentage held %	Number of shares	Percentage held %
FBN Holdings Plc	2,262,000	65	2,262,000	65
Sanlam Emerging Markets (Pty) Ltd	1,218,000	35	1,218,000	35
	3,480,000	100	3,480,000	100

(i) Donations and gifts

The group made the following contributions to charity and non-government organisations during the year, amounting to ₦406,000 (2013: ₦580,000).

	2014 Amount ₦'000
Jakinminis	206
Child Health Advocacy Initiative	200
	406

(j) Events after year end

No material facts or circumstances arose between the dates of the statement of financial position and this report that will affect the financial position of FBN Insurance as at 31 December 2014.

(k) Human resources

Employment of disabled persons

The group continues to maintain a policy of giving fair consideration to the applications for employment made by disabled persons with due regard to their abilities and aptitudes. The group's policy prohibits discrimination against disabled persons in the recruitment, training and career development of its employees. In the event of members of staff becoming disabled, efforts will be made to ensure that their employment with the group continues and appropriate training is arranged to ensure that they fit into the group's working environment. As at 31 December 2014, the group had no disabled persons in its employment.

Health, safety and welfare at work

The group enforces strict health and safety rules and practices in the work environment, which are reviewed and tested regularly. The group retains top-class private hospitals where medical facilities are provided for staff and their immediate families at the group's expense. Fire prevention and fire-fighting equipment are installed in strategic locations within the group's premises. The group has workmen's compensation insurance cover for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act 2004.

Employee involvement and training

The group ensures, through various fora, that employees are informed on matters concerning them. Formal and informal channels are also employed in communication with employees with an appropriate two-way feedback mechanism. In addition, employees are nominated to attend both locally and internationally organised courses. These are complemented by on-the-job training. All officers of the group attend meetings and retreats where members of staff discuss the group's performance and recommend solutions to identified challenges.

Gender analysis

The number and percentage of women employed during the financial year is as follows:

	Male Number	Female Number	Male %	Female %
Employees	51	43	54%	46%
Gender analysis of the Board and top management is as follows:				
Board	4	2	67%	33%
Top management	6	2	75%	25%
Detailed analysis of the Board and top management is as follows:				
Principal Manager	2	0	100%	0%
Assistant General Manager	1	2	33%	67%
Deputy General Manager	0	0		
General Manager	2	0	100%	0%
Chief Operating Officer	1	0	100%	0%
Chief Executive Officer	1	0	100%	0%
Non-Executive Director	3	2	60%	40%

(l) Auditor

The auditor, PricewaterhouseCoopers, has indicated its willingness to continue in office in accordance with section 357(2) of the Companies and Allied Matters Act of Nigeria. A resolution will be proposed at the Annual General Meeting of the company for its reappointment and to authorise the directors to determine its remuneration.

FBN Insurance's consolidated financial statements were authorised for issue by the Board of Directors on 6 March 2015.

By order of the Board

Adewale Arogundade
Company Secretary
FRC/2014/NBA/00000006810

6 March 2015

Chairperson's statement

Adenrele Kehinde, Chairperson

Dear valued stakeholder,

It is with great pleasure that I present to you, esteemed stakeholders, a summary of your group's performance and achievements for the financial year ended 31 December 2014, a review of the macroeconomic environment during this period and our outlook for 2015. The year under review was unique in all ramifications and will be remembered for a very long time in the annals of the Nigerian insurance industry. The attendant effects of a significantly changed regulatory and economic environment and subsequent introductions of policies provided for a very interesting year indeed. While we have not been totally immune, we made modest progress as we were duly poised to translate the challenges we faced into opportunities while keeping to our core values of professionalism, innovation and sound corporate governance.

Our enduring commitment to our core values and international best practices, coupled with the overwhelming support of our esteemed investors and customers propelled us to meeting tough performance targets and, ultimately, our strategic goals. We are gradually emerging as a model of stability despite being one of the industry's youngest players. The company successfully acquired and integrated Oasis Insurance during the year as a wholly owned subsidiary of FBN Insurance. The name change from Oasis Insurance to FBN General Insurance will be complete soon.

OPERATING ENVIRONMENT

2014 was characterised by the continued steady recovery of the world economy; the underlying dynamics are changing, and the risks to the forecast remain on the downside according to the International Monetary Fund. This could pose risks for emerging market economies, where activity is slowing and asset quality weakening. As a result, new policy challenges are arising and policy spillovers may pose greater concern. Global growth remains in a low gear, averaging only 2.5% during the first half of 2014, which is about the same pace as in the second half of 2013. However, global growth is expected to pick up in 2015 as estimates forecast growth at 3.6%. In a departure from previous developments since the Great Recession, the advanced economies have recently gained some speed, while the emerging markets have slowed. In Nigeria, insecurity and a tough economic climate persisted in 2014. Despite efforts by the Government to diversify its revenue stream, oil receipts still accounted for a large part of Government revenues.

The country still faced numerous infrastructure challenges as the Government's efforts to shore up the power supply saw the disbandment and subsequent sale of Government-owned energy distribution and generation companies to private investors.

In the insurance sector, we witnessed more involvement by regulators with the introduction of new policies aimed at driving growth. Determined to grow premium income, deepen insurance growth in Nigeria and eliminate premium debts in the sector, which stood at a little more than ₦300 billion in 2013, NAICOM began the enforcement of the No Premium No Cover provision from section 50(1) of the Insurance Act 2003, which advocates that there shall be no cover in respect of an insurance risk, unless the premium is paid in advance.

STRATEGY AND PERFORMANCE

Despite a generally cautious customer approach and sustained apathy to the insurance business, our total premium grew by 91% to ₦8.4 billion by the end of 2014. This achievement further lends credence to our sound corporate governance and management policies, as well as the management's improved performance and the exceptional commitment to our goals by employees. We recorded modest top-line financial figures in the year under review, including profit before tax of ₦1.1 billion. Gross premium income as at December 2014 stood at ₦8.4 billion, a significant 91% growth over the ₦3.8 billion recorded in the corresponding period in 2013.

FBN Insurance closed the year with a great increase of balance sheet size of ₦16.7 billion. This represents growth of 40% over the opening position of ₦11 billion. Total liabilities grew by 50% from ₦7.6 billion in December 2013 to close at ₦12.4 billion in December 2014. Through this period, we experienced diversified growth enhanced by the ingenuity of the Board and management in successfully orchestrating a productive workforce whose work ethic has been distinctly laudable. We continued to consolidate on our strengths while increasing our focus on corporate governance, asset quality and service offerings. Our customer acquisition drive was aided by the continued investments in and deployments of secure and efficient technologies and new product portfolios, which have made it easier for customers to transact business with us.

BOARD OF DIRECTORS

The composition of our Board of Directors changed in 2014. During the course of the year, Mr Hendrik Nel was appointed a member of the Board, while Mr Adebayo Adelabu resigned from the Board.

It is of utmost importance to note that the quality and stability of our Board over the years has been a major factor in the success of our group.

STAFF

In the period under review, we continued to live our vision of creating role models for society with our strategic recruitment initiatives attracting some of the best talent within and outside the industry. We have put employee engagement at the forefront of our business and continue to strengthen capacity through various development and leadership programmes. No doubt, this has impacted positively on the overall performance of the organisation on all fronts.

I am pleased to say that the numerous achievements recorded by FBN Insurance in the 2014 financial year would not have been possible without the devotion to duty displayed by every employee of this organisation. They have truly displayed remarkable efforts and I wish to place on record the Board's commitment to the continued wellbeing of every member of the FBN Insurance family.

OUTLOOK

The growth of the Nigerian economy is hinged largely on the stability or otherwise of the political leadership. With the general election a year away, there is expected to be increased insecurity, and increased flow of money within the system. However, with a burgeoning middle class and the commitment of the Federal Government to the enthronement of the principles of rule of law, due process, transparency and accountability, the confidence of investors in the Nigerian enterprise will continue its upward swing despite any challenges that may exist.

It is my sincere belief that your organisation is well poised to take advantage of any opportunities that exist for better value for you and all stakeholders in the new financial year.

Thank you.

Adenrele Kehinde
Chairperson
FRC/2014/NBA/00000006842

6 March 2015

Independent auditor's report

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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF FBN INSURANCE LIMITED

Report on the financial statements

We have audited the accompanying financial statements of FBN Insurance Limited (the company) and its subsidiary (together, the group). These financial statements comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies and Allied Matters Act and for such internal control, as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the company and the group at 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Nigerian Insurance Act and the Financial Reporting Council of Nigeria Act.

Report on other legal requirements

The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;

iii) the company's statements of financial position and comprehensive income are in agreement with the books of account.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A1048456

PricewaterhouseCoopers
Chartered Accountants
Engagement partner: Samuel Abu
FRC/2013/ICAN/00000001495

Lagos, Nigeria
10 April 2015

FINANCIAL STATEMENTS

These financial statements are the consolidated financial statements of FBN Insurance Limited (the 'company') and its subsidiaries (together the 'group'). These financial statements are prepared in accordance with the International Financial Reporting Standards, local regulations and the Insurance Act 2003 and are for the financial year end 31 December 2014.

Results at a glance

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Comprehensive income statement			
Gross premium written	8,412,909	7,129,474	3,898,947
Gross premium income	8,288,820	7,109,362	3,894,647
Net premium income	7,673,224	6,835,965	3,668,882
Investment and other income	1,111,040	975,020	681,475
Profit before tax	1,330,547	1,125,478	520,451
Profit after tax	1,088,956	953,186	433,599
Statement of financial position			
Total assets	16,679,711	15,454,829	11,323,551
Insurance liabilities	5,064,165	4,034,439	2,427,468
Total liabilities	12,432,418	11,209,227	7,641,924
Earnings per share (basic)	32 kobo	27 kobo	12 kobo
Dividends per share (proposed)		15 kobo	9 kobo

Summary of significant accounting policies

1 GENERAL INFORMATION

These financial statements are the consolidated financial statements of FBN Insurance (the 'company') and its subsidiaries (together the 'group').

FBN Insurance (formerly known as FBN Life Assurance) was incorporated in Nigeria under the Companies and Allied Matters Act (CAMA) as a private limited liability company on 6 September 2007. The National Insurance Commission (NAICOM) licensed the company on 22 February 2010 to carry on the business of life insurance and investment contracts. The company commenced operations on 1 September 2010. It is incorporated and domiciled in Lagos, Nigeria, and provides life insurance services. During the year, the company acquired Oasis Insurance, which was licensed to carry on non-life insurance business.

The company has its registered office at 34 Marina, Lagos, Nigeria.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 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

(a) Basis of preparation and compliance with IFRS

The financial statements of the Group have been prepared and approved by the Directors in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB); the International Financial Reporting Interpretations Committee (IFRIC); and the relevant national regulations. These financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the accompanying notes. The accounting policies set out have been consistently applied in preparing the financial statements for the year ended 31 December 2014.

These financial statements are prepared in accordance with the IFRS as issued by IASB and are effective or available as at 31 December 2014. They also comply with other local regulations, like CAMA and the Insurance Act 2003, to the extent that they are not in conflict with IFRS.

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention as modified by the revaluation of available-for-sale investment securities and investment properties. The financial statements are presented in Nigerian currency, the naira, which is the group's operational currency, and all values are rounded to the nearest thousand except when otherwise indicated.

(b) Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions change. Management believe that the underlying assumptions are appropriate and that the group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

2.2.1 A number of new standards and amendments to standards came into effect for annual periods beginning on 1 January 2014

A number of standards, interpretations and amendments thereto, have been issued by the IASB, which are effective but do not impact on these consolidated financial statements. They are summarised in the table below:

IFRS	Effective date	Subject of amendment
IFRIC 21 - Levies	1 January 2014	IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to paying a levy and when a liability should be recognised. The group is not currently subjected to significant levies so the impact on the group is not material.
Amendments to IAS 36: Impairment of assets (recoverable amount disclosures for non-financial assets)	1 July 2014	The standard has been amended as follows: (a) to remove the requirement to disclose the recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite life intangible assets but there has been no impairment; (b) to require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised; (c) to require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed. The implementation of this amendment has not resulted in additional disclosures being made in these financial statements.

IFRS	Effective date	Subject of amendment
Amendments to IAS 39, Financial instruments: Recognition and measurement (novation of derivatives and continuation of hedge accounting)	1 January 2014	IAS 39 has been amended to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty (CCP) meets specified criteria. According to the amendments, there will be no expiration or termination of the hedging instrument if: (1) as a consequence of laws or regulations, the parties to the hedging instrument agree that a CCP, or an entity (or entities) acting as a counterparty in order to effect clearing by a CCP (the clearing counterparty), replaces their original counterparty; and (2) other changes, if any, to the hedging instrument are limited to those that are necessary to effect such replacement of the counterparty. These changes include changes in the contractual collateral requirements, rights to offset receivables and payables balances and charges levied.
Amendments to IFRS 10, IFRS 12 and IAS 27: Exception from consolidation for 'investment entities'	1 January 2014	The amendment to IFRS 10 defines an investment entity and introduces an exception from consolidation. The amendments to IFRS 12 also introduce disclosures that an investment entity needs to make. The amendments require that subsidiaries that meet the definition of investment entity be accounted for at fair value through profit or loss in accordance with IFRS 9, 'Financial instruments: Recognition and measurement' where applicable. The amendments further specified that the only exception is for subsidiaries that provide services to the parent company that are related to the parent company's investment securities, which are consolidated. The group has no subsidiary that meets the definition of investment entity.

2.2.2 New and amended standards and interpretations not yet adopted by the group

As at 31 December 2014, a number of standards and interpretations, and amendments thereto, have been issued by the IASB, which are not yet effective for these consolidated financial statements. Those in issue which would likely impact on the group's financial statements are indicated below:

IFRS 9 Financial instruments: Classification and measurement (effective 1 January 2018)

IFRS 9 introduces new requirements for the classification and measurement of financial assets, impairment methodology and hedge accounting.

The IFRS 9 requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories of financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity and available-for-sale investments, and loans and receivables. For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividend on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investments. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss. The group is yet to assess IFRS 9's full impact.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

2.3 CONSOLIDATION

2.3.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

2.3.2 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3.3 Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.4 FOREIGN CURRENCIES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash-flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'other income'.

All other foreign exchange gains and losses are presented in the income statement within 'other income' or 'other expenses'. Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security.

Translation differences related to changes in amortised cost are recognised in profit or loss; other changes in carrying amount are recognised in equity. Translation differences on financial assets and liabilities held at fair value through profit and loss are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less.

2.6 FINANCIAL ASSETS

The group classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables, held to maturity and available for sale. The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired.

2.6.1 Classification

(a) Financial assets at fair value through profit and loss are classified as follows:

i) investment securities held for trading; and

ii) those designated at fair value through profit and loss at inception.

A financial asset is classified into the 'financial assets at fair value through profit and loss' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management.

Financial assets designated as at fair value through profit and loss at inception are those that are held in internal funds to match insurance and investment contract liabilities that are linked to the changes in fair value of those assets. The designation of the assets to be at fair value through profit and loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and whose performance is evaluated and managed on a fair value basis.

(b) Available for sale

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to the need for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit and loss.

(c) Held-to-maturity investment securities

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity, other than:

i) those that the group upon initial recognition designates as at fair value through profit or loss;

ii) those that the group designates as available for sale; and

iii) those that meet the definition of loans and receivables.

Interest on held-to-maturity investments are included in the statement of comprehensive income and are reported as 'investment income'. In the case of an impairment, it is reported as a deduction from the carrying value of the investment and recognised in the income statement as 'impairment charge for credit losses' within operating expenses. Held-to-maturity investments comprise treasury bills and government bonds.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the group intends to sell in the short term or that it has designated as at fair value through profit and loss or available for sale. 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. Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the statement of financial position as loans and advances to customers or as investment securities. Interest on loans is included in the income statement and is reported as 'investment income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the income statement as 'impairment charge for credit losses' within operating expenses. Receivables arising out of insurance arrangements are also classified in this category and reviewed for impairment in line with IAS 39. Receivables in the financial statement are disclosed as trade receivables, reinsurance receivables and other receivables.

(e) Trade receivables

Trade, reinsurance and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Trade receivables arising from insurance contracts are stated after the deducting allowance made for specific debts considered doubtful of recovery. Impairment of trade receivables are presented within other operating expenses.

Trade and other receivable amounts are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. Trade receivables are reviewed at every reporting period for impairment.

2.6.2 Recognition and measurement

Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit and loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the group has also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are included in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the statement of comprehensive income as part of investment income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as net realised gains on financial assets within investment income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the group's right to receive payments is established. Both are included in the investment income line.

2.6.3 Determination of fair value

For financial instruments traded in active markets, the determination of the fair value of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges. The quoted market price used for financial assets held by the group is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, company, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid/offer spread or significant increase in the bid/offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, Nigerian Interbank Offered Rates (NIBOR), monetary policy rate (MPR), etc.) existing at the dates of the statement of financial position.

The group uses widely recognised money market rates in determining the fair values of non-standardised financial instruments of lower complexity like placements and treasury bills. These financial instrument models are generally market observable. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. In cases where the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less any impairments. The fair value for loans and receivables as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs. The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

2.6.4 Derecognition of financial instruments

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.6.5 Reclassification of financial assets

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to the loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

2.6.6 Impairment of assets

(a) Financial assets carried at amortised cost

The group assesses at each end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the group about the following events:

- significant financial difficulty of the issuer or debtor;
- trade receivables outstanding for more than 30 days;
- reinsurance receivables outstanding for more than 90 days;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of issuers or debtors in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, 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 on loans and receivables or held-to-maturity investments carried at amortised cost, 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 credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

(b) Assets classified as available for sale

The group assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss.

In this respect, a decline of 20% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such quantitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account. The cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

2.6.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.7 TRADE 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 group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement.

2.8 REINSURANCE CONTRACTS

Contracts entered into with reinsurers under which the group is compensated for losses on one or more long-term policy contracts issued by the group and that meet the classification requirements for insurance contracts are classified as long-term reinsurance contracts. The expected claims and benefits to which the group is entitled under these contracts are recognised as assets where material.

If there is objective evidence that the reinsurance asset is impaired, the carrying amount is reduced to a recoverable amount, and the impairment loss is recognised in the statement of comprehensive income.

2.8.1 Reinsurance assets

Reinsurance 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 with the terms of each reinsurance contract.

The reinsurance assets are reviewed quarterly for impairment. Where there is objective evidence that an insurance asset is impaired, the group reduces the carrying amount of the insurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. Evidence that a reinsurance asset is impaired is gathered where the reinsurance group has refused payment of any balance.

2.8.2 Reinsurance liabilities

Liabilities are valued gross before taking into account reinsurance. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

2.9 DEFERRED ACQUISITION COSTS (DAC)

Acquisition costs comprise all direct and indirect costs arising from the writing of insurance contracts (life and non-life contracts). Deferred acquisition costs represent a proportion of commission that is incurred during a financial year and is deferred to the extent that it is recoverable out of future revenue margins. It is calculated by applying the ratio of unearned premiums to written premiums to the acquisition expenses.

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

- for short-duration life insurance contracts, deferred acquisition costs are amortised over the terms of the policies as premiums are earned.
- for long-term insurance contracts with fixed and guaranteed terms, deferred acquisition costs are amortised in line with premium revenue using assumptions consistent with those used in calculating future policy benefit liabilities; and
- for long-term insurance contracts without fixed terms and investment contracts, deferred acquisition cost are amortised over the expected total life of the contract company as a constant percentage of estimated gross profit margins (including investment income) arising from these contracts. The resulting change to the carrying value of the DAC is charged to the statement of comprehensive income.

2.10 INVESTMENT PROPERTIES

Investment property comprises investment in land or buildings held primarily to earn rental income or capital appreciation or both.

Investment property is initially recognised at cost including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day-to-day servicing of an investment property.

An investment property is subsequently measured at fair value with any change therein recognised in profit or loss. Fair values are determined individually, on a basis appropriate to the purpose for which the property is intended and with regard to recent market transactions for similar properties in the same location.

Fair values are reviewed annually by an independent valuer who holds a recognised and relevant professional qualification and has relevant experience in the location and category of investment property being valued. Any gain or loss arising from a change in the fair value is recognised in the income statement.

Subsequent expenditure on investment property is capitalised only if future economic benefit will flow to the company; otherwise they are expensed as incurred.

2.11 INTANGIBLE ASSETS

The group recognises intangible assets if and only if:

i) it is probable that the expected future economic benefits that are attributable to the asset will flow to the group;

ii) it is feasible to complete the asset so that it will be available for use;

iii) it is possible to use or sell the asset; and

iv) the cost of the asset can be measured reliably.

2.11.1 Goodwill

Goodwill arises on the acquisition of a subsidiary company or the acquisition of a business. It represents the excess of the cost of an acquisition over the group's share of the fair value of the identifiable net assets of the subsidiary or business at the date of acquisition. Goodwill is not amortised. The gain or loss on the disposal of a subsidiary or business includes the carrying amount of goodwill attributable to the entity or business sold.

Goodwill is not recognised when an interest in an existing subsidiary is increased. The difference between the cost of the acquisition and the minority interest acquired is accounted for directly in equity. When an interest in an existing subsidiary is decreased without a loss of control, the difference between the proceeds received and the share of the net assets disposed of, including an appropriate portion of the related goodwill, is accounted for directly in equity.

For impairment purposes, the carrying amount of goodwill is allocated to cash generating units (CGUs), reviewed annually for impairment and written down where this is considered necessary. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of the value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense in the statement of comprehensive income and is not subsequently reversed.

Goodwill in respect of associates and joint ventures is included in the carrying amount of investments in associates and joint ventures. For impairment purposes each investment is tested for impairment individually and goodwill is not tested separately from the investment in associates and joint ventures, nor is any impairment allocated to any underlying assets.

2.11.2 Computer software

The group recognises computer software acquired as intangible asset.

Software acquired by the group is stated at cost less accumulated amortisation and accumulated impairment losses. Acquired intangible assets are recognised at cost on the acquisition date. Subsequent to initial recognition, these assets are carried at cost less accumulated amortisation and impairment losses in value, where appropriate.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The assets are amortised over their useful lives. Amortisation methods and useful lives are reviewed at each financial year end and adjusted if appropriate.

Intangible assets are derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amounts at the date of derecognition and any disposal proceeds, as applicable, is recognised in the statement of comprehensive income.

Expenditure on internally developed software is recognised as an asset when the group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised cost of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

There was no internally developed software at the date of reporting.

2.12 PROPERTY AND EQUIPMENT

Property and equipment are reflected at historical cost less accumulated depreciation and any accumulated impairment losses in value, where appropriate. Land is not depreciated. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of the assets as follows:

Buildings	50 years
Motor vehicles	4 years
Computer equipment	5 years
Furniture and fittings	5 years
Office equipment	5 years

If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. The residual values, estimated useful lives of the assets and depreciation methods are reviewed at each statement of financial position date and adjusted as appropriate.

Cost prices include costs directly attributable to the acquisition of property and equipment, as well as any subsequent expenditure when it is probable that future economic benefits associated with the item will flow to the group and the expenditure can be measured reliably. All other expenditure is recognised in the statement of comprehensive income when incurred.

Property and equipment are derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amounts at the date of derecognition and any disposal proceeds, as applicable, is recognised in 'other income' in the statement of comprehensive income.

2.13 IMPAIRMENT OF OTHER NON-FINANCIAL ASSETS

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Additionally, assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are stated at the lowest levels for which there are separately identifiable cash flows or CGUs.

The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

2.14 STATUTORY DEPOSIT

The group maintains a statutory deposit with the Central Bank of Nigeria (CBN), which represents 10% of the minimum capitalisation in compliance with the Insurance Act. This balance is not available for the day-to-day operations of the group. The statutory deposit is measured at cost.

2.15 INSURANCE CONTRACTS

The group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. The reserve has been calculated as the amount standing to the credit of the policyholders (account balance) at the valuation date. The life cover element (and corresponding premiums) have been reported as part of the insurance contract liabilities and valued similar to other risk business as described above.

2.15.1 Classification of contracts

A contract is classified as an insurance contract where the group accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy, or part thereof, policy benefits payable on the occurrence of the insured event will exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

2.15.2 Recognition and measurement

(a) Short-term insurance contracts

Short-term life insurance contracts protect the group's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependants to maintain their current level of income. They are usually short-term life insurance contracts with a period coverage of between 12 and 24 months. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder.

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

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

The liability reserve on short term insurance contract is made up of an unexpired premium reserve (UPR) and reserve for 'incurred but not reported' claims (IBNR). UPR are calculated after adjusting for acquisition expenses. IBNR reserves are required to take account of the delay in reporting claims. These are determined by considering ultimate claims ratios for the life schemes on the group's books. The ratios differ by industry and have been determined following a historical analysis of portfolio claims. IBNR reserves are calculated by adjusting the ultimate claim amounts to allow for claims already paid and those outstanding for payment, and again adjusted to allow for the holding of a separate UPR. As the short-term insurance contract experience of FBN Insurance builds up we will be able to adjust for group-specific claims settlement patterns.

(b) Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

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

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

They include individual insurance contracts.

(c) Individual insurance contracts

The reserve has been calculated using the gross premium valuation approach. This reserving methodology adopts a cash-flow approach taking into account all expected future cash flows including premiums, expenses and benefit payments to satisfy the liability adequacy test. The test also considers current estimates of all contractual cash flows, and of related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees (where applicable).

2.15.3 Insurance contract liabilities

Life insurance policy claims received up to the last day of each financial period and IBNR claims are provided for and included in the policy liabilities. Past claims experience is used as the basis for determining the extent of the IBNR claims.

Income from reinsurance policies is recognised concurrently with the recognition of the related policy benefit. Insurance liabilities are presented without offsetting them against related reinsurance assets.

Insurance liabilities are retained in the statement of financial position until they are discharged or cancelled and/or expire. The group performs a liability adequacy test to determine the recognised insurance liabilities and an impairment test for reinsurance assets held at each reporting date.

2.15.4 Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Investment contracts comprise interest-linked funds. Interest-linked investment contracts are measured at amortised cost.

Investment contracts with guaranteed returns (interest-linked) and other business of a savings nature are recognised as liabilities. Interest accruing to the life assured from investment of the savings is recognised in the income statement account in the year it is earned while interest paid and due to depositors is recognised as an expense. The net result of the deposit administration revenue account is transferred to the income statement of the group.

2.16 TECHNICAL RESERVES

These are the reserves computed in compliance with the provision of sections 20, 21 and 22 of the Insurance Act 2003. They are:

(a) General insurance contracts

Reserves for unearned premiums

In compliance with section 20(1)(a) of the Insurance Act 2003, the reserve for unearned premiums is calculated on a time apportionment basis in respect of the risks accepted during the year.

Reserves for outstanding claims

The reserve for outstanding claims is maintained at the total amount of outstanding claims incurred and reported plus IBNR claims as at the reporting date. IBNR claims are based on the liability adequacy test.

Reserves for unexpired risk

A provision for additional unexpired risk reserve (AURR) is recognised for an underwriting year where it is envisaged that the estimated cost of claims and expenses would exceed UPR.

(b) Life business

Life fund

This is made up of net liabilities on policies in force as computed by the actuaries at the time of the actuarial valuation.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed by an actuary to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flow, including office premiums, expenses and benefit payments satisfying the liability adequacy test, are used. Any deficiency is immediately charged to the statement of comprehensive income.

2.17 FINANCIAL LIABILITIES

The group's holding of financial liabilities mainly represents other financial liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Financial liabilities are derecognised when extinguished.

Financial liabilities are reported as trade payables, a short-term bank overdraft or other liabilities in the financial statement. The carrying values of financial liabilities are considered to be a reasonable approximation of fair value.

Trade payables

Trade and other payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Trade payables represent liabilities to agents, brokers and reinsurers of insurance contracts as at year end.

2.18 OTHER PAYABLES AND ACCRUALS

Other payables and accruals 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 of the liability is less than one year discounting is omitted.

2.19 TAXATION

2.19.1 Company income tax

Current income tax liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or previous reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. The calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

Current income tax is assessed at 30% and is tax payable on the taxable profit for the period determined in accordance with the Company Income Tax Act (CITA). Education tax is assessed at 2% of the chargeable profit.

2.19.2 Deferred income tax

Deferred income tax is provided for on all temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes using the liability method.

The principal temporary differences arise from depreciation of property and equipment, provisions for trade receivables and tax losses carried forward (where deemed recoverable). The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, deferred income 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 income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realisable or the deferred income tax liability is payable. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Deferred income 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 income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. Deferred tax related to fair value remeasurement of available-for-sale investments, which are charged or credited directly in other comprehensive income or to equity, is also credited or charged directly to equity and subsequently recognised in the statement of comprehensive income together with the deferred gain or loss.

2.20 SHARE CAPITAL

Share capital is classified as equity for which the group has no obligation to deliver cash or other assets to shareholders. Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

2.21 CONTINGENCY RESERVE

Non-life business

The company maintains contingency reserves in accordance with the provisions of the Insurance Act 2003 (section 21(2)) to cover fluctuations in securities and variations in statistical estimates at the rate equal to the higher of 3% of total premiums or 20% of the total profit after taxation until the reserve reaches the greater of minimum paid-up capital or 50% of net premium for general business.

Life business

The contingency reserve is calculated at the higher of 1% of gross premium and 10% of net profits. This reserve is expected to be accumulated until it amounts to the minimum paid-up capital for a life insurance company in accordance with section 22(1)(b) of the Insurance Act.

2.22 PROVISIONS

Provisions for restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect of any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 CONTINGENT LIABILITIES AND ASSETS

The group's possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the group, and its present obligations, where it is not probable that an outflow of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured reliably, are not recognised in the group's statement of financial position but are disclosed in the notes to the financial statements.

The group's possible assets, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the group, are not recognised in the group's statement of financial position and are only disclosed in the notes to the annual financial statements where an inflow of economic benefits is probable.

2.24 DIVIDENDS

Dividends proposed or declared after the statement of financial position date are not recognised at the reporting date. Dividend distributions payable to equity shareholders are only included in other liabilities when the dividends have been approved at an Annual General Meeting (AGM) of the Board of Directors prior to the reporting date.

2.25 EARNINGS PER SHARE

The group presents basic earnings per share for its ordinary shares. Basic earnings per share (EPS) is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The adjusted EPS is calculated using the number of shares in issue at the balance sheet date. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to account for the conversion of all dilutive potential of the ordinary shares.

2.26 REVENUE RECOGNITION

Revenue comprises the fair value of services, net of value-added tax. Revenue is recognised as follows:

2.26.1 Premium income

Short-term insurance contracts

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

Long-term insurance contracts

Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Premium income from individual contracts is recognised as an increase in long-term policy liabilities when receivable. The unearned portion of accrued premium income is included in long-term policy liabilities. Group and group life insurance, mortgage insurance and credit life premiums are accounted for when receivable. Where premiums are not determined in advance, they are accounted for upon actual receipt.

2.26.2 Interest income and expenses

Interest income and expenses for all interest-bearing financial instruments, including financial instruments measured at fair value through profit and loss, are recognised in investment income in the income statement using the effective interest rate method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income is accounted for on a time proportionate basis that takes into account the effective interest rate on the asset.

2.26.3 Fees and commission income

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees consist primarily of investment management fees, surrenders and other contract fees arising from services rendered in conjunction with the issue and management of investment contracts where the group actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument.

These services comprise the activity of trading financial assets in order to reproduce the contractual returns that the group's customers expect to receive from their investments. Such activities generate revenue that is recognised by reference to the stage of completion of the contractual services.

2.27 INSURANCE PREMIUM CEDED TO REINSURERS

Insurance premiums ceded to reinsurers, also described as reinsurance expenses, represent outward premiums paid to reinsurance companies less the unexpired portion as at the end of the accounting year.

2.28 CLAIMS

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to policyholders and/or beneficiaries. They include direct and indirect claim settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the group.

The group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors. No provisions have been made for possible claims under contracts that are not in existence at the end of the reporting period.

2.29 UNDERWRITING EXPENSES

Underwriting expenses comprise acquisition costs and other underwriting expenses. Acquisition costs comprise all direct and indirect costs arising from the writing of insurance contracts. Examples of these costs include, but are not limited to, commission expense and other technical expenses. Other underwriting expenses are those incurred in servicing existing policies/contracts. These expenses are charged in the statement of comprehensive income.

2.30 EMPLOYEE BENEFIT EXPENSE

2.30.1 Defined contribution plan

The group operates a defined contributory pension scheme for eligible employees. Employees and the group contribute 8.5% and 16.5% respectively for each of the qualifying staff's salary in line with the provisions of the Pension Reform Act 2004. The group pays contributions to the employee's nominated Pension Fund Administrator (PFA) on a mandatory basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

2.30.2 Short-term benefit

Wages, salaries, paid annual leave and bonuses are recognised as employee benefit expense and accrued when the associated services are rendered by the employees of the group.

2.31 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

Other operating and administrative expenses are expenses other than claims, investment expenses, employee benefit, expenses for marketing and administration and supervisory levies. They include professional fees, depreciation expenses and other non-technical expenses. Other operating and administrative expenses are accounted for on an accrual basis and recognised in the income statement upon utilisation of the service or at the date of their origin.

Statement of financial position

		Group	Company	
	Note	2014 ₦'000	2014 ₦'000	2013 ₦'000
Assets				
Cash and cash equivalents	6	720,605	407,094	4,028,922
Financial assets				
- Financial assets at fair value through profit and loss	7.1	48,408	-	-
- Available for sale	7.2	11,554,897	9,646,366	116,686
- Held to maturity	7.3	348,326	324,475	6,496,850
Trade receivables	8	135,767	8,406	14,788
Reinsurance assets	9	557,835	45,546	76,613
Other receivables and prepayment	10	392,263	527,836	212,309
Deferred acquisition cost	11	111,370	1,913	1,032
Investment properties	12	322,000	-	-
Investment in subsidiaries	13	-	3,600,873	-
Intangible assets	14	301,441	34,560	34,905
Property and equipment	15	1,686,800	657,760	141,446
Statutory deposit	16	500,000	200,000	200,000
Total assets		16,679,711	15,454,829	11,323,551
Liabilities				
Insurance contract liabilities	17	5,064,165	4,034,439	2,427,468
Investment contract liabilities	18	2,875,334	2,875,334	1,223,105
Trade payables	19	28,118	28,117	5,531
Other payables and accruals	20	4,125,423	4,070,381	3,894,009
Tax payable	21	271,433	167,459	63,990
Deferred tax liability	22	67,945	33,497	27,821
Total liabilities		12,432,418	11,209,227	7,641,924
Equity				
Share capital	23	3,480,000	3,480,000	3,480,000
Contingency reserve	24	216,462	202,885	107,566
Retained earnings	25	623,439	631,362	78,738
Fair value reserve	26	(72,608)	(68,645)	15,323
Total equity		4,247,293	4,245,602	3,681,627
Total equities and liabilities		16,679,711	15,454,829	11,323,551

Signed on behalf of the Board of Directors on 6 March 2015 by:

Festus Izevbizua
Chief Financial Officer
FRC/2014/ICAN/00000001628

Valentine Ojumah
Managing Director/Chief Executive Officer
FRC/2014/CIIN/00000002422

Adenrele Kehinde
Chairperson of the Board of Directors
FRC/2014/NBA/00000006842

Statement of comprehensive income

	Note	Group 2014 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Gross premium written	27	8,412,909	7,129,474	3,898,947
Unearned premium	27	(124,089)	(20,112)	(4,300)
Gross premium income		8,288,820	7,109,362	3,894,647
Insurance premium ceded to reinsurers	28	(615,596)	(273,397)	(225,765)
Net premium income		7,673,224	6,835,965	3,668,882
Fees and commission income		138,960	51,388	29,571
Net underwriting income		7,812,184	6,887,353	3,698,453
Insurance claims incurred and loss adjustment expenses	29	(1,344,891)	(878,916)	(618,456)
Insurance claims incurred recovered from reinsurers	29	361,007	71,293	119,665
Underwriting expenses	30	(1,449,804)	(1,203,376)	(668,972)
Changes in contract liabilities	31	(3,407,261)	(3,407,261)	(1,633,066)
Net underwriting expenses		(5,840,949)	(5,418,260)	(2,800,829)
Net underwriting profit		1,971,235	1,469,093	897,624
Other income	32	46,767	27,128	2,017
Investment income	33	1,064,273	947,893	681,475
Profit from investment contracts	34	172,520	172,520	79,502
Employee benefit expenses	35	(938,895)	(662,431)	(387,987)
Other operating and administrative expenses	36	(985,353)	(828,725)	(752,180)
Profit before tax		1,330,547	1,125,478	520,451
Income tax expense	37	(241,591)	(172,292)	(86,852)
Profit for the year		1,088,956	953,186	433,599
Profit attributable to:				
– Owners of the parent		1,041,355	953,186	433,599
– Non-controlling interests		47,601	-	-
		1,088,956	953,186	433,599
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
– Change in value of available-for-sale financial assets (net of tax)		(87,931)	(83,968)	15,323
– Other comprehensive income for the year (net of tax)		(87,931)	(83,968)	15,323
Total comprehensive income for the year		1,001,025	869,218	448,922
Total comprehensive income attributable to:				
– Owners of the parent		953,424	869,218	448,922
– Non-controlling interests		47,601	-	-
		1,001,025	869,218	448,922

The notes on pages 42 to 88 are an integral part of these consolidated financial statements.

Statement of changes in equity – group

	Attributable to owners of the parent						
	Share capital ₦'000	Contingency reserve ₦'000	Fair value reserve ₦'000	Retained earnings ₦'000	Total ₦'000	Non-controlling interest ₦'000	Total equity ₦'000
Balance at 1 January 2014	3,480,000	107,566	15,323	78,738	3,681,627	-	3,681,627
Profit for the year	-	-	-	1,041,355	1,041,355	47,601	1,088,956
Other comprehensive income for the year	-	-	(87,931)	-	(87,931)	-	(87,931)
Total comprehensive income for the year	-	-	(87,931)	1,041,355	953,424	47,601	1,001,025
Dividend paid to equity holders	-	-	-	(305,244)	(305,244)	-	(305,244)
Acquisition of controlling interest in Oasis Insurance	-	-	-	-	-	923,932	923,932
Transfer to contingency reserve	-	108,896	-	(108,896)	-	-	-
Transactions with owners of equity	-	-	-	(82,513)	(82,513)	(971,533)	(1,054,046)
Total transactions with owners, recognised directly in equity	-	108,896	-	(496,653)	(387,757)	(47,601)	(435,358)
Balance at 31 December 2014	3,480,000	216,462	(72,608)	623,440	4,247,294	-	4,247,293

Statement of changes in equity – company

	Share capital ₦'000	Contingency reserve ₦'000	Fair value reserve ₦'000	Retained earnings ₦'000	Total equity ₦'000
Balance at 1 January 2014	3,480,000	107,566	15,323	78,738	3,681,627
Profit for the year	-	-	-	953,186	953,186
Other comprehensive income for the year	-	-	(83,968)	-	(83,968)
Total comprehensive income for the year	-	-	(83,968)	953,186	869,218
Dividend paid to equity holders	-	-	-	(305,244)	(305,244)
Transfer to contingency reserve	-	95,319	-	(95,319)	-
Total transactions with owners, recognised directly in equity	-	95,319	-	(400,563)	(305,244)
Balance at 31 December 2014	3,480,000	202,885	(68,645)	631,361	4,245,602

	Share capital ₦'000	Contingency reserve ₦'000	Fair value reserve ₦'000	Retained earnings ₦'000	Total equity ₦'000
Balance at 1 January 2013	3,218,000	55,521	-	(106,044)	3,167,477
Profit for the year	-	-	-	433,599	433,599
Change in value of available-for-sale financial assets	-	-	15,323	-	15,323
Total comprehensive income for the year	-	-	15,323	433,599	448,922
Shares issued	262,000	-	-	-	262,000
Dividend paid to equity holders	-	-	-	(196,772)	(196,772)
Transfer to contingency reserve	-	52,045	-	(52,045)	-
Total transactions with owners, recognised directly in equity	262,000	52,045	-	(248,817)	65,228
Balance at 31 December 2013	3,480,000	107,566	15,323	78,738	3,681,627

Statement of cash flows

	Note	Group 2014 ₦'000	Company 2014 ₦'000	Company 2013 ₦'000
Reconciliation of profit before tax to cash generated from operations		1,330,547	1,125,478	520,451
Adjustment for non-cash items				
Impairment of premium receivables	8	3,492	-	143,000
(Gain)/loss on disposal of property and equipment		(677)	2,111	1,957
Depreciation charge	15	121,655	80,628	56,018
Amortisation of intangible assets	14	24,095	13,177	11,622
Investment income	33	(1,064,273)	(947,893)	(681,475)
Profit from investment contracts	34	(172,520)	(172,520)	(79,502)
Unrealised fair value loss on revaluation of investment properties	12	34,236	-	-
Changes in unearned premium	17	124,089	20,112	4,300
Changes in IBNR	17	(223,712)	(242,819)	(206,047)
Changes in long-term insurance contracts (life fund)	17	3,407,261	3,407,261	1,633,066
Operating profit before changes in operating assets and liabilities		3,584,193	3,285,535	1,403,390
Changes in working capital				
Trade receivables		11,146	183,021	337,412
Reinsurance assets		(146,116)	31,067	(37,765)
Other receivables and prepayment		(159,715)	(315,527)	(111,105)
Restricted cash in escrow account		3,398,558	3,398,558	(3,398,558)
Deferred acquisition cost		(2,680)	(881)	(168)
Outstanding claims		20,868	74,645	92,471
Trade payables		22,587	22,586	(9,601)
Other liabilities		202,191	176,372	3,501,623
Changes in working capital		6,931,030	6,855,376	1,777,699
Income tax paid	21	(63,147)	(63,147)	(43,099)
Net cash from operating activities		6,867,883	6,792,229	1,734,600
Cash flow from investment activities				
Purchases of plant and equipment	15	(625,903)	(605,686)	(91,771)
Purchase of intangible assets	14	(12,832)	(12,832)	(350)
Purchase of investment properties	12	(13,348)	-	-
Proceeds from disposal of property and equipment		11,799	6,632	6,181
Purchase of government bonds		(2,543,811)	(2,543,811)	(912,259)
Redemption of government bonds		2,625,736	2,467,583	47,897
Purchase of other investment securities		(14,908,719)	(13,941,977)	(4,239,835)
Redemption of other investment securities		16,057,630	15,207,405	-
Acquisition of subsidiary, net of cash acquired		(2,711,658)	(3,600,873)	-
Interest received		1,060,330	882,506	705,710
Net cash used in investment activities		(1,060,776)	(2,141,053)	(4,484,427)
Cash flow from financing activities				
Dividend paid	25	(305,244)	(305,244)	(127,902)
Increase in share capital		-	-	262,000
Net cash used in financing activities		(305,244)	(305,244)	134,098
Net increase/(decrease) in cash and cash equivalents		5,501,862	4,345,933	(2,615,729)
Cash and cash equivalents at beginning of year		845,818	845,818	3,461,547
Net increase/decrease in cash and cash equivalents		5,501,863	4,345,932	(2,615,729)
Cash and cash equivalents at end of period	6.1	6,347,680	5,191,751	845,818

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2014

1 GENERAL INFORMATION

These financial statements are the consolidated financial statements of FBN Insurance (the 'company'), and its subsidiary (together the 'group').

FBN Insurance (formerly known as FBN Life Assurance) was incorporated in Nigeria under the Companies and Allied Matters Act (CAMA) as a private limited liability company on 6 September 2007. The National Insurance Commission (NAICOM) licensed the company on 22 February 2010 to carry on the business of life insurance and deposit administration. The company commenced operations on 1 September 2010. The company is incorporated and domiciled in Lagos, Nigeria, and provides life insurance services. During the year, the company acquired Oasis Insurance, which was licensed to carry on non-life insurance business.

The company has its registered office at 34 Marina, Lagos, Nigeria.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out in pages 26 to 41. These policies have been consistently applied to all years presented, unless otherwise stated.

3 MANAGEMENT OF INSURANCE RISK

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about what the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and, within each of these categories, to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk. The group issues contracts that transfer insurance and/or financial risk. This section summarises the nature and management of these risks.

3.1 UNDERWRITING RISK

Underwriting risk relates mainly to the uncertainty that the insured event will occur. The nature of an insurance contract is that the timing and size of claims are uncertain and therefore unpredictable. The principal underwriting risk is the risk that the actual outcome of mortality, morbidity and medical claims will result in volatile profits from one year to the next. Such volatility may result from large concentrations of risk or from charging inadequate premiums relative to the severity or incidence of the risk accepted. Inadequate policy wording may fail to protect the insurer from claims that were not envisaged when the product was priced. Insurance events are random and the actual number and amount of underwriting benefits will vary from the best estimates established from statistical techniques and taking cognisance of past experience. The group manages these risks through its underwriting strategy, reinsurance arrangements and claims handling processes.

The following policies and practices are used by the group as part of its underwriting strategy to mitigate underwriting risk:

i) All long-term insurance product additions and alterations, both within and outside of agreed business definitions, are required to pass through the approvals framework that forms part of the governance process. The contracted actuary approves the financial soundness of new and revised products.
ii) The group's underwriting strategy aims to ensure that the underwriting risks are well diversified in terms of type (medical, occupational, financial) and amount of risk covered. While this is difficult to measure at the underwriting stage, the success or failure of the strategy may be measured by the historical stability of profits emerging from the book of business.
iii) Product pricing and reserving policies also include specific allowance for the risk of HIV/AIDS.
iv) The contracted actuary reports annually on the profitability of the business taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the statutory actuary prior to being issued.
v) The right to re-rate premiums is retained as far as possible, although this is limited by competitive pressure.
vi) Investigations into mortality and morbidity experience are conducted at least half yearly to ensure that corrective action is taken where necessary.

The group's core funeral product offering is characterised by low sums assured, which negates the need for underwriting at policy inception. The policy conditions enable the group to repudiate death claims arising from non-accidental causes during an initial waiting period after policy inception. The group's reinsurance arrangements include risk premium treaties for a high life cover, hospital cover and critical illness products. The decision on the proportion of risk to be ceded follows mainly from the group's desire to maintain its relationship with the reinsurers and is based on the level of assistance received from the reinsurers. Exceptions to this are reinsurance cessions that are intended to limit the group's exposure to large sums assured.

Claims risk is represented by the fact that the group may incur unexpectedly high mortality and morbidity losses on any group of policies. Client service employees are trained to identify and investigate fraudulent claims timeously. The legitimacy of claims is verified by internal financial and operating controls that are designed to contain and monitor claims risks. The forensic investigation team also investigates and advises on improvements to internal control systems.

3.2 FREQUENCY AND SEVERITY OF CLAIMS

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of death, job loss and level of awards for the damages suffered as a result of road accidents. Estimated inflation is also a significant factor due to the long period typically required to settle cases where information is not readily available. The group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the group has the right not to renew policies and it has the right to reject the payment of a fraudulent claim.

The reinsurance arrangements include surplus and quota shares. The effect of such reinsurance arrangements is that the group should not suffer total net insurance losses of more than ₦10 million on any policy. In addition to the overall group reinsurance programme, individual business units are permitted to purchase additional reinsurance protection. The group has specialised claims units dealing with the mitigation of risks surrounding claims. This unit investigates and adjusts all claims. The claims are reviewed individually on a quarterly basis and adjusted to reflect the latest information on the underlying facts, contractual terms and conditions, and other factors. The group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

The concentration of insurance risk before and after reinsurance by class of business in relation to the type of insurance risk accepted is summarised below, with reference to the carrying amount of the estimated insurance liabilities (gross and net of reinsurance) arising from all life and non-life insurance contracts:

Group	2014		
	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000
Life business			
Individual traditional	1,926,556	-	1,926,556
Individual savings	2,875,334	-	2,875,334
Group credit life	765,348	-	765,348
Group life – UPR	123,983	(7,782)	116,201
Group life – AURR	12,830	-	12,830
Group life – IBNR	73,953	(3,813)	70,140
Additional reserves	900,339	-	900,339
Claims reserve – life business	231,430	-	231,430
Total liability – life business	6,909,773	(11,595)	6,898,178
Non-life business			
Reserve – UPR			
Aviation	9,049	-	9,049
Bond	966	-	966
Engineering	29,004	-	29,004
Fire	69,681	-	69,681
General accident	46,057	-	46,057
Marine cargo	19,814	-	19,814
Marine hull	7,632	-	7,632
Motor	141,340	-	141,340
Oil and gas	249,672	-	249,672
	573,215	-	573,215

3.2 FREQUENCY AND SEVERITY OF CLAIMS continued

Group	2014		
	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000
Claims reserve			
Outgoing gross OCR			
Aviation	750	-	750
Engineering	12,346	-	12,346
Fire	18,886	-	18,886
General accident	201,116	-	201,116
Marine cargo	3,720	-	3,720
Marine hull	7,052	-	7,052
Motor	65,486	-	65,486
Oil and gas	15,900	-	15,900
	325,256	-	325,256
Outgoing gross IBNR			
Aviation	12,083	-	12,083
Bond	30	-	30
Engineering	7,191	-	7,191
Fire	31,782	-	31,782
General accident	37,720	-	37,720
Marine cargo	874	-	874
Marine hull	10,304	-	10,304
Motor	5,077	-	5,077
Oil and gas	26,194	-	26,194
	131,255	-	131,255
Total liability – non-life business	1,029,726	-	1,029,726
Total liability – life and non-life businesses	7,939,499	(11,595)	7,927,904

Claims incurred by class of business during the period under review are shown below:

Group	2014		
	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000
Group life	423,441	(71,294)	352,147
Group credit life	232,531	-	232,531
Individual life	465,762	-	465,762
Non-life business	465,976	(269,967)	196,009
	1,587,710	(341,261)	1,246,449

3.2 FREQUENCY AND SEVERITY OF CLAIMS continued

Group	2014			2013		
	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000
Individual traditional	1,926,556	-	1,926,556	1,027,574	-	1,027,574
Individual savings	2,875,334	-	2,875,334	1,223,105	-	1,223,105
Group credit life	765,348	-	765,348	814,277	-	814,277
Group life – UPR	123,983	(7,782)	116,201	103,871	(19,068)	84,803
Group life – AURR	12,830	-	12,830	-	-	-
Group life – IBNR	73,953	(3,813)	70,140	316,772	(23,559)	293,213
Additional reserves	900,339	-	900,339	8,189	-	8,189
Outstanding claims	231,430	-	231,430	156,785	(29,730)	127,055
	6,909,773	(11,595)	6,898,178	3,650,573	(72,357)	3,578,216

Claims incurred by class of business during the period under review are shown below:

Company	2014			2013		
	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000
Group life	423,441	(51,547)	371,894	688,521	(96,106)	592,415
Group credit life	232,531	-	232,531	117,961	-	117,961
Individual life	465,763	-	465,763	18,021	-	18,021
	1,121,735	(51,547)	1,070,188	824,503	(96,106)	728,397

3.3 SOURCES OF UNCERTAINTY IN THE ESTIMATION OF FUTURE CLAIM PAYMENTS

Claims on contracts are payable on a claims-occurrence basis. The group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time, and a larger element of the claims provision relates to IBNR claims.

Uncertainty in the estimation of future benefits payments and premium receipts for insurance contracts arises from the unpredictability of long-term changes in variables such as the overall levels of mortality, accident level and the variability in policyholder behaviour.

The insurance liabilities have been made on the following principles:

Type of business	Valuation method
Individual risk business	Gross premium valuation approach
Individual deposit-based business (FlexiSave)	Deposit reserve: account balance at valuation date Risk reserve: gross premium
Group life and group school fees	UPR + IBNR
Group credit life	UPR + IBNR + expense reserve
Daily term assurance	Loss ratio estimation
Non-life business	Basic chain ladder + loss ratio estimation + Bornhuetter-Ferguson method

3.3.1 Individual business

A gross premium method was used for individual risk business. This is a monthly cash-flow projection approach taking into account the incidence of all expected future cash flows including office premiums, expenses and benefit payments satisfying the liability adequacy test.

For the endowment plans the portfolio reserves were tested to ensure they were at least as high as the surrender values at the valuation date. The FlexiSave Plan offers an accidental death and funeral benefit, which is payable in addition to the account balance on the occurrence of an accidental death. The cost of cover is met by explicit risk premiums, which are deducted from the contributions made by policyholders. The life cover element of the FlexiSave policies (and corresponding risk premiums) was unbundled from the deposit components and reserves calculated via a gross premium cash-flow approach as described above. This reserve calculation also considers the expected future expense cash flows.

Interest is allocated to policyholders' FlexiSave accounts at a rate of 2% below the monetary policy rate (MPR). In order to accurately consider the potential cost of the life cover to the group from this product (and hence the reserves that should be held) the policyholder funds were projected; this enabled a comparison of the expected future income to the group from the policy (the investment return not allocated to policyholder accounts and risk premiums) to the expected future outgoings (death benefits and expenses). A reserve is then set up to meet any shortfalls.

Life cover is only available for 'active' policies, being those that paid a premium in the year. The risk reserves will allow for future life cover on policies that are active at the valuation date. Policyholders are able to reinstate their life cover by paying any outstanding premiums. Allowance for reinstated policies are made within the additional reserves.

3.3.2 Group business

Reserves for group life business comprise an unexpired premium reserve (UPR) and, where necessary, a reserve for IBNR claims to allow for the delay in reporting of claims.

UPR represents the unexpired portion of the premium for each scheme, net of an expense margin reflecting the acquisition cost loadings. The adequacy of UPR has been tested by comparing it against an AURR, which has been calculated using pooled industry claims data for the underlying assumptions. AURR will be held in cases where UPR is deemed insufficient to meet claims in respect of the unexpired period.

A loss ratio approach (basic chain ladder in 2013) has been used for IBNR reserving, which considers the pattern of claims emerging.

No separate reserve is proposed for claims-handling costs for group life business as these are typically insignificant in size. Costs incurred are absorbed as part of the general business management costs.

Due to the limited nature of data captured for credit life business, the cash-flow projection approach could not be used for reserving. Instead reserves have been estimated via an unexpired premium reserve plus an allowance for IBNR where necessary, and unexpired future operating expenses.

3.3.3 Non-life business

Depending on the volume of data in the reserving classes, the appropriate methodologies were used. Three methods were used for the projection of claims. The basic chain ladder method (BCL), a loss ratio method adjusted for assumed experience to date and, in more recent years where the claim development seems different than in the past, a Bornhuetter-Ferguson method was used based on loss ratios that have been experienced in past accident years.

Claims data was grouped into triangles by accident year or quarter and payment year or quarter. The choice between quarters or years was based on the volume of data in each segment. Payment development patterns were used instead of the reporting years' patterns to allow for the longer tail development that would be seen in reporting and payment delays as well as to allow for the movement of partial payments in the data.

There was insufficient data to subdivide claims between large and small claims. Subdividing the data would reduce the volume of the data in the triangles and compromise its credibility. Extremely large claims, however, were removed from the triangulations to avoid distorting development patterns.

Basic chain ladder method (BCL)

Development factors were calculated using the last three, four and five years of data by accident year or quarter. Ultimate development factors are calculated for each of the permutations. Development patterns are selected by taking into account the stability of the loss ratios between accident periods for a development period as well as considering whether there seems to be a change in development, for example a quickening in the rate that claims are paid. Ultimate development factors are applied to the paid data per accident year or quarter and an ultimate claim amount is calculated. The future claims (the ultimate claim amount less paid claims to date) are allocated to future payment periods in line with the development patterns calculated above. The outstanding claims reported to date are then subtracted from the total future claims to give the resulting IBNR figure per accident year or quarter.

For cases where there were extremely large losses that had been reported but not paid, and therefore would not have influenced the development patterns, the total claim reserve was excluded from the calculation of the IBNR.

That is:

Ultimate claim amount (excluding extremely large losses)	XX
Less: paid claims to date	(XX)
Less: claims outstanding (excluding extremely large losses)	(XX)
IBNR	XX

The BCL method assumes that past experience is indicative of future experience, i.e., that claims reported to date will continue to develop in a similar manner in the future.

An implicit assumption is that, for an immature accident year, the claims observed thus far tell you something about the claims yet to be observed.

A further assumption is that it assumes consistent claim processing, a stable mix of types of claim, stable inflation and stable policy limits.

Loss ratio method
For four of the classes, namely oil and gas, marine hull, bond and aviation, there was very limited data. A BCL method was therefore inappropriate. We allowed for expected experience to date and the assumed average ultimate loss ratios in carrying out the calculation.

Average delay durations were calculated from the data provided. In the absence of any data, various options were provided.

The IBNR reserve rate is then calculated as:

Expected percentage of claims still to arise in future based on average delay	XX
Multiplied by: average ultimate loss ratio assumed	XX
Multiplied by: earned premium for the current year	XX
IBNR	XX

We assumed that the average delay in the reporting of claims will continue into the future. If it is expected that this assumption no longer exists, an adjustment would need to be made to allow for this change in reporting. If the average delay is expected to have increased from the previous year, the results shown in this report will be understated.

Additionally, we had to estimate of the average ultimate loss ratio, which we based on the historical claims for accidents in 2013 and 2014. We aim to collate a wider history of written premiums so we can base our initial estimates for the loss ratio on our experience for a wider range of years.

3.4 PROCESS USED TO DECIDE ON ASSUMPTIONS

3.4.1 Valuation interest rate

The valuation interest rate is based on current market risk-free yields with adjustments. The use of a risk-free rate also implies that future investment margins (in excess of the risk-free return) will not be capitalised upon, which satisfies paragraph 27 of IFRS 4. Further the result is a 'fair value' liability calculation, which aids the comparability of accounts between insurers.

A gross valuation interest rate of 14.75% per annum was adopted for all long-term business, which has been applied as a single long-term rate of return. As at 23 December 2014, Federal Government of Nigeria (FGN) bond yields of duration between five and 20 years were around 15%. The 20-year FGN bond yield was 15.2%. By comparison long-term bonds were yielding 13% at December 2013.

For the purpose of determining the valuation interest rate, a 5% risk adjustment has been applied, i.e., 95% of the long-term bond yield has been adopted as a risk-adjusted yield. This makes some allowance for the volatility of the 'risk free' yields. By adopting 95% of the closing yield, the valuation interest rate is in line with the average yields over 2014 (five- to 20-year bonds).

	Rate
Long-term FGN bond yield	15.00%
Less 0.25% risk adjustment	(0.25%)
Gross valuation rate	14.75%

The valuation interest rates for the individual risk products are as follows:

Type of business	Current valuation	Previous valuation
Risk products	14.75%	12.50%
Risk reserves for deposit-based policies	14.75%	12.50%

3.4.2 Expenses

The group makes provisions for expenses in its mathematical reserves of an amount that is not less than the amount expected to be incurred in fulfilling its long-term insurance contracts. IFRS 4 explicitly requires the consideration of claims-handling expenses.

Future maintenance expenses

The regulatory maintenance expenses are derived from the best-estimate maintenance expenses plus a prudence margin for adverse deviations. The best-estimate maintenance expenses are calculated as the sum of the following:

- per policy maintenance charges; and
- allocated operating expenses.

The regulatory maintenance expense assumptions (per policy) are derived by adding a 10% additional prudent margin to the best-estimate maintenance expenses to give the required assumption. This has consistently been adopted for IFRS purposes.

The group performed an expense analysis during the year, which suggests actual expense experience over the year of:

- individual life: ₦4,277 per policy;
- credit life: ₦211 per policy; and
- group life: 59% of premium.

The group adopted a valuation expense assumption for individual business of ₦5,000 per policy per annum, and ₦250 per policy per annum for credit life business.

The valuation expense assumptions are as follows:

Type of business	Current valuation ₦ per policy	Previous valuation ₦ per policy
Individual life	5,000	3,500
Credit life	250	115

3.4.3 Expense inflation

The above expenses are subject to inflation at 8% per annum. Consumer price inflation at 31 December 2014 was 7.9%. Both the expense inflation and expense assumption will be actively reviewed in subsequent valuations once more experience data and an expense analysis are made available.

3.4.4 Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into group's experience over the most recent three years is performed, and statistical methods are used to adjust the rates reflected in the table to a best estimate of mortality for that year.

The A6770 (Assured Lives 1967–70) mortality table without adjustment was adopted in the valuation. A mortality study was conducted in 2011 using industry mortality experience data, which demonstrated a good fit to the A6770 table.

Future mortality improvements

No allowance is proposed for future mortality improvements. The group does not currently write annuity contracts, hence there is no business for which there is exposure to longevity risk.

3.4.5 Withdrawals

Withdrawals comprise both surrenders (voluntary) and lapses (involuntary). Surrenders are acceptable under the cash-flow and FlexiSave plans, after policies have been in force for a predefined length of time (when policies become eligible to receive a surrender value payout). Where eligible the FlexiSave surrender values are based on the account balances.

Surrender rate was not applied in the current valuation. However the reserves for the cash-flow plans will be subjected to a minimum floor of the surrender value at the valuation date.

3.4.6 Lapses

No allowance for lapses or surrenders is currently being made in the valuation as there were no lapses for business written in 2014 while lapses overall were on the low side for existing business. Further, many of the products in force have been written to provide no payout on surrender within the first two years, which may lead to a reduction in reserve on consideration of lapses/surrenders.

i) For individual policies the valuation age has been taken as age last birthday at the valuation date. The period to maturity has been taken as the full term of the policy less the expired term. Full credit has been taken for premiums due between the valuation date and the end of the premium-paying term
ii) The valuation of the liabilities was made on the assumption that premiums have been credited to the accounts as they fall due, according to the frequency of the particular payment
iii) No specific adjustment has been made for immediate payment of claims
iv) No specific adjustment has been made for expenses after premiums have ceased in the case of limited payment policies, i.e., they have been allocated at the same level of expenses as premium-paying policies
v) No allowance has been made for lapses or surrenders
vi) For all protection business any negative reserves were set to zero to prevent policies being treated as assets. Negative reserves were permitted for endowment plans for policies with no surrender value at the valuation date
vii) Any policies subject to substandard terms were valued using the same basis as standard policies.

3.4.7 Group and credit life businesses

UPRs are reduced by a margin representing acquisition expenses, as these have been loaded into rates, yet they have already been incurred.

An acquisition expense ratio of 30% of gross premiums was adopted. Group life commission was paid at 9% of premiums and a NAICOM (regulatory) fee was payable of 1% of premiums, stamp duty of 0.15% and management expenses.

The following assumptions were adopted for the credit life valuation:

i) where no effective (start) date has been provided, the credit dates were assumed;
ii) where no end date or tenor has been provided a tenor of 30 months was assumed; this is in line with the average policy term where data has been provided;
iii) UPR was based on the net premiums, where net premiums are reported after the deduction of commission; and
iv) IBNR reserve was estimated based on an average claims notification delay period of three months, which was derived from the claims experience data.

Additional contingency reserves were made in addition to those provided for long-term business. These contingencies are considered as standard for the 12 months following the valuation date, i.e., short-term contingency only. Other liabilities such as expense and data contingency reserves have been estimated as necessary using the information available and reported in the main valuation. The assumptions used for these estimates are summarised in the table below:

All business group	2014	2013
Expense overrun	10%	10%
Worsening of mortality experience	10%	10%

3.4.8 Reinsurance agreements

Reinsurance is allowed for in the valuation by having gross and reinsurance ceded records in the policy files. All reserves have been reported gross of reinsurance, with the value of the reinsurance asset reported separately.

3.4.9 Changes in assumptions

The group did not change its assumptions for the insurance contracts.

3.5 INSURANCE AND MARKET RISK SENSITIVITIES

The sensitivity analysis of insurance and market risk is used as it provides a detailed understanding of the risks inherent in the business and to help develop a risk monitoring and management framework to ensure the risks remain within limits, taking into account the available capital and shareholder risk tolerance levels.

The 'assumption changes' component of the analysis of change in the table below shows the impact on liabilities of the actual assumption changes made over the year.

The sensitivity analysis was performed using the variables listed below:

a) valuation interest (discount) rate (VIR) +/- 1%;

b) expenses +/- 10%;

c) expense inflation +/- 2%; and

d) mortality +/- 5% (including group life).

Group 2014									
₦'000	Base	VIR		Expenses		Expense inflation		Mortality	
		1%	(1%)	10%	(10%)	2%	(2%)	5%	(5%)
Individual risk reserves	1,926,556	1,542,475	2,310,637	1,994,083	1,861,321	1,958,629	1,899,480	1,935,681	1,917,822
Individual savings	2,875,334	2,875,334	2,875,334	2,875,334	2,875,334	2,875,334	2,875,334	2,875,334	2,875,334
Group life – UPR incl. AURR	136,813	136,813	136,813	136,813	136,813	136,813	136,813	136,813	136,813
General business – UPR incl. AURR	12,829	12,829	12,829	12,829	12,829	12,829	12,829	12,829	12,829
Group life - IBNR	73,953	73,953	73,953	73,953	73,953	73,953	73,953	73,953	73,953
Group credit life	765,348	765,348	765,348	770,868	759,829	765,348	765,348	765,348	765,348
Additional reserves	900,339	899,994	900,690	904,687	895,992	900,752	899,924	901,277	899,402
Reinsurance	(11,595)	(11,595)	(11,595)	(11,595)	(11,595)	(11,595)	(11,595)	(11,595)	(11,595)
Net liability	6,679,577	6,295,151	7,064,009	6,756,972	6,604,476	6,712,063	6,652,086	6,689,640	6,669,906
% change in net liability	-	94.2%	105.8%	101.2%	98.9%	100.5%	99.6%	100.2%	99.9%
Assets	8,734,453	8,734,453	8,734,453	8,734,453	8,734,453	8,734,453	8,734,453	8,734,453	8,734,453
Surplus/(deficit)	2,054,876	2,439,302	1,670,444	1,977,481	2,129,977	2,022,390	2,082,367	2,044,813	2,064,547

Company 2014									
₦'000	Base	VIR		Expenses		Expense inflation		Mortality	
		1%	(1%)	10%	(10%)	2%	(2%)	5%	(5%)
Individual risk reserves	1,926,556	1,542,475	2,310,637	1,994,083	1,861,321	1,958,629	1,899,480	1,935,681	1,917,822
Individual savings	2,875,334	2,875,334	2,875,334	2,875,334	2,875,334	2,875,334	2,875,334	2,875,334	2,875,334
Group life - UPR incl. AURR	136,813	136,813	136,813	136,813	136,813	136,813	136,813	136,813	136,813
Group life - IBNR	73,953	73,953	73,953	73,953	73,953	73,953	73,953	73,953	73,953
Group credit life	765,348	765,348	765,348	770,868	759,829	765,348	765,348	765,348	765,348
Additional reserves	900,339	899,994	900,690	904,687	895,992	900,752	899,924	901,277	899,402
Reinsurance	(11,595)	(11,595)	(11,595)	(11,595)	(11,595)	(11,595)	(11,595)	(11,595)	(11,595)
Net liability	6,666,748	6,282,322	7,051,180	6,744,143	6,591,647	6,699,234	6,639,257	6,676,811	6,657,077
% change in net liability	-	94.2%	105.8%	101.2%	98.9%	100.5%	99.6%	100.2%	99.9%
Assets	7,399,856	7,399,856	7,399,856	7,399,856	7,399,856	7,399,856	7,399,856	7,399,856	7,399,856
Surplus/(deficit)	733,108	1,117,534	348,676	655,713	808,209	700,622	760,599	723,045	742,779

Company 2013									
₦'000	Base	VIR		Expenses		Expense inflation		Mortality	
		1%	(1%)	10%	(10%)	2%	(2%)	5%	(5%)
Individual risk reserves	1,027,574	966,372	1,106,863	1,063,591	992,780	1,044,681	1,013,133	1,032,441	1,022,916
FlexiSave deposits	1,223,105	1,223,105	1,223,105	1,223,105	1,223,105	1,223,105	1,223,105	1,223,105	1,223,105
Group life - UPR	103,871	103,871	103,871	103,871	103,871	103,871	103,871	103,871	103,871
Group life - IBNR	316,772	316,772	316,772	316,772	316,772	316,772	316,772	316,772	316,772
Group credit life incl. school fees	1,021,878	1,021,708	1,022,054	1,025,929	1,017,830	1,022,085	1,021,673	1,022,345	1,021,413
Reinsurance	(42,627)	(42,627)	(42,627)	(42,627)	(42,627)	(42,627)	(42,627)	(42,627)	(42,627)
Net liability	3,650,573	3,589,201	3,730,038	3,690,641	3,611,731	3,667,887	3,635,927	3,655,907	3,645,450
% change in net liability	-	98.3%	102.2%	101.1%	98.9%	100.5%	99.6%	100.1%	99.9%
Assets	3,755,972	3,755,972	3,755,972	3,755,972	3,755,972	3,755,972	3,755,972	3,755,972	3,755,972
Surplus/(deficit)	105,399	166,771	25,934	65,331	144,241	88,085	120,045	100,065	110,522

Assumptions have been flexed on the basis used to calculate the value of in-force business and the realistic and statutory reserving bases. The mortality sensitivity shows the impact of reducing and increasing mortality rates on business to 95% and 105% respectively of the base rates. The expense inflation sensitivity result shows the impact of reducing and increasing expense inflation rates on business to 98% and 102% respectively of the base rates.

The expense sensitivity result shows the impact of reducing and increasing maintenance and acquisition expense rates to 90% and 110% respectively of the base rates. The valuation interest rate sensitivity result shows the impact of reducing and increasing the valuation interest rate to 99% and 101% respectively of the base rates.

3.6 SOLVENCY

The solvency level at the valuation date was 110% for the group and 107% for the company (2013: 103.1%). That is, the assets representing the life and non-life funds on the group's balance sheet (₦8.7 billion) were 110% of the valuation of the actuarially calculated net liabilities (₦7.9 billion), while assets representing the life fund on the company's balance sheet (₦7.4 billion) were 107% of the value of the actuarially calculated net liabilities (₦6.9 billion).

The assets backing the life and non-life funds are as follows:

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
FGN bonds	669,761	643,711	498,908
Treasury bills	7,207,572	6,349,051	2,626,700
Cash and bank balances	691,848	407,094	630,364
Investment properties	80,000	-	-
Investment in quoted equity	24,204	-	-
Investment in unquoted equity	61,068	-	-
Total	8,734,453	7,399,856	3,755,972

The assets adequately match the liabilities. In particular asset admissibility requirements and localisation rules in section 25 of the 2003 Insurance Act were met. The life fund showed a surplus of ₦490 million (2013: ₦105.4 million), while the life and non-life funds showed a surplus of ₦795 million.

4 MANAGEMENT OF FINANCIAL RISK

The group is exposed to various financial risks in connection with its current operating activities, such as foreign currency risk, interest rate risk, credit risk, market risk and liquidity risk. These risks contribute to the key financial risk that the proceeds from the group's financial assets are insufficient to fund the obligations arising from insurance and investment policy contracts.

The group manages these risks through the activities of the Board Audit, Compliance and Risk Committee and the Board Investment Committee. Each committee meets at least four times per annum to discuss financial risk issues. Management is responsible for implementing recommendations that have been agreed and reporting back to the relevant committee.

The Board Audit, Compliance and Risk Committee is a committee of the Board of FBN Insurance and is responsible for the implementation and monitoring of overall risk management, internal financial controls and financial and actuarial reporting within the group. The main responsibilities of this committee are:

i) setting and overseeing the overall standard for financial and actuarial reporting, risk management and internal controls within the group;

ii) monitoring the effectiveness of business risk management processes in the group;

iii) reviewing and assessing the quality of work done by the professionals responsible for financial and actuarial reporting, risk management and internal control; and

iv) engaging in discussions with external and internal auditors on the quality and acceptability of the control environment and reporting structures.

The Board Investment Committee is a management committee and is responsible for:

i) ensuring that insurance and investment contract liabilities are matched with appropriate supporting assets based on the type of benefits payable to the contract holders;

ii) ensuring that the long-term investment return on assets supporting policy liabilities are sufficient to fund policyholders' reasonable benefit expectations and shareholders' profit entitlement; and

iii) implementing and monitoring the asset management process to ensure that the risks arising from trading positions are effectively managed within the predetermined risk parameters.

4.1 MARKET RISK

The business's operations are exposed to market risk. Market risk arises from the uncertain movement in fair value or net asset value of the investments that stems principally from potential changes in sentiment towards the investment, the variability of future earnings that is reflected in the current perceived value of the investment and the fluctuations in interest rates and foreign currency exchange rates.

The acquisition of policyholders' assets is based on the design of the product and marketing descriptions. Within these parameters, investments are managed with the aim of maximising policyholder returns while limiting risk to acceptable levels within the framework of statutory requirements. The focus of risk measurement and management is to ensure that the potential risks inherent in an investment are reasonable for the future potential reward, exposure to investment risk is limited to acceptable levels, premium rates are adequate to compensate for investment risk and an adequate reserving policy is applied for long-term policy liabilities. The diverse product range requires a variety of approaches to the management of risk; these range from portfolio management practices and techniques such as the optimisation of expected risks and rewards based on investment objectives, to asset-liability matching in support of statement of financial position obligations.

The Board Investment Committee meets quarterly to set investment policy guidelines and to govern compliance to risk policies and limits. Comprehensive measures and limits are in place to control the exposure to market risk of the investments of the group. The aim is to ensure that appropriate assets are held where the liabilities are dependent upon the performance of specific portfolios of assets and that a suitable match of assets exists for all non-linked liabilities. Limits are applied in respect of the exposure to asset classes and individual counters. Where applicable, advice is sought from the asset manager on suitable amendments to the mandates, while senior management experience and judgement is applied to monitoring and controlling market risk.

4.1.1 Foreign exchange risk

The group is exposed to foreign exchange currency risk primarily through certain transactions denominated in foreign currency. The group is exposed to foreign currency denominated in US dollars through bank balances in other foreign currencies.

The group manages its exposure to foreign exchange currency risk using sensitivity analysis to assess the potential changes in the value of foreign exchange positions and the impact of such changes on the group's income. There have been no major changes from the previous year in the exposure to risk or the policies, procedures and methods used to measure the risk.

The carrying amounts of the group's foreign currency-denominated assets as at the end of the year are as follows:

		Group	Company	
Cash and bank balances	**Currency**	**2014 ₦'000**	**2014 ₦'000**	**2013 ₦'000**
	Dollars	**34,211**	**206**	2,484
	Euro	**3,812**	**-**	-

The table below shows the effect on profit as at 31 December 2014, from a ₦180/USD and ₦232.54/Eur closing rate, of a favourable/unfavourable change in US dollars against the naira when all other variables remain constant.

	Impact on PBT		
Changes in exchange rate	**Group**		**Company**
Increase/(decrease) by 1% (+/-)	380	2	25
Increase/(decrease) by 5% (+/-)	1,901	10	127

4.1.2 Interest rate risk

The group is exposed to interest rate risk through its investment in fixed income and money market instruments. Interest rate risk also exists in policies that carry investment guarantees on early surrender or at maturity, where claim values may be higher than the value of assets backing the policy as a result of rises or falls in interest rates. The group's investment income will change with interest rates over the medium to long term, with short-term interest rate fluctuations creating unrealised gains or losses in other comprehensive income. Interest rate risk is managed principally through monitoring interest rate gaps and sensitivity analysis across the investment portfolio.

The fluctuations in interest rates will not impact the financial position as interest rate-sensitive liabilities are quite small compared with the interest rate-sensitive assets.

The table below shows the interest rate sensitivity analysis as at 31 December 2014 when all other variables are held constant. A 100 and 500 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably likely changes in interest rates.

Group 2014 ₦'000	Total	1-3 months	3-6 months	6-12 months	>12 months
Interest-bearing assets					
Cash and bank balances	181,687	181,687	-	-	-
Investment securities	10,807,027	5,627,075	2,843,440	1,988,186	348,326
Statutory deposit	500,000	-	-	-	500,000
	11,488,714	5,808,762	2,843,440	1,988,186	848,326
Interest-bearing liabilities					
Investment contract liabilities	2,875,334	-	-	-	2,875,334
	2,875,334	-	-	-	2,875,334
Gap	8,613,380	5,808,762	2,843,440	1,988,186	(2,027,008)
Changes in interest rate			Impact on profit before tax		
Increase/(decrease) by 100bp (+/-)		58,088	28,434	19,882	(20,270)
Increase/(decrease) by 500bp (+/-)		290,438	142,172	99,409	(101,350)

Company 2014 ₦'000	Total	1-3 months	3-6 months	6-12 months	>12 months
Interest-bearing assets					
Cash and bank balances	30,009	30,009	-	-	-
Investment securities	9,485,320	4,784,657	2,541,150	1,835,038	324,475
Statutory deposit	200,000	-	-	-	200,000
	9,715,329	4,814,666	2,541,150	1,835,038	524,475
Interest-bearing liabilities					
Investment contract liabilities	2,875,334	-	-	-	2,875,334
	2,875,334	-	-	-	2,875,334
Gap	6,839,995	4,814,666	2,541,150	1,835,038	(2,350,859)
Changes in interest rate			Impact on profit before tax		
Increase/(decrease) by 100bp (+/-)		48,147	25,412	18,350	(23,509)
Increase/(decrease) by 500bp (+/-)		240,733	127,058	91,752	(117,543)

Company 2013 ₦'000	Total	1-3 months	3-6 months	6-12 months	>12 months
Interest-bearing assets					
Cash and bank balances	504,038	504,038	-	-	-
Investment securities	6,496,850	2,531,502	2,889,910	287,442	787,996
Statutory deposit	200,000	-	-	-	200,000
	7,200,888	3,035,540	2,889,910	287,442	987,996
Interest-bearing liabilities					
Investment contract liabilities	1,223,105	-	-	-	1,223,105
	1,223,105	-	-	-	1,223,105
Gap	5,977,783	3,035,540	2,889,910	287,442	(235,109)

Changes in interest rate		**Impact on profit before tax**		
Increase/(decrease) by 100bp (+/-)	3,909	3,551	462	7,544
Increase/(decrease) by 500bp (+/-)	19,546	17,753	2,308	(45,345)

4.1.3 Equity price risk

The group is exposed to equity price risks arising from equity investments. Equity investments are held as available-for-sale instruments. All of the group's equity investments are designated at fair value through other comprehensive income. Based on the volatility of quoted stocks, the group monitors the contribution of individual stock to the total stockholding in a portfolio. Should there be a drastic drop in price of one equity the effect on the portfolio will not be significant.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, the group's other comprehensive income would increase/decrease by ₦2.4 million (company 2013: ₦5.8 million) as a result of the changes in fair value of investments in equity instruments.

4.2 CREDIT RISK

Credit risk arises from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations. The group determines counterparty credit quality by reference to ratings from independent ratings agencies or, where such ratings are not available, by internal analysis. The group seeks to avoid unacceptable concentration of credit risk to groups of counterparties, to business sectors, product types, etc.

Key areas where the group is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;
- amounts due from loans and receivables; and
- amounts due from money market and cash positions.

The group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved by the Executive Management Committee.

Reinsurance is used to manage insurance risk. This does not, however, discharge the group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to the finalisation of any contract.

The group's financial instruments do not represent a concentration of credit risk because the business deals with a variety of reinsurers and its premiums receivable and loans are spread among a number of major industries, customers and geographic areas. Amounts receivable in terms of long-term insurance business are secured by the underlying value of the unpaid policy benefits in terms of the policy contract. An appropriate level of provisioning is maintained.

The group manages its exposure to credit risk from counterparty risk from established limits as approved by the Board. These limits are determined based on the credit rating of the counterparty among other factors. The investment portfolio is monitored on a monthly basis.

Exposure outside financial institutions concerning deposits and similar transactions are monitored against approved limits. In order to monitor the credit risk exposure, FBN Capital was appointed as the fund manager of the group. FBN Capital manages the investment securities of the group under an investment management service contract. The contract specifies that all statutory and regulatory guidelines are duly complied with. The group has ensured that its portfolio is spread across different classes of risk to ensure maximum return and mitigate investment risk.

4.2.1 Maximum exposure to credit risk before collateral and other credit enhancements

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Cash and bank balances	720,605	407,094	4,028,922
Investment securities	11,292,547	9,970,841	6,496,850
Trade receivables	135,767	8,406	14,788
Reinsurance assets	145,719	33,951	33,986
Other receivables	19,606	7,498	49,291
Statutory deposit	500,000	200,000	200,000
	12,814,243	10,627,790	10,823,837

4.2.2 Credit quality of financial assets

All assets except 'trade receivables' in the financials are classified as 'neither past due nor impaired'. Credit quality of trade receivables is summarised as follows:

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Neither past due nor impaired	135,767	8,406	14,788
Individually impaired	3,492	-	176,639
Gross	139,259	8,406	191,427
Less: allowance for impairment	(3,492)	-	(176,639)
Net	135,767	8,406	14,788

No trade receivable balance was past due but not impaired.

4.2.3 Credit quality of financial assets neither past due nor impaired

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to internal credit ratings or to historical information about counterparty default rates.

Internal credit rating system

Rating bucket	Description		Range of scores		Probability of default
AAA	Extremely low risk	1	1.00–1.99	90–100%	1%
AA	Very low risk	2	2.00–2.99	80–89%	1%
A	Low risk	3	3.00–3.99	70–79%	1.5%
BBB	Low risk	4	4.00–4.99	60–69%	2%
BB	Acceptable - moderately high risk	5	5.00–5.99	50–59%	4%
B	High risk	6	6.00–6.99	40–49%	6%
CCC	Very high risk	7	7.00–7.99	30–39%	9%
CC	Extremely high risk	8	8.00–8.99	10–29%	13%
C	High likelihood of default	9	9.00–9.99	0–9%	15%
D	Default risk	10			
D	Sub-standard				25%
D	Doubtful				50%
D	Lost				100%

Group 2014 ₦'000	AAA	AA	A	BB	CC	Total
Policyholder portfolio						
Cash and bank balances	-	-	691,848	-	-	691,848
Investment securities	7,962,604	-	-	-	-	7,962,604
Total	7,962,604	-	691,848	-	-	8,654,452
Shareholder portfolio						
Investment securities	3,329,943	-	-	-	-	3,329,943
Reinsurance assets	-	145,719	-	-	-	145,719
Other receivables	-	19,606	-	-	-	19,606
Statutory deposit	500,000	-	-	-	-	500,000
Total	3,829,943	165,325	-	-	-	3,995,268

Company 2014 ₦'000	AAA	AA	A	BB	CC	Total
Policyholder portfolio						
Cash and bank balances	-	-	407,094	-	-	407,094
Investment securities	6,992,762	-	-	-	-	6,992,762
Total	6,992,762	-	407,094	-	-	7,399,856
Shareholder portfolio						
Investment securities	2,978,079	-	-	-	-	2,978,079
Reinsurance assets	-	-	33,951	-	-	33,951
Other assets	-	7,498	-	-	-	7,498
Statutory deposit	200,000	-	-	-	-	200,000
Total	3,178,079	7,498	33,951	-	-	3,219,528

Company 2013 ₦'000	AAA	AA	A	BB	CC	Total
Policyholder portfolio						
Cash and bank balances	-	-	630,364	-	-	630,364
Investment securities	2,626,700	-	-	-	-	2,626,700
Trade receivables	-	-	-	14,788	-	14,788
Reinsurance assets	-	-	33,986	-	-	33,986
Total	2,626,700	-	664,350	14,788	-	3,305,838
Shareholder portfolio						
Cash and bank balances	-	-	3,398,558	-	-	3,398,558
Investment securities	3,986,836	-	-	-	-	3,986,836
Other assets	-	49,291	-	-	-	49,291
Statutory deposit	200,000	-	-	-	-	200,000
Total	4,186,836	49,291	3,398,558	-	-	7,634,685

4.2.4 Concentration of credit risk exposure

(a) Geographical sectors

The concentration of credit risk exposure is all in Nigeria.

(b) Industry sector

The following table breaks down the group's credit exposure at carrying amounts, as categorised by the industry sectors of the group's counterparties.

Group	2014			
	Premium receivable ₦'000	Investment securities ₦'000	Other receivable ₦'000	Total ₦'000
Finance and insurance	-	-	885,929	885,929
Public sector	135,767	11,292,547	500,000	11,928,314
	135,767	11,292,547	1,385,929	12,814,243

Company	2014				2013			
	Premium receivable ₦'000	Investment securities ₦'000	Other receivable ₦'000	Total ₦'000	Premium receivable ₦'000	Investment securities ₦'000	Other receivable ₦'000	Total ₦'000
Finance and insurance	-	-	448,543	448,543	46,197	-	4,028,922	4,075,119
Manufacturing	-	-	-	-	2,577	-	-	2,577
Public sector	8,406	9,970,841	200,000	10,179,247	-	6,496,850	200,000	6,696,850
Retail services	-	-	-	-	-	-	154,902	154,902
	8,406	9,970,841	648,543	10,627,790	48,774	6,496,850	4,383,824	10,929,448

4.2.5 Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position. As at year end, none of these agreement arrangements met the criteria for offsetting in the statement of financial position.

Reinsurance payable and receivables create for the parties to the agreement a right of set-off on recognised amounts that is enforceable only following a predetermined events as stipulated within the treaty agreements. Under the requirements of 'IFRS 4 - Insurance contract', reinsurance assets and liabilities are disclosed gross. Each party to the agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. An event of default includes a failure by a party to make payment when due.

Group 2014	Related amounts not offset in the statement of financial position					
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements	Gross amount of recognised financial asset	Gross amount of financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
Reinsurance receivables	557,835	-	557,835	(28,118)	-	529,717

	Related amounts not offset in the statement of financial position					
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements	Gross amount of recognised financial liabilities	Gross amount of financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments (including non-cash cash collateral)	Cash collateral received	Net amount
Trade payables	28,118	-	28,118	(28,118)	-	-

Group 2014	Related amounts not offset in the statement of financial position					
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements	Gross amount of recognised financial asset	Gross amount of financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
Reinsurance receivables	45,546	-	45,546	(28,118)	-	17,429

	Related amounts not offset in the statement of financial position					
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements	Gross amount of recognised financial liabilities	Gross amount of financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
Reinsurance payables	28,118	-	28,118	(28,118)	-	-

Company 2013	Related amounts not offset in the statement of financial position					
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements	Gross amount of recognised financial asset	Gross amount of financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
Reinsurance receivables	33,986	-	33,986	(5,531)	-	28,455

	Related amounts not offset in the statement of financial position					
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements	Gross amount of recognised financial asset	Gross amount of financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
Reinsurance payables	5,531	-	5,531	(5,531)	-	-

4.3 LIQUIDITY RISK

Liquidity risk is the risk that the group is unable to meet its obligations when they fall due as a result of policyholder benefit payments, cash requirements from contractual commitments, or other cash outflows, such as debt maturities. Such outflows would deplete available cash resources for operational, trading and investment activities. In extreme circumstances, lack of liquidity could result in reductions in the consolidated balance sheet and sales of assets, or potentially an inability to fulfil policyholder commitments. The risk that the group will be unable to do so is inherent in all insurance operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Monitoring and reporting take the form of cash-flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for these projections is an analysis of the undiscounted contractual cash flow at maturity of the financial liabilities and the expected collection date of the financial assets.

All policyholder funds are invested in appropriate assets to meet the reasonable benefit expectations of policyholders, which include the expectation that funds will be available to pay out benefits as required by the policy contract. The disclosure in note 6 demonstrates that the group has significant liquid resources. The value for policyholders' liabilities and the assets backing them are as per the carrying amount in the statement of financial position.

The maturity profile of the total policyholders' liabilities and assets backing them is shown below:

Group 2014	Carrying amount	0–3 months	3–9 months	9 months to 1 year	1–5 years	>5 years	Total
Trade payables	28,118	28,118	-	-	-	-	28,118
Other liabilities	385,371	385,371	-	-	-	-	385,371
Investment contract liabilities	2,875,334	-	-	-	2,875,334	-	2,875,334
Total financial liabilities	3,288,822	413,488	-	-	2,875,334	-	3,288,823
Cash and bank balances	720,605	720,605	-	-	-	-	720,605
Investment securities	11,292,547	6,062,987	4,849,079	580,990	168,564	249,070	11,910,690
Trade receivables	135,767	135,767	-	-	-	-	135,767
Reinsurance assets	557,835	557,835	-	-	-	-	557,835
Other receivables	19,606	19,606	-	-	-	-	19,606
Total financial assets	12,726,360	7,496,799	4,849,079	580,990	168,564	249,070	13,344,503
Net financial assets and liabilities	9,437,538	7,083,311	4,849,079	580,990	(2,706,770)	249,070	10,055,680
Insurance contract liabilities – life fund	5,064,165	556,686	-	902,406	3,605,073	-	5,064,165
Net policyholders' assets and liabilities	4,373,373	6,526,624	4,849,079	(321,416)	(6,311,843)	249,070	4,991,515
Company 2014							
Trade payables	28,117	28,117	-	-	-	-	28,117
Other liabilities	4,070,381	4,070,381	-	-	-	-	4,070,381
Investment contract liabilities	2,875,334	-	-	-	2,875,334	-	2,875,334
Total financial liabilities	6,973,832	4,098,498	-	-	2,875,334	-	6,973,832
Cash and bank balances	407,094	407,094	-	-	-	-	407,094
Investment securities	9,970,841	6,060,528	4,392,452	580,990	118,875	204,300	11,357,145
Trade receivables	8,406	8,406	-	-	-	-	8,406
Reinsurance assets	45,546	45,546	-	-	-	-	45,546
Other receivables	7,498	7,498	-	-	-	-	7,498
Total financial assets	10,439,385	6,529,072	4,392,452	580,990	118,875	204,300	11,825,689
Net financial assets and liabilities	3,465,553	2,430,574	4,392,452	580,990	(2,756,459)	204,300	4,851,857
Insurance contract liabilities – life fund	4,034,439	231,430	-	197,936	3,605,073	-	4,034,439
Net policyholders' assets and liabilities	(568,886)	2,199,144	4,392,452	383,054	(6,361,532)	204,300	817,418

Company 2013	Carrying amount	0-3 months	3-9 months	9 months to 1 year	1-5 years	>5 years	Total
Trade payables	5,531	5,531	-	-	-	-	5,531
Other liabilities	3,894,009	313,997	3,580,012	-	-	-	3,894,009
Investment contract liabilities	1,223,105	-	-	-	1,147,525	75,580	1,223,105
Total financial liabilities	5,122,645	319,528	3,580,012	-	1,147,525	75,580	5,122,645
Cash and bank balances	4,028,922	4,037,144	-	-	-	-	4,037,144
Investment securities:							
Held to maturity	6,496,850	2,594,332	3,012,139	466,598	770,365	228,600	7,072,034
Trade receivables	14,788	14,788	-	-	-	-	14,788
Reinsurance assets	33,986	33,986	-	-	-	-	33,986
Other receivables	154,902	154,902	-	-	-	-	154,902
Total financial assets	10,729,448	6,835,152	3,012,139	466,598	770,365	228,600	11,312,854
Net financial assets and liabilities	5,606,803	6,515,624	(567,873)	466,598	(377,160)	153,020	6,190,209
Insurance contract liabilities – life fund	2,427,468	156,784	-	671,098	1,194,757	404,829	2,427,468
Net policyholders' assets and liabilities	3,179,335	6,358,840	(567,873)	(204,500)	(1,571,917)	(251,809)	3,762,741

The maturity of non-derivative financial liabilities and financial assets has been compiled based on undiscounted cash flows, which include estimated interest payments.

4.4 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of equity utilisation and to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk. The group's overall strategy remains unchanged since the inception of the business in 2010.

The table below summarises the minimum required capital and the regulatory capital held against each of them. These figures are an aggregate number, being the sum of the statutory capital and surplus. The capital structure of the group consists of equity (comprising issued capital, reserves and retained earnings) as detailed in notes 23 to 26.

The company is subjected to a minimum capital requirement of ₦2 billion by the Insurance Act 2004 (Amended 2009).

The group's Board Audit, Compliance and Risk Committee reviews the capital structure of the group on an ongoing basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

The group manages the capital structure and makes adjustments to it in light of the changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares.

During the period, the group was compliant with all capital requirements.

The group's share capital as at 31 December 2014 was ₦3,480,000,000 (2013: ₦3,480,000,000). The company was in compliance with the minimum capital requirement of ₦2 billion as stipulated by the Insurance Act.

Capital for the reporting periods under review is summarised as follows:

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Paid-up share capital	3,480,000	3,480,000	3,480,000
Contingency reserve	216,462	202,885	107,566
Fair value reserves	(72,608)	(68,645)	15,323
Retained earnings	623,440	631,362	78,738
	4,247,294	4,245,602	3,681,627

4.5 MEASUREMENT BASIS OF FINANCIAL ASSETS AND LIABILITIES

Group	2014		
	Fair value ₦'000	Amortised cost ₦'000	Total ₦'000
Cash and bank balances	-	720,605	720,605
Investment securities	11,603,305	348,326	11,951,631
Trade receivables	-	135,767	135,767
Reinsurance assets	-	145,719	145,719
Other assets	-	19,606	19,606
Statutory deposit	-	500,000	500,000
Total financial assets	11,603,305	1,870,022	13,473,327
Financial liabilities			
Other liabilities	-	4,125,423	4,125,423
Investment contract liabilities	-	2,875,334	2,875,334
Total financial liabilities	-	7,000,757	7,000,757

Company	2014			2013		
	Fair value ₦'000	Amortised cost ₦'000	Total ₦'000	Fair value ₦'000	Amortised cost ₦'000	Total ₦'000
Cash and bank balances	-	407,094	407,094	-	438,849	438,849
Investment securities	9,646,366	324,475	9,970,841	-	10,056,336	10,056,336
Trade receivables	-	8,406	8,406	-	321,724	321,724
Reinsurance assets	-	33,951	33,951	-	33,951	33,951
Other assets	-	7,498	7,498	-	350,229	350,229
Statutory deposit	-	200,000	200,000	-	200,000	200,000
Total financial assets	9,646,366	981,424	10,627,790	-	11,401,089	11,401,089
Financial liabilities						
Other liabilities	-	4,070,381	4,070,381	-	333,089	333,089
Insurance contract liabilities – deposit administration	-	2,875,334	2,875,334	-	1,223,105	1,223,105
Total financial liabilities	-	6,945,715	6,945,715	-	1,556,194	1,556,194

4.6 MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

The group measures fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable 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 techniques in which all significant inputs are directly or indirectly observable from market data. All Level 2 valuations were derived using either the net present value and discounted cash-flow models or comparison with similar instruments for which market observable prices exist.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument'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.

There were no transfers from Level 1 to Level 2 or between Level 2 or Level 3 of the fair value hierarchy during the year.

4.6.1 Fair value of financial assets and liabilities

The table below summarises the carrying amounts and fair values of the financial assets and liabilities.

	Group		Company			
	2014		2014		2013	
	Carrying value ₦'000	Fair value ₦'000	Carrying value ₦'000	Fair value ₦'000	Carrying value ₦'000	Fair value ₦'000
Financial assets						
Statutory deposit	500,000	500,000	200,000	200,000	200,000	200,000
Cash and bank balances	720,605	720,605	407,094	407,094	4,028,922	4,028,922
Investment securities:						
Held to maturity	348,326	318,890	324,475	295,040	6,496,850	6,465,812
Available for sale	11,554,897	11,554,897	9,646,366	9,646,366	116,686	116,686
Financial assets designated at fair value	48,408	48,408	-	-	-	-
Trade receivables	135,767	135,767	8,406	8,406	14,788	14,788
Reinsurance assets	145,719	145,719	33,951	33,951	33,986	33,986
Other receivables	19,606	19,606	7,498	7,498	154,902	154,902
Total	13,473,327	13,443,891	10,627,790	10,598,355	11,046,134	11,015,096
Financial liabilities						
Trade payables	28,118	28,118	28,117	28,117	5,531	5,531
Other liabilities	385,371	385,371	330,330	330,330	3,894,009	3,894,009
Investment contract liabilities	2,875,334	2,875,334	2,875,334	2,875,334	1,223,105	1,223,105
Total	3,288,823	3,288,823	3,233,781	3,233,781	5,122,645	5,122,645

4.6.2 Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

Group 2014	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Investment securities:				
Financial assets designated at fair value	48,408	-	-	48,408
Available-for-sale investment	10,944,222	-	610,675	11,554,897
	10,992,630	-	610,675	11,603,305
Company 2014				
Financial assets				
Investment securities:				
Available-for-sale investment	9,646,366	-	-	9,646,366
	9,646,366	-	-	9,646,366
Company 2013				
Financial assets				
Investment securities:				
Available-for-sale investment	116,686	-	-	116,686
	116,686	-	-	116,686

4.6.3 Financial instruments not measured at fair value – fair value hierarchy

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

Group 2014	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets					
Cash and bank balances	538,918	181,687	-	720,605	720,605
Investment securities:					
Held to maturity	348,326	-	-	348,326	348,326
Trade receivables	-	135,767	-	135,767	135,767
Reinsurance assets	-	145,719	-	145,719	145,719
Other receivables	-	19,606	-	19,606	19,606
Statutory deposit	-	500,000	-	500,000	500,000
	887,244	982,778	-	1,870,022	1,870,022
Financial liabilities					
Trade payables	-	28,118	-	28,118	28,118
Other liabilities	-	385,371	-	385,371	385,371
Investment contract liabilities	-	2,875,334	-	2,875,334	2,875,334
	-	3,288,822	-	3,288,822	3,288,822
Company 2014					
Financial assets					
Cash and bank balances	377,085	30,009	-	407,094	407,094
Investment securities:					
Held to maturity	324,475	-	-	324,475	324,475
Trade receivables	-	8,406	-	8,406	8,406
Reinsurance assets	-	33,951	-	33,951	33,951
Other receivables	-	7,498	-	7,498	7,498
Statutory deposit	-	200,000	-	200,000	200,000
	701,560	279,864	-	981,424	981,424
Financial liabilities					
Trade payables	-	28,117	-	28,117	28,117
Other liabilities	-	330,330	-	330,330	330,330
Investment contract liabilities	-	2,875,334	-	2,875,334	2,875,334
	-	3,233,781	-	3,233,781	3,233,781

Company 2013	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets					
Cash and bank balances	3,524,884	504,038	-	4,028,922	4,028,922
Investment securities:					
Held to maturity	5,622,007	843,805	-	6,465,812	6,613,536
Trade receivables	-	14,788	-	14,788	14,788
Reinsurance assets	-	33,986	-	33,986	33,986
Other receivables	-	154,902	-	154,902	154,902
Statutory deposit	-	200,000	-	200,000	200,000
	9,146,891	1,751,519	-	10,898,410	11,046,134
Financial liabilities					
Trade payables	-	5,531	-	5,531	5,531
Other liabilities	-	3,894,009	-	3,894,009	3,894,009
Investment contract liabilities	-	1,223,105	-	1,223,105	1,223,105
	-	5,122,645	-	5,122,645	5,122,645

There was no transfer between levels during the year under review.

Financial instruments in Level 3

The financial instruments in Level 3 above comprise unquoted equity instruments. The following table shows a reconciliation from the beginning balances to the ending balances for financial instruments in Level 3 of the fair value hierarchy.

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Balance at 1 January	-	-	-
Acquisitions	610,675	-	-
Balance at 31 December	**610,675**	**-**	-

The unquoted equity instruments are carried at cost as the fair value of the instruments cannot be measured reliably due to the absence of an active market and reliable information for the investments. The company has engaged the services of an investment manager for the purpose of disposing of the investments.

4.6.4 Fair valuation methods and assumptions

i) Cash and cash equivalent
This represents cash held in various bank accounts at the end of the period. The fair value of this amount is the carrying amount.

ii) Investment securities
The held-to-maturity financial assets are based on market prices, or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

iii) Other receivables
Other assets represent the amounts due from reinsurers that usually have a short recycle period and as such the fair values of these balances approximate their carrying amount.

iv) Statutory deposit
This represents the deposit held by the CBN, i.e., 10% of the minimum capitalisation in compliance with the Insurance Act. The fair value of this balance is approximately its carrying amount.

v) Trade payables
These represent the amounts payable to reinsurers that have a short recycle period and as such the fair values of these balances approximate their carrying amount.

vi) Other liabilities
These are amounts outstanding and are due payable within a period of one year. Amounts outstanding are assumed to approximate their respective fair values.

vii) Insurance contract liabilities - deposit administration
These are amounts payable to policyholders in the event of a claim. The carrying amounts have been calculated by the actuary and the carrying amounts represent fair value as at 31 December 2014.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is discussed below.

5.1 THE ULTIMATE LIABILITY ARISING FROM CLAIMS MADE UNDER INSURANCE CONTRACTS

The estimation of the ultimate liability arising from claims made under insurance contracts is the group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the group will ultimately pay for such claims.

5.2 ESTIMATE OF FUTURE BENEFIT PAYMENTS AND PREMIUMS ARISING FROM LONG-TERM INSURANCE CONTRACTS, AND RELATED DEFERRED ACQUISITION COSTS AND OTHER INTANGIBLE ASSETS

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the group. Estimates are made as to the expected number of deaths for each of the years in which the group is exposed to risk.

The group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the group's own experience. For contracts that insure the risk of longevity, appropriate allowance is made for expected mortality improvements.

The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS, and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the group has significant exposure to mortality risk.

However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the group and company are exposed to longevity risk. Were the numbers of deaths in future years to differ by +/- 5% from management's estimate, the liability would increase by ₦10.1 million or decrease by ₦9.7 million (2013: ₦5.3 million and ₦5.1 million respectively). For contracts without fixed terms, it is assumed that the company will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. The average estimated rate of investment return is 12%. If the average future investment returns differed by +/- 1% from management's estimates, the insurance liability would increase by ₦384.5 million or decrease by ₦384.4 million (2013: ₦79.2 million and ₦61.4 million respectively).

5.3 IMPAIRMENT OF GOODWILL

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.11.1. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates (note 14). There was no impairment charge on goodwill during the year.

If the forecast gross premium income used in the value-in-use calculation for the non-life business CGUs had been 10% lower than management's estimates at 31 December 2014 (for example, 30% instead of 40%), the goodwill would still not be impaired. Also, if the estimated cost of capital used in determining the pre-tax discount rate for the CGUs had been 1% higher than management's estimates (for example, 15.75% instead of 14.75%), the goodwill allocated to the CGUs would still not be impaired.

5.4 AVAILABLE-FOR-SALE EQUITY FINANCIAL ASSETS

The group determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the group evaluates, among other factors, the normal volatility in share price, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the industry and sector performance, changes in technology, and financing and operational cash flows. There was no decline in the fair value of investment securities during the year.

The group classifies available-for-sale equities at fair value through other comprehensive income (OCI). This classification requires significant judgement. In making this judgement, the group evaluates its intention and its needs to hold such investments for short-term financial gains. If the group were to reclassify the entire category as held for trading, the investments would be measured at fair value through profit and loss instead of being measured at fair value through OCI. If the basis of measurement and recognition changes, the group and the company will recognise fair value losses of ₦78 million and ₦73 million, respectively, in the income statement (2013: gain of ₦15 million).

5.5 HELD-TO-MATURITY INVESTMENT SECURITIES

In accordance with IAS 39 guidance, the group classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the group evaluates its intention and ability to hold such investments to maturity. If the group were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the group is required to reclassify the entire category as available for sale. Accordingly, the investments would be measured at fair value instead of amortised cost.

6 CASH AND CASH EQUIVALENT

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Cash in bank	538,918	377,085	126,326
Short-term bank deposits	181,687	30,009	504,038
Restricted cash held in escrow account	-	-	3,398,558
	720,605	407,094	4,028,922

The restricted cash held in the escrow account relates to funds held for the acquisition of Oasis Insurance. The acquisition was completed in 2014.

6.1 CASH AND CASH EQUIVALENT FOR THE PURPOSE OF CASH FLOW

Cash and cash equivalents includes cash in bank, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. They include:

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Cash in bank	538,918	377,085	126,326
Short-term bank deposits	181,687	30,009	504,038
Treasury bills with original maturity <90 days	5,627,075	4,784,657	215,454
	6,347,680	5,191,751	845,818

7 FINANCIAL ASSETS

7.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Quoted equity securities	48,408	-	-
	48,408	-	-

7.2 AVAILABLE FOR SALE

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Equity securities - quoted	-	-	116,686
Equity securities - unquoted	610,675	-	-
Treasury bills with original maturity <90 days	5,627,075	4,784,657	-
Treasury bills with original maturity >90 days	4,831,626	4,376,188	-
Government bonds	485,521	485,521	-
	11,554,897	9,646,366	116,686

The unquoted equity securities are carried at cost as the fair value of the instruments cannot be measured reliably due to the absence of an active market and reliable information for the investments. The company has engaged the services of an investment manager for the purpose of disposing of the investments.

7.3 HELD TO MATURITY

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Treasury bills with original maturity <90 days	-	-	215,454
Treasury bills with original maturity >90 days	-	-	5,403,872
Government bonds	348,326	324,475	877,524
	348,326	324,475	6,496,850
Total investment securities	11,951,631	9,970,841	6,613,536
Current	11,603,305	9,646,366	5,736,012
Non-current	348,326	324,475	877,524

8 TRADE RECEIVABLES

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Gross premium receivables	139,259	8,406	191,427
Less impairments	(3,492)	-	(176,639)
Trade receivables (receivable within 30 days)	135,767	8,406	14,788
Movement in impairments of trade receivables			
Opening balance	176,639	176,639	33,639
Additional charge during the year	3,492	-	143,000
Write-offs	(176,639)	(176,639)	-
Closing balance	3,492	-	176,639

9 REINSURANCE ASSETS

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Claims recoverable	145,719	33,951	33,986
Reinsurance share of claims IBNR	3,813	3,813	23,559
Prepaid reinsurance	408,303	7,782	19,068
Insurance receivables within (0 to 90 days)	557,835	45,546	76,613

10 OTHER RECEIVABLES AND PREPAYMENTS

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Prepayments	174,897	143,433	57,407
Due from related parties	197,760	197,760	105,611
Intercompany receivables	-	179,145	-
Other receivables	19,606	7,498	49,291
	392,263	527,836	212,309
Current	350,348	485,921	212,309
Non-current	41,915	41,915	-

Due from related parties comprises ₦34 million held with FBN Capital in its capacity as the financial adviser for the acquisition of Oasis Insurance, and ₦163 million receivable from the Sanlam Emerging Markets (Pty) Ltd in respect of the acquisition.

11 DEFERRED ACQUISITION COST

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Group life	342	342	75
Credit life	302	302	173
Individual life	1,194	1,194	736
Mortgage	75	75	48
Engineering	6,340	-	-
Aviation	1,834	-	-
Oil and gas	54,282	-	-
Motor	17,740	-	-
Fire	14,370	-	-
Accident	9,127	-	-
Marine	5,572	-	-
Bond	192	-	-
	111,370	1,913	1,032
Current	111,370	1,913	1,032

12 INVESTMENT PROPERTIES

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Balance at 1 January	-	-	-
Acquisition	342,888	-	-
Addition and capital improvement	13,348	-	-
Fair value loss on revaluation	(34,236)	-	-
Balance at 31 December	322,000	-	-
Of the investment properties, the following relates to insurance funds:			
Insurance funds	82,553	-	-
Shareholders' funds	239,447	-	-
	322,000	-	-

The properties were valued by Abdulfatai Lawal (ANVIS) of Jide Taiwo & Co, estate surveyors and valuers, a registered member of the Financial Reporting Council, in December 2014 on the basis of determining the open market value of the investment properties. The open market value of all the properties were determined using recent comparable market prices. The properties are located in Abuja and Lagos.

The properties are held for long-term capital appreciation and rental income. There is rental income arising from a property owned by the group, which amounted to ₦3.4 million (2013: Nil). It is included in investment income, in the statement of comprehensive income.

13 INVESTMENT IN SUBSIDIARIES

(a) The company's investment in subsidiaries is as stated below:

	Group	
	2014 ₦'000	2013 ₦'000
Investment in Oasis Insurance	3,600,873	-
	3,600,873	-

(b) Principal subsidiary undertakings:

The group had the following subsidiary as at 31 December 2014:

Company name	Nature of business	Country of origin	% of equity capital controlled
Oasis Insurance	Non-life insurance business	Nigeria	100

Oasis Insurance, (formerly Oasis Insurance Company) was incorporated on 9 November 1992 to carry out insurance business. It changed its name to Oasis Insurance on 26 November 2004.

The movement in investment in subsidiaries during the year is as follows:

	Company	
	2014 ₦'000	2013 ₦'000
1 January	-	-
Additions, during the year	3,600,873	-
31 December	3,600,873	-

Oasis Insurance has been included in the consolidation.

FBN Insurance acquired a controlling interest of 71.2% in Oasis Insurance in February 2014. With subsequent acquisitions of Oasis Insurance shares, the company attained a 100% controlling share of the acquiree at 31 December 2014.

14 INTANGIBLE ASSETS

	Group			Company	
	Goodwill ₦'000	Computer software ₦'000	Total ₦'000	Computer software ₦'000	Total ₦'000
Cost					
At 1 January 2014	-	57,351	57,351	57,351	57,351
Acquisition (note 42)	262,440	15,359	277,799	-	-
Additions	-	12,832	12,832	12,832	12,832
At 31 December 2014	262,440	85,542	347,982	70,183	70,183
Depreciation					
At 1 January 2014	-	22,446	22,446	22,446	22,446
Charge for the year	-	24,095	24,095	13,177	13,177
At 31 December 2014	-	46,541	46,541	35,623	35,623
Net book amount					
At 31 December 2014	262,440	39,001	301,441	34,560	34,560

	Company	
	Computer software ₦'000	Total ₦'000
Cost		
At 1 January 2013	57,001	57,001
Additions	350	350
At 31 December 2013	57,351	57,351
Depreciation		
At 1 January 2013	10,824	10,824
Charge for the year	11,622	11,622
At 31 December 2013	22,446	22,446
Net book amount		
At 31 December 2013	34,905	34,905

Goodwill represents excess purchase consideration over the fair value of identifiable net assets of Oasis Insurance at acquisition date (19 February 2014).

On 19 February 2014, FBN Insurance acquired 71.2% of the ordinary share capital of Oasis Insurance for ₦3.6 billion. The principal activity of Oasis Insurance is the provision of non-life insurance services.

Impairment tests for goodwill
Management reviews the business performance based on type of business, which are life and non-life businesses. Goodwill is monitored by management at the operating segment level and has been completely allocated to the non-life business as shown in the table below:

2014	₦'000
Non-life business	262,440

Management has determined that the CGU to which goodwill is allocated for monitoring purposes is the non-life business operating segment. The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash-flow projections based on the financial budgets approved by management covering a three year period. Cash flows beyond the three-year period are extrapolated using an estimated growth rate that does not exceed the estimated growth rate of the Nigerian economy. Based on management's assessment, there was no indication of impairment of goodwill. The last assessment was performed as at 31 December 2014.

The total amount of goodwill of ₦262 million has been allocated to the non-life business. The key assumptions, long-term growth rate and discount rate used in the value-in-use calculations are as follows:

2014	Non-life business
Gross premium income (% annual growth rate)	40%
Net claims incurred (% annual growth rate)	40%
Underwriting expenses (% annual growth rate)	18%
Operating expenses	13–13.5%
Long-term growth rate	6%
Pre-tax discount rate	14.75%
Recoverable amount of the CGU ('000)	₦35,088,519

Gross premium income is the average annual growth rate over the three-year forecast period. It is higher than past performance, but based on management's expectations of the benefit that the group's brand and large delivery channels will bring to the growth of the non-life business.

Net claims incurred is the average annual growth rate over the three-year forecast period. It is higher than past results, but management expects it to increase in line with the growth in gross premium income, which is considered the main driver of the business.

Underwriting expense is the average annual growth rate over the three-year forecast period. It is higher than past results, but management expects it to increase during the forecast period as premium income is also expected to grow during the period. Management expects the non-life business to leverage on the experience of the group in the achievement of the expected growth in underwriting expenses.

Operating expense is the average annual growth rate over the three-year forecast period. It is higher than past results, but management expects it to increase during the forecast period as premium income is also expected to grow during the period. Management forecasts these costs based on the current structure of the business, and these do not reflect any future restructuring or cost-saving measures.

Management believes that any reasonably likely change in the key assumptions on which the non-life business' recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

15 PROPERTY AND EQUIPMENT

Group	Land and buildings ₦'000	Motor vehicles ₦'000	Office equipment ₦'000	Furniture and fittings ₦'000	Computer equipment ₦'000	Total ₦'000
Cost						
At 1 January 2014	-	149,345	7,055	44,099	52,026	252,525
Acquisition (note 42)	987,875	40,598	5,810	12,428	5,517	1,052,229
Additions	488,097	100,759	1,247	14,039	21,761	625,903
Disposal	-	(68,463)	(50)	-	(255)	(68,768)
At 31 December 2014	1,475,972	222,239	14,062	70,566	79,049	1,861,888
Depreciation						
At 1 January 2014	-	70,778	3,499	11,084	25,718	111,079
Charge for the year	11,358	71,640	4,431	14,845	19,381	121,655
Disposal	-	(57,542)	(12)	-	(92)	(57,646)
At 31 December 2014	11,358	84,876	7,918	25,929	45,007	175,088
Net book amount						
At 31 December 2014	1,464,614	137,363	6,144	44,637	34,042	1,686,800

Company	Land and buildings ₦'000	Motor vehicles ₦'000	Office equipment ₦'000	Furniture and fittings ₦'000	Computer equipment ₦'000	Total ₦'000
Cost						
At 1 January 2014	-	149,345	7,055	44,099	52,026	252,525
Additions	470,000	99,039	948	14,040	21,659	605,686
Disposal	-	(31,455)	-	-	(255)	(31,710)
At 31 December 2014	470,000	216,929	8,003	58,139	73,430	826,501
Depreciation						
At 1 January 2014	-	70,778	3,499	11,084	25,718	111,079
Charge for the year	-	51,768	1,459	9,911	17,490	80,628
Disposal	-	(22,875)	-	-	(91)	(22,966)
At 31 December 2014	-	99,671	4,958	20,995	43,117	168,741
Net book amount						
At 31 December 2014	470,000	117,258	3,045	37,144	30,313	657,760
At 31 December 2013	-	78,567	3,556	33,015	26,308	141,446

Company	Land and buildings ₦'000	Motor vehicles ₦'000	Office equipment ₦'000	Furniture and fittings ₦'000	Computer equipment ₦'000	Total ₦'000
Cost						
At 1 January 2013	-	118,986	7,055	19,652	28,852	174,545
Additions	-	39,597	-	28,567	23,607	91,771
Disposal	-	(9,238)	-	(4,120)	(433)	(13,791)
At 31 December 2013	-	149,345	7,055	44,099	52,026	252,525
Depreciation						
At 1 January 2013	-	41,204	2,107	5,166	12,237	60,714
Charge for the year	-	33,038	1,392	7,961	13,627	56,018
Disposal	-	(3,464)	-	(2,043)	(146)	(5,653)
At 31 December 2013	-	70,778	3,499	11,084	25,718	111,079
Net book amount						
At 31 December 2013	-	78,567	3,556	33,015	26,308	141,446
At 31 December 2012	-	77,782	4,948	14,486	16,615	113,831

16 STATUTORY DEPOSIT

The deposit represents 10% of the regulatory minimum share capital deposited with the CBN in accordance with the requirement of the Insurance Act. This balance is not available for the day-to-day operations of the company.

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Statutory deposit	500,000	200,000	200,000
	500,000	200,000	200,000
Non-current	500,000	200,000	200,000

17 INSURANCE CONTRACT LIABILITIES

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Gross			
Outstanding claims (see note i)	556,686	231,430	156,784
Unearned premiums (see note iii on p77)	697,198	123,983	103,871
Short-term insurance contracts – IBNR claims (see note iv on p77)	205,208	73,953	316,772
Liability on long-term insurance contracts – life fund (see note v on p77)	3,605,073	3,605,073	1,850,041
Total insurance liabilities (gross)	5,064,165	4,034,439	2,427,468
Current	761,894	305,383	473,556
Non-current	4,302,271	3,729,056	1,953,912
Recoverable from reinsurers			
Claims reported and loss adjustment expenses	-	-	29,730
Unearned premiums	7,782	7,782	19,068
IBNR on short-term insurance contracts	3,813	3,813	23,559
Total reinsurers' share of insurance liabilities	11,595	11,595	72,357
Net			
Claims reported and loss adjustment expenses	556,686	231,430	127,054
Unearned premiums	689,416	116,201	84,803
IBNR claims on short-term insurance contracts	201,395	70,140	293,213
Liability on long-term insurance contracts – life fund	3,605,073	3,605,073	1,850,041
Total insurance liabilities (net)	5,052,570	4,022,844	2,355,111
i) The movement in outstanding claims during the year was as follows:			
Balance, beginning of year	156,784	156,784	64,313
Acquisition	252,845	-	-
Additions claims incurred during the year	1,587,710	1,121,735	824,503
Claims paid during the year	(1,440,654)	(1,047,090)	(732,032)
Closing balance	556,686	231,429	156,784

ii) Claims development tables for non-life business

The claims development provides a measure of the group's ability to estimate the ultimate value of claims. The tables below show the cumulative triangulations that were used in the reserve reports as at 31 December 2014 for the five classes of non-life businesses where triangulation methods were used.

17.1 CLAIMS PAID TRIANGULATIONS AS AT 31 DECEMBER 2014 INCLUDING LARGE LOSSES

Engineering

Accident period	Development year									
	0	1	2	3	4	5	6	7	8	9
2005	-	1,101,504	1,101,504	1,159,827	1,159,827	1,159,827	1,159,827	1,159,827	1,159,827	**1,159,827**
2006	-	-	48,378	213,205	213,205	213,205	213,205	213,205	**213,205**	
2007	-	-	-	-	-	-	-	**-**		
2008	1,244,930	1,367,388	2,314,651	2,314,651	2,314,651	2,314,651	**2,314,651**			
2009	1,492,101	2,825,355	2,977,939	3,139,221	5,389,221	**5,389,221**				
2010	184,533	1,864,955	19,090,974	19,090,974	**19,090,974**					
2011	3,484,739	14,194,029	15,151,241	**15,181,684**						
2012	1,278,626	2,479,314	**2,484,903**							
2013	3,476,451	**3,660,839**								
2014	**2,471,897**									

Fire

Accident period	Development year									
	0	1	2	3	4	5	6	7	8	9
2005	-	11,697,059	11,697,059	11,781,729	12,012,323	12,012,323	12,012,323	12,012,323	12,012,323	**12,012,323**
2006	4,694,662	4,694,662	4,732,429	6,904,341	6,904,341	6,904,341	6,904,341	6,904,341	**6,904,341**	
2007	-	160,763	299,611	299,611	299,611	299,611	299,611	**299,611**		
2008	2,243,994	4,468,176	4,609,979	4,729,662	4,729,662	4,729,662	**4,729,662**			
2009	615,535	13,062,008	13,062,008	13,062,008	13,062,008	**13,062,008**				
2010	3,936,642	4,867,785	4,867,785	5,787,010	**5,787,010**					
2011	13,854,830	52,294,913	54,925,981	**54,925,981**						
2012	97,266,126	116,370,732	**143,887,868**							
2013	4,982,694	**10,248,372**								
2014	**2,204,263**									

General accident

Accident period	Development year									
	0	1	2	3	4	5	6	7	8	9
2005	86,916	15,112,209	15,112,209	15,453,787	16,502,203	16,502,203	16,510,234	16,510,234	16,510,234	**16,510,234**
2006	12,220,024	12,220,024	14,676,014	16,404,165	17,960,868	17,960,868	17,960,868	18,041,558	**18,248,684**	
2007	-	2,829,708	3,768,433	3,768,433	5,996,023	5,996,023	6,505,233	**6,524,968**		
2008	10,879,759	40,731,595	43,296,984	47,181,657	49,981,061	50,070,393	**50,159,714**			
2009	9,456,179	52,301,352	57,183,040	60,632,662	61,612,051	**61,918,689**				
2010	68,851,633	140,793,913	149,157,164	161,440,067	**168,142,302**					
2011	29,970,159	120,135,842	137,569,016	**138,821,262**						
2012	49,357,058	105,310,439	**154,299,836**							
2013	38,240,186	**70,014,316**								
2014	**96,121,597**									

Marine cargo

Accident period	Development year									
	0	1	2	3	4	5	6	7	8	9
2005	-	610,753	610,753	624,569	624,569	624,569	624,569	624,569	624,569	**624,569**
2006	151,152	151,152	194,652	243,652	243,652	243,652	243,652	243,652	**243,652**	
2007	-	1,359,508	2,346,503	2,346,503	2,346,503	5,681,851	5,681,851	**5,681,851**		
2008	2,112,283	8,429,143	8,492,853	8,492,853	8,492,853	8,492,853	**8,492,853**			
2009	-	1,090,912	5,330,897	5,330,897	5,330,897	**5,330,897**				
2010	-	1,992,685	1,995,747	2,015,200	**2,015,200**					
2011	353,097	1,684,025	2,684,025	**3,871,525**						
2012	826,416	1,342,736	**3,393,654**							
2013	457,351	**916,236**								
2014	**90,714**									

Motor

Accident period	Development year									
	0	1	2	3	4	5	6	7	8	9
2005	-	12,493,259	12,493,259	14,095,009	14,095,009	14,095,009	14,095,009	14,095,009	14,095,009	**14,095,009**
2006	7,183,547	7,183,547	8,091,816	8,162,179	8,162,179	8,162,179	8,162,179	8,162,179	**8,162,179**	
2007	-	13,490,131	13,513,456	13,513,456	13,513,456	13,513,456	13,513,456	**13,513,456**		
2008	28,697,353	53,971,325	54,682,249	54,682,249	54,712,249	55,331,832	**55,331,832**			
2009	46,818,708	87,336,233	88,028,286	88,350,910	88,421,660	**89,177,660**				
2010	74,692,635	110,251,301	111,944,711	119,123,375	**119,144,513**					
2011	63,119,744	121,145,189	128,786,628	**130,366,614**						
2012	48,825,250	89,302,481	**96,864,771**							
2013	71,227,426	**108,973,778**								
2014	**66,632,382**									

17.2 CLAIMS PAID TRIANGULATIONS AS AT 31 DECEMBER 2014 EXCLUDING LARGE LOSSES

Engineering

Accident period	Development year									
	0	1	2	3	4	5	6	7	8	9
2005	-	1,101,504	1,101,504	1,159,827	1,159,827	1,159,827	1,159,827	1,159,827	1,159,827	**1,159,827**
2006	-	-	48,378	213,205	213,205	213,205	213,205	213,205	**213,205**	
2007	-	-	-	-	-	-	-	**-**		
2008	1,244,930	1,367,388	2,314,651	2,314,651	2,314,651	2,314,651	**2,314,651**			
2009	1,492,101	2,825,355	2,977,939	3,139,221	5,389,221	**5,389,221**				
2010	184,533	1,864,955	2,232,043	2,232,043	**2,232,043**					
2011	3,484,739	14,194,029	15,151,241	**15,181,684**						
2012	1,278,626	2,479,314	**2,484,903**							
2013	3,476,451	**3,660,839**								
2014	**2,471,897**									

Fire

Accident period	Development year									
	0	1	2	3	4	5	6	7	8	9
2005	-	11,697,059	11,697,059	11,781,729	12,012,323	12,012,323	12,012,323	12,012,323	12,012,323	**12,012,323**
2006	4,694,662	4,694,662	4,732,429	6,904,341	6,904,341	6,904,341	6,904,341	6,904,341	**6,904,341**	
2007	-	160,763	299,611	299,611	299,611	299,611	299,611	**299,611**		
2008	2,243,994	4,468,176	4,609,979	4,729,662	4,729,662	4,729,662	**4,729,662**			
2009	615,535	13,062,008	13,062,008	13,062,008	13,062,008	**13,062,008**				
2010	3,936,642	4,867,785	4,867,785	5,787,010	**5,787,010**					
2011	13,854,830	52,294,913	54,925,981	**54,925,981**						
2012	3,002,662	22,107,268	**49,624,404**							
2013	4,982,694	**10,248,372**								
2014	**2,204,263**									

General accident

Accident period	Development year									
	0	1	2	3	4	5	6	7	8	9
2005	86,916	15,112,209	15,112,209	15,453,787	16,502,203	16,502,203	16,510,234	16,510,234	16,510,234	**16,510,234**
2006	12,220,024	12,220,024	14,676,014	16,404,165	17,960,868	17,960,868	17,960,868	18,041,558	**18,248,684**	
2007	-	2,829,708	3,768,433	3,768,433	5,996,023	5,996,023	6,505,233	**6,524,968**		
2008	10,879,759	40,731,595	43,296,984	47,181,657	49,981,061	50,070,393	**50,159,714**			
2009	9,456,179	52,301,352	57,183,040	60,632,662	61,612,051	**61,918,689**				
2010	68,851,633	140,793,913	149,157,164	161,440,067	**168,142,302**					
2011	29,970,159	120,135,842	137,569,016	**138,821,262**						
2012	49,357,058	105,310,439	**117,341,036**							
2013	38,240,186	**70,014,316**								
2014	**42,755,338**									

Marine cargo

Accident period	Development year									
	0	1	2	3	4	5	6	7	8	9
2005	-	610,753	610,753	624,569	624,569	624,569	624,569	624,569	624,569	**624,569**
2006	151,152	151,152	194,652	243,652	243,652	243,652	243,652	243,652	**243,652**	
2007	-	1,359,508	2,346,503	2,346,503	2,346,503	5,681,851	5,681,851	**5,681,851**		
2008	2,112,283	8,429,143	8,492,853	8,492,853	8,492,853	8,492,853	**8,492,853**			
2009	-	1,090,912	5,330,897	5,330,897	5,330,897	**5,330,897**				
2010	-	1,992,685	1,995,747	2,015,200	**2,015,200**					
2011	353,097	1,684,025	2,684,025	**3,871,525**						
2012	826,416	1,342,736	**3,393,654**							
2013	457,351	**916,236**								
2014	**90,714**									

Motor

Accident period	Development year									
	0	1	2	3	4	5	6	7	8	9
2005	-	12,493,259	12,493,259	14,095,009	14,095,009	14,095,009	14,095,009	14,095,009	14,095,009	**14,095,009**
2006	7,183,547	7,183,547	8,091,816	8,162,179	8,162,179	8,162,179	8,162,179	8,162,179	**8,162,179**	
2007	-	13,490,131	13,513,456	13,513,456	13,513,456	13,513,456	13,513,456	**13,513,456**		
2008	28,697,353	53,971,325	54,682,249	54,682,249	54,712,249	55,331,832	**55,331,832**			
2009	46,818,708	87,336,233	88,028,286	88,350,910	88,421,660	**89,177,660**				
2010	74,692,635	110,251,301	111,944,711	119,123,375	**119,144,513**					
2011	63,119,744	121,145,189	128,786,628	**130,366,614**						
2012	48,825,250	89,302,481	**96,864,771**							
2013	71,227,426	**108,973,778**								
2014	**66,632,382**									

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
iii) The movement in unearned premium during the year was as follows:			
Balance, beginning of year	103,871	103,871	99,571
Acquisition	469,238	-	-
Change in the year	124,089	20,112	4,300
Closing balance	697,198	123,983	103,871
iv) The movement in IBNR claims on short-term insurance contracts during the year was as follows:			
Balance, beginning of year	316,772	316,772	522,819
Acquisition	112,148	-	-
Decrease in IBNR	(223,712)	(242,819)	(206,047)
Closing balance	205,208	73,953	316,772
v) The movement in life fund contracts during the year was as follows:			
Balance, beginning of year	1,850,041	1,850,041	1,440,080
Increase in life fund	1,755,032	1,755,032	409,961
Closing balance	3,605,073	3,605,073	1,850,041

18 INVESTMENT CONTRACT LIABILITIES

The investment contract liabilities comprise interest-linked guaranteed investment funds. The movement in the investment contract liabilities is shown below:

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Guaranteed investments	2,875,334	2,875,334	1,223,105
	2,875,334	2,875,334	1,223,105

Movement in the amount payable under investment contract liabilities during the year is shown below:

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Balance, beginning of year	1,223,105	1,223,105	290,106
Contributions	1,537,216	1,537,216	890,190
Interest capitalised	115,013	115,013	42,809
Closing balance	2,875,334	2,875,334	1,223,105
Non-current	2,875,334	2,875,334	1,223,105

19 TRADE PAYABLE

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Premium on treaty payable to reinsurers	28,118	28,117	5,531
	28,118	28,117	5,531
Current	28,118	28,117	5,531

20 OTHER PAYABLES AND ACCRUALS

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Accruals	108,406	67,982	137,011
Other creditors	276,965	262,347	176,986
Dividend payable	-	-	68,870
Deposit for shares	3,740,052	3,740,052	3,511,142
Current (payable within one year)	4,125,423	4,070,381	3,894,009

The deposit for shares is the amount provided by the shareholders (FBNHoldings and Sanlam Emerging Markets (Pty) Ltd) that they intend to invest as additional shares in the company. The amount is held in other payables and accruals pending the issuance of additional shares to the shareholders.

21 TAX PAYABLE

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Company income tax payable:			
At 1 January	98,665	63,990	48,058
Charge to profit and loss (see note 37)	235,915	166,616	59,031
Tax paid in the year	(63,147)	(63,147)	(43,099)
At 31 December	271,433	167,459	63,990
Current	271,433	167,459	63,990

22 DEFERRED TAX LIABILITY

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
The analysis of deferred tax liabilities is as follows:			
Deferred tax liability to be recovered after more than 12 months	67,945	33,497	27,821
	67,945	33,497	27,821
The movement on the deferred income tax account is as follows:			
At 1 January	62,269	27,821	-
Income statement charge (note 37)	5,676	5,676	27,821
At 31 December	67,945	33,497	27,821
Non-current	67,945	33,497	27,821

The deferred tax liability arose from property and equipment.

23 SHARE CAPITAL

	2014		2013
Ordinary shares	Number	Number	Number
Authorised, issued and fully paid ('000)	3,480,000	3,480,000	3,480,000

	₦'000	₦'000	₦'000
3.48 billion ordinary shares of ₦1 each	3,480,000	3,480,000	3,480,000

Number of shares	Number	Number	Number
Shares at the beginning of the year ('000)	3,480,000	3,480,000	3,218,000
Paid up during the period ('000):	-	-	262,000
End of year ('000)	3,480,000	3,480,000	3,480,000

The company did not have any share-based remuneration package for its staff members nor did it have any obligation to be settled with equity during the period under review.

24 CONTINGENCY RESERVES

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Brought forward	107,566	107,566	55,521
Transfer from retained earnings	108,896	95,319	52,045
Closing balance	216,462	202,885	107,566

25 RETAINED EARNINGS

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Balance brought forward	78,738	78,738	(106,044)
Dividend paid	(305,244)	(305,244)	(196,772)
Transfer to contingency reserves	(108,896)	(95,319)	(52,045)
Transaction with owners of equity	(82,513)	-	-
Profit for the period	1,041,355	953,186	433,599
At end of the year	623,439	631,362	78,738

26 FAIR VALUE RESERVES

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Opening balance	15,323	15,323	-
Change in value of available-for-sale financial assets	(77,797)	(73,834)	15,323
Realised gains to statement of comprehensive income	(10,134)	(10,134)	-
Closing balance (net of tax)	(72,608)	(68,645)	15,323

27 GROSS PREMIUM INCOME

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Individual life	4,602,758	4,602,758	2,302,724
Credit life	1,030,537	1,030,537	729,123
Group life	797,718	797,718	752,756
General insurance	1,283,435	-	-
Others	698,461	698,461	114,344
Gross premium written	8,412,909	7,129,474	3,898,947
Unearned premium	(124,089)	(20,112)	(4,300)
Gross premium income	8,288,820	7,109,362	3,894,647

28 INSURANCE PREMIUM CEDED TO REINSURERS

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Gross reinsurance outwards	627,191	284,992	236,390
Changes in prepaid reinsurance	(11,595)	(11,595)	(10,625)
	615,596	273,397	225,765

29 INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	2014		
	Gross ₦'000	Reinsurance ₦'000	Net ₦'000
Group			
Current year claims and loss adjustment expenses	1,429,574	(341,261)	1,088,313
Increase in the expected cost of claims for unexpired risks	158,136	-	158,136
Claims incurred during the year	1,587,710	(341,261)	1,246,449
IBNR on short-term insurance contracts	(242,819)	(19,746)	(262,565)
	1,344,891	(361,007)	983,884
Company			
Current year claims and loss adjustment expenses	1,055,117	(51,547)	1,003,570
Increase in the expected cost of claims for unexpired risks	66,618	-	66,618
Claims incurred during the year	1,121,735	(51,547)	1,070,188
IBNR on short-term insurance contracts	(242,819)	(19,746)	(262,565)
	878,916	(71,293)	807,623

	2013		
Company	Gross ₦'000	Reinsurance ₦'000	Net ₦'000
Current year claims and loss adjustment expenses	732,032	(66,376)	665,656
Increase in the expected cost of claims for unexpired risks	92,471	(29,730)	62,741
Claims incurred during the year	824,503	(96,106)	728,397
IBNR on short-term insurance contracts	(206,047)	(23,559)	(229,606)
	618,456	(119,665)	498,791

30 UNDERWRITING EXPENSES

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Acquisition cost	1,416,215	1,169,787	657,560
Maintenance cost	33,589	33,589	11,412
	1,449,804	1,203,376	668,972

31 CHANGES IN CONTRACT LIABILITIES

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Changes in insurance contracts (note 17)	1,755,032	1,755,032	409,961
Changes in investment contracts (note 18)	1,652,229	1,652,229	1,223,105
	3,407,261	3,407,261	1,633,066

32 OTHER INCOME

Other income represents fees charged to policyholders on termination of individual life policies before the maturity date of the policies.

33 INVESTMENT INCOME

This relates to interest income on debt securities. Investment income attributable to shareholders includes interest income of ₦23,885,690 (2013: ₦24,750,014) earned on the statutory deposit with the CBN highlighted in note 16. The details of the investment income are shown below:

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Interest income on cash and bank balances	55,427	55,427	350,617
Income on investment securities	984,960	868,580	306,108
Interest income on statutory deposit	23,886	23,886	24,750
	1,064,273	947,893	681,475

The investment income classified under the policyholders' and shareholders' funds is shown below:

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Investment income attributable to policyholders	526,292	503,503	306,153
Investment income attributable to shareholders	537,981	444,390	375,322
	1,064,273	947,893	681,475

34 PROFIT FROM INVESTMENT CONTRACTS

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Interest income	287,533	287,533	122,311
Guaranteed interest	(115,013)	(115,013)	(42,809)
	172,520	172,520	79,502

35 EMPLOYEE BENEFIT EXPENSES

The number of people employed, excluding directors, in the group and in the company during the year and at the year end 31 December 2014 were 128 and 94, respectively.

The staff costs for the above employees were:

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Wages and salaries	898,462	633,951	362,914
Pension costs	40,433	28,480	25,073
	938,895	662,431	387,987

36 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Directors' emoluments	77,663	77,663	118,351
Auditor's remuneration	18,788	13,290	8,626
Depreciation	121,655	80,629	56,018
Amortisation	24,095	13,177	11,622
Consultancy expenses	191,918	191,918	31,315
Rent and rates	127,368	118,481	102,632
Repairs and maintenance expenses	92,066	60,893	56,646
Advertisements and publicity	65,588	62,009	54,092
Dues and subscription	16,396	11,209	12,776
Travel and accommodation	45,686	40,403	34,745
Recruitment and training	40,693	39,073	34,990
Insurance expenses	15,848	14,727	9,838
Printing and stationery	19,771	17,565	21,161
Supervisory levies	88,850	55,048	34,407
Impairment on trade receivables	3,492	-	143,000
Other administrative expenses	35,476	32,640	21,961
	985,353	828,725	752,180

37 INCOME TAX EXPENSE

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Current tax on profits for the year (note 21)	235,915	166,616	59,031
Deferred tax charge for the year (note 22)	5,676	5,676	27,821
Income tax expense	241,591	172,292	86,852
Reconciliation of effective tax rate			
Profit before tax	1,330,547	1,125,478	520,451
Tax calculated using the domestic rate of corporate tax of 30%	399,164	337,643	156,135
Effect of applying:			
Income not subject to tax	(1,222,257)	(1,057,948)	(203,091)
Non-deductible expenses	973,111	801,024	74,777
Dividend tax	91,573	91,573	59,031
Tax charge	241,591	172,292	86,852
Tax calculated using the domestic rate of corporate tax of 30%	30%	30%	30%
Effect of applying:			
Income not subject to tax	(92%)	(94%)	(39%)
Non-deductible expenses	73%	71%	14%
Dividend tax	7%	8%	11%
	18%	15%	16%

Effective interest rate

The tax (charge)/credit relating to the components of other comprehensive income is as follows:

	Group 2014			Company 2014		
	Before tax ₦'000	Tax (charge)/ credit ₦'000	After tax ₦'000	Before tax ₦'000	Tax (charge)/ credit ₦'000	After tax ₦'000
Fair value loss: available-for-sale financial assets	(87,931)	-	(87,931)	(83,968)	-	(83,968)
Other comprehensive income	(87,931)	-	(87,931)	(83,968)	-	(83,968)

The fair value loss was on treasury bills and bonds, which are tax exempt on the company's Income Tax Act Laws of the Federal Republic of Nigeria 2004, as amended in 2007. Hence the fair value loss had no impact on tax as shown above.

	Company 2013		
	Before tax ₦'000	Tax (charge)/ credit ₦'000	After tax ₦'000
Fair value gain - available-for-sale financial assets	15,323	-	15,323
Other comprehensive income	15,323	-	15,323

38 HYPOTHECATION OF POLICYHOLDERS' FUND

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Assets			
Cash and placements	691,848	407,094	630,364
Treasury bills with original maturity <90 days	1,406,701	1,082,528	105,863
Treasury bills with original maturity >90 days	5,800,871	5,266,523	2,520,837
Government bonds	669,761	643,711	498,908
Investment properties	80,000	-	-
Investment in quoted equity	24,204	-	-
Investment in unquoted equity	61,068	-	-
Total policyholders' assets	8,734,453	7,399,856	3,755,972
Liabilities			
Insurance contract liabilities	5,064,165	4,034,439	2,427,468
Total policyholders' liabilities	5,064,165	4,034,439	2,427,468
Surplus	3,670,288	3,365,417	1,328,504

39 OTHER INCOME STATEMENT INFORMATION: STAFF AND DIRECTORS' COST

Employee cost excluding executive directors during the year amounted to:

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Wages and salaries	898,462	633,951	362,914
Pension cost	40,433	28,480	25,073
	938,895	662,431	387,987

The number of employees of the company, other than directors, who received emoluments in the following ranges was:

	Group	Company	
	2014 Number	2014 Number	2013 Number
₦200,001-₦500,000	-	-	
₦500,001-₦1,000,000	-	-	
₦1,000,001-₦1,500,000	17	15	15
₦1,500,001-₦2,000,000	12	8	8
₦2,000,001-₦2,500,000	11	8	8
₦2,500,001-₦3,000,000	6	4	4
₦3,000,001-₦3,500,000	12	9	9
₦3,500,001-₦4,000,000	35	22	18
₦4,000,001 and above	35	28	10
	128	94	72

The average number of full-time people employed by the company during the year per level was:

	Group	Company	
	2014 Number	2014 Number	2013 Number
Executive director (MD)	1	1	1
Management staff	10	10	10
Non-management staff	117	83	61

Directors' remuneration

Remuneration paid to the directors of the company was:

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
Short-term benefits:			
- Directors' fees	73,763	73,763	59,622
- Directors' sitting allowances	3,900	3,900	29,469
- Directors' travel allowances	-	-	29,260
	77,663	77,663	118,351

The directors' travel allowances relate to the amount paid to directors in lieu of hotel accommodation and other incidental travel expenses. The fees and allowances above were short-term benefits due to the directors.

Fees and other emoluments disclosed above include amounts paid to:

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
The Chairperson	3,100	3,100	8,844
The highest-paid director	34,000	34,000	43,926

The number of directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	Group	Company	
	2014 Number	2014 Number	2013 Number
Below ₦5,000,000	1	-	-
₦5,000,000–₦10,000,000	6	6	5
₦10,000,001 and above	1	1	2
	8	7	7

40 RELATED PARTIES

Transactions and agreements entered into between the company and the FirstBank Group include the provision of banking services, premises usage, asset management, and custodial services by the FirstBank Group. The company provides life cover for employees of the FirstBank Group and credit life insurance for the clients of FirstBank Group and FBN Microfinance Bank (a subsidiary).

Sanlam Emerging Markets (Pty) Ltd provides technical implementation assistance and ongoing support. It also provides key managerial staff to the company.

	2014	2013
Shareholders		
FBN Holdings Plc	65%	65%
Sanlam Emerging Markets (Pty) Ltd	35%	35%

		2014 ₦'000	2013 ₦'000
Nature of the transaction	**Related party**		
Gross premium income	FirstBank Group	1,620,497	228,265
Claims incurred	FirstBank Group	83,524	10,315
Maintenance expenses	Sanlam Emerging Markets (Pty) Ltd	89,000	-
Technical fees paid	FBN Capital	98,000	8,893
Rental expenses	FirstBank Group	50,000	54,000
Fees paid	FirstBank	411,339	277,169
Commission paid	FBN Insurance Brokers	35,674	22,697
Nature of the balance	**Related party**		
Intercompany receivable	FBNHoldings	-	105,611
Intercompany receivable	Oasis Insurance	179,145	-
Due from related party	Sanlam Emerging Markets (Pty) Ltd	163,586	-
Cash deposit and bank balance	FirstBank	261,810	112,792
Investment securities (assets under management)	FBN Capital	10,038,904	7,117,574
Rent payable	FBNHoldings	-	54,000
Cash balance (escrow)	FBN Securities and FBN Trustees	-	3,398,558
Due to related party	Sanlam Emerging Markets (Pty) Ltd	1,192,088	963,178
Intercompany payable	FBNHoldings	2,547,964	2,547,964

Transactions with directors

Remuneration is paid to directors in the form of fees to non-executive directors and remuneration to executive directors of the company. All directors of the company have disclosed that they did not have any interest in transactions recorded within the reporting period. Key management personnel transactions with the group have been disclosed in note 39.

41 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Legal proceedings

There were no legal proceedings outstanding against the company at 31 December 2014 (2013: Nil).

(b) Capital commitments

At 31 December 2014, the group had a ₦10 million commitment towards the renovation of the head office of Oasis Insurance. Apart from this, it had no capital commitments in respect of buildings and equipment purchases.

(c) Operating lease commitments

Where the company is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	Group	Company	
	2014 ₦'000	2014 ₦'000	2013 ₦'000
No later than one year	-	-	83,044
Later than one year and no later than five years	-	-	415,220
Later than five years	-	-	166,088
	-	-	664,352

42 BUSINESS COMBINATION

On 19 February 2014, the company acquired 71.2% of the ordinary share capital of Oasis Insurance and obtained control of the acquiree, a non-life insurance service provider operating in Nigeria.

As a result of this acquisition, the group will have wider access to the local insurance market, thereby growing the group's insurance network. The goodwill of ₦262 million arising from the acquisition represents the excess of the purchase consideration over the identifiable net assets of Oasis Insurance at the acquisition date. Cash was paid as the consideration and there was no contingent consideration. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Oasis Insurance, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Consideration at 19 February 2014	₦'000
Cash	3,600,873
Total consideration transferred	3,600,873
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalent	889,215
Investment securities	946,230
Trade receivables	132,124
Reinsurance assets	335,105
Deferred acquisition costs	107,658
Other receivables and prepayments	20,240
Investment properties	342,887
Intangible assets	15,359
Property and equipment	1,052,228
Statutory deposit	300,000
Trade payables	(29,223)
Tax payable	(34,675)
Deferred tax liability	(34,599)
Insurance contract liabilities	(834,232)
Total identifiable net assets	3,208,317
Non-controlling interest	(923,932)
Goodwill	262,440
Total	2,546,825

Acquisition-related costs were borne by the shareholders of the company and were therefore not expensed in its books.

43 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Acquisition of additional interest in a subsidiary

The group acquired 71.2% of the share capital of Oasis Insurance on 19 February 2014. Subsequent to this date, the group acquired the remaining 28.8% non-controlling interest during the year, such that it had acquired 100% of the shareholding in Oasis Insurance by 31 December 2014. The cumulative carrying amount of the non-controlling interests in Oasis Insurance acquired was ₦972 million. The group derecognised the non-controlling interests of ₦972 million and recorded a decrease in equity attributable to owners of the parent of ₦83 million, being the excess of the consideration paid over the carrying amount of the non-controlling interest acquired. The effect of changes in the ownership interest of Oasis Insurance on the equity attributable to the owners of the parent during the year is summarised as follows:

	2014 ₦'000	2013 ₦'000
Carrying amount of non-controlling interests acquired	971,533	-
Consideration paid to non-controlling interests	(1,054,046)	-
Excess of consideration paid recognised in parent's equity	(82,513)	-

44 EARNINGS PER SHARE

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of FBN Insurance as the numerator. The weighted average number of outstanding shares used for basic earnings per share amounted to 3,480,000,000 (2013: 3,349,000,000).

	Group	Company	
	2014	2014	2013
Profit for the period (₦'000)	1,088,956	953,186	433,599
Number of shares at the beginning of the period ('000)	3,480,000	3,480,000	3,218,000
Number of shares at the end of the period ('000)	3,480,000	3,480,000	3,480,000
Weighted number of shares at the end of the period ('000)	3,480,000	3,480,000	3,349,000
Basic earnings per share (kobo)	32	27	12

45 PROPOSED DIVIDEND

These financial statements do not reflect the dividend payable for 2014. The directors proposed a dividend of 15 kobo per share. This will be reflected when paid.

46 POST-BALANCE SHEET EVENTS

There were no post-balance sheet events that could have a material effect on the financial position of the group as at 31 December 2014 or the profit for the year ended 31 December 2014.

47 PRESENTATION OF COMPARATIVE BALANCES

The following reclassifications were done to the comparatives to achieve comparability with current year figures:

	Company 2013 ₦'000
i) Insurance contract liabilities[1]	
Balance previously reported	3,650,573
Reclassified to investment contract liability (note 18)	(1,223,105)
Restated balance (note 17)	2,427,468
ii) Investment income[1]	
Amount previously reported	760,977
Reclassified to profit from investment contracts (note 34)	(79,502)
Restated amount (note 33)	681,475
iii) Underwriting expenses[2]	
Amount previously reported	703,379
Reclassified to other operating and administrative expenses (note 36)	(34,407)
Restated amount (note 30)	668,972

1 Unbundling of investment component of insurance products.
2 Reclassification of supervisory levies from underwriting expenses to other operating and administrative expenses.

Abbreviations

ACRC	Audit, Compliance and Risk Committee
AGM	Annual General Meeting/Assistant General Manager (as applicable)
AURR	Additional Unexpired Risk Reserve
CAGR	Compound annual growth rate
CAMA	Companies and Allied Matters Act
CBN	Central Bank of Nigeria
CCP	Central counterparty
CEO	Chief Executive Officer
CGU	Cash Generating Unit
CIIN	Chartered Insurance Institute of Nigeria
CITA	Company Income Tax Act
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DAC	Deferred Acquisition Costs
EPS	Earnings Per Share
ExCo	Executive Management Committee
FBN MFB	FBN Microfinance Bank Limited
FGN	Federal Government of Nigeria
FRC	Financial Reporting Council
IASB	International Accounting Standards Board
IBNR	Incurred But Not Reported
ICAN	Institute of Chartered Accountants of Nigeria
ICB	International Commercial Banks
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
MD	Managing Director
MPR	Monetary Policy Rate
₦	Naira
NAICOM	National Insurance Commission
NBA	Nigerian Bar Association
NIBOR	Nigerian Inter-Bank Offered Rate
OCI	Other Comprehensive Income
PAT	Profit After Tax
PBT	Profit Before Tax
PFA	Pension Fund Administrator
SEC	Securities and Exchange Commission
SLA	Service Level Agreement
UPR	Unexpired Premium Reserve

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