FBNInsurance

RICH HERITAGE
BRIGHT FUTURE

FBN Insurance Limited

Annual Reports and Consolidated Financial Statements
For the year ended 31 December 2015

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The term 'FBN Holdings Plc' or the 'Group' means FBNHoldings together with its subsidiaries. FBN Holdings Plc is a financial holding company incorporated in Nigeria on 14 October 2010. The Company 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 as 35,895,292,792 ordinary shares of 50 kobo each (₦17,947,646,396). In this report the abbreviations ₦mn, ₦bn and ₦trn represent millions, billions and trillions of naira respectively.

FBN Holdings Plc is structured under four business groups, namely: Commercial Banking, Merchant Banking and Asset Management[1], Insurance and Other Financial Services[2].

- The Commercial Banking business comprises First Bank of Nigeria Limited, FBNBank (UK) Limited, FBNBank DRC Limited, FBNBank Ghana Limited, FBNBank The Gambia Limited, FBNBank Guinea Limited, FBNBank Sierra Leone Limited, FBNBank Senegal Limited, First Pension Custodian Nigeria Limited and FBN Mortgage Limited. FirstBank (Nigeria) is the lead entity of the Commercial Banking business.
- Merchant Banking and Asset Management business consists of FBN Merchant Bank and FBN Capital Limited. Subsidiaries of FBN Capital include: FBN Trustees Limited, FBN Capital Asset Management Limited, FBN Funds Limited and FBN Securities Limited.
- The Insurance business comprises FBN Insurance Limited, FBN General Insurance Limited and FBN Insurance Brokers Limited.
- Other Financial Services business includes the Group's non-operating holdings company and other non-banking financial services businesses, primarily FBN Microfinance Bank which provides microfinance services. The Group's interest in FBN Microfinance Bank Limited was sold to Letshego Holdings in December 2015.

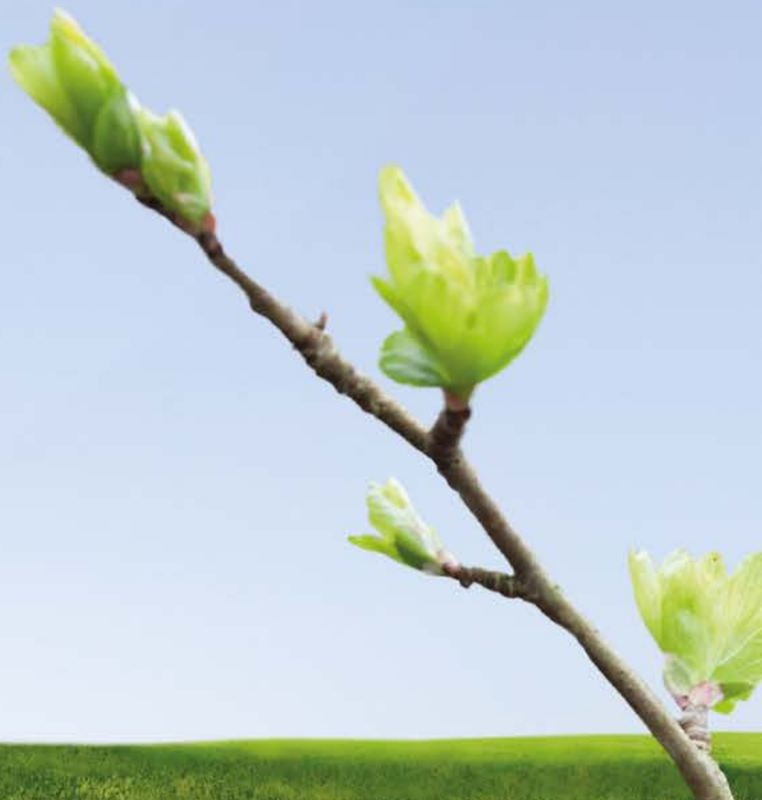
This report has been prepared under the International Financial Reporting Standards (IFRS), and unless otherwise stated, the income statement analysis compares the 12 months to December 2015 to the corresponding 12 months of 2014, and the balance sheet comparison relates to the corresponding position at 31 December 2014. 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 the IFRS are explained in the glossary or abbreviation section of this report.

Shareholders will receive a compact disc (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 Street, Lagos.

[1] Following the acquisition of the Merchant Banking Licence in 2015, the Investment Banking and Asset Management business (IBAM) is now the Merchant Banking and Asset Management business (MBAM).

[2] Other Financial Services will no longer be classified as one of the main operating companies following the sale of Microfinance business which is classified under this category.

INTRODUCTION



OVERVIEW

FBNInsurance is one of Nigeria's fastest-growing insurance companies, providing coverage for individual and corporate clients. We are jointly owned by FBNHoldings (65%) and the Sanlam Group (35%). We have the advantage of being able to draw on the two companies' combined experience of over 200 years, and leveraging on FirstBank's expertise in the financial services industry as well as its extensive branch network in Nigeria and across Africa. We also have the benefit of drawing on Sanlam Group's technical expertise and FirstBank's distribution network and knowledge of the Nigerian financial services market, thus delivering tangible value to our clients.

FBN HOLDINGS PLC (FBNH)

COMMERCIAL BANKING

- **First Bank of Nigeria Ltd**
  - FBNBank (UK) Ltd
  - FBNBank DRC Ltd
  - FBNBank Ghana Ltd
  - FBNBank The Gambia Ltd
  - FBNBank Guinea Ltd
  - FBNBank Sierra Leone Ltd
  - FBNBank Senegal Ltd
  - First Pension Custodian Ltd
  - FBN Mortgages Ltd

MERCHANT BANKING AND ASSET MANAGEMENT*

- **FBN Merchant Bank Ltd**
- **FBN Capital Ltd**
  - FBN Trustees Ltd
  - FBN Capital Asset Management Ltd
  - FBN Funds Ltd
  - FBN Securities Ltd

INSURANCE

- **FBN Insurance Ltd**
  - FBN General Insurance
- **FBN Insurance Brokers Ltd**

OTHER FINANCIAL SERVICES**

- **FBN Microfinance Bank Ltd**

*Following the acquisition of the Merchant Banking Licence in the latter part of 2015, the Investment Banking and Asset Management business (IBAM) is now the Merchant Banking and Asset Management Business (MBAM).

**Other Financial Services is no longer classified as one of the main operating companies following the sale of the microfinance business which was classified under this category.

The Sanlam Group, one of the parent companies of FBNInsurance, is the second-largest non-banking financial services group in South Africa. In its 98-year history, the Sanlam Group has grown from a small life insurance company into a diversified financial services group focusing mainly, but not exclusively, on wealth creation, investment management and protection, and offering solutions to clients across the broad financial services spectrum. The Group comprises a number of mutually interdependent and complementary business entities, and currently functions via three main clusters of business: life insurance, general insurance and asset management.

FBNInsurance commenced business as a life insurer in September 2010. Our registered head office is situated along Marina, Lagos, but we operate in six branches and 17 sales outlets strategically located across the country. Our vision is to be Nigeria's first choice in wealth creation and financial security. FBNInsurance offers a wide range of products and services that cater for the needs of both the corporate and retail ends of the insurance market.

Our products help customers enjoy the peace of mind that comes from managing the risks of everyday life. With FBNInsurance, they can save for a comfortable future and protect the people who are most important to them. One primary objective is to help people, businesses and communities get back on their feet when the unexpected happens. As a specialist life insurance organisation offering a range of investment and risk insurance products, all operations are anchored on innovation, efficient service delivery and high standards of professionalism.

To further increase FBNInsurance's market penetration and participation in the general insurance space, we acquired 100% equity in FBN General Insurance Limited (formerly known as Oasis Insurance Plc) in 2014. FBN General Insurance is a non-life insurer providing services in areas such as motor insurance, marine, fire and general accident insurance cover. The company reaches out to its customers through three distribution channels: retail, alternative and corporate.

WHAT WE DO

We continue to provide innovative insurance products and services to our clients in Nigeria. These products include:

Retail distribution

- Flexible Education Policy
- Flexible Savings Policy
- Flexible Cash Flow Policy
- Family Income Protection Plan (FIPP)
- Extended Family Support Plan (EFSP)
- Family Shield
- EasySave policy
- Guaranteed Lifetime Retirement Income Plan.

Alternative distribution

- First Family Shield
- Credit Life
- Mortgage Protection Plan
- Keyman Assurance
- Term Assurance
- Padi4Life
- Sure4Life.

Corporate distribution

- Group Life Assurance.

WHERE WE OPERATE

We maintain a robust presence across four key branches (including our Corporate Head Office) in Marina, Ikeja, Abuja and Port Harcourt. In addition to these branches, we operate 21 retail outlets spread across the six geopolitical zones of the country. This is in line with our strategic aspiration to explore the grossly under-tapped retail life insurance opportunities in Nigeria. Furthermore, the pre-existence of strong FirstBank branches is often a key parameter for selecting locations where we operate, as this provides us with synergies and competitive advantages in the insurance industry.

OPERATING ENVIRONMENT

2015 witnessed a steady but slow global economic recovery and was further aggravated by the slum in the international oil market. Many of the economies in Europe had to review their growth forecast downward, accommodating the spill-overs of the uncertainties in economic recovery efforts. However, global growth is expected to pick up in 2016 with GDP growth rate estimated at 3.6%. In a departure from previous developments since the Great Recession, the advanced economies have recently gained some speed, while the emerging market has slowed. In Nigeria, insecurity and a tough economic climate persisted in 2015. The situation was not made easy by the huge depreciation of the naira, drop in oil prices and change in political leadership which resulted in unclear economic policy direction until the closing month of 2015.

In the Nigeria insurance sector, notwithstanding the change in NAICOM leadership, the regulatory environment was relatively stable, which stimulated the insurance penetration rate in Nigeria to grow to about 1% in 2015, and further attracted foreign players into the industry through various mergers and acquisitions (M&A). 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 inception of insurance cover) policies, as well as the restriction imposed by the Central Bank of Nigeria (CBN) on the sale of bancassurance products.

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 needs 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. So, 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.

CHAIRPERSON'S STATEMENT

Adenrele Kehinde, Chairperson

"We are keen to attain uncontested leadership status in the life insurance sub-sector while we aggressively ramp up the growth of our general insurance business."

Dear Valued Stakeholders,

I am pleased to report to you that FBNInsurance has once more sustained its growth and profitability in the 2015 financial year. They say, "Without strategy, execution is aimless and without execution, strategy is useless." Ours is a company that has remained guided by this simple but instructive adage. From day one – or more accurately, prior to day one – we defined a clear strategy hinged on facts about the broad operating environment: the challenges and specific opportunities therein. Armed with this understanding, we defined a sustainable strategic direction to exploit the vast opportunities in the under-tapped retail life insurance sub-segment. Hence, our strategic intention was, and this day remains, to become a leading retail insurance company in Nigeria. Five years down the line, we have consistently implemented initiatives in line with this strategic focus.

"However beautiful the strategy," Sir Winston Churchill once said, "you should occasionally look at the results." Wise counsel, and one which we continue to heed at the highest and most rudimentary levels of our business. Looking back at our results, specifically for the 2015 financial year, I am pleased to report that we have delivered on most of our commitments, in the midst of global and market uncertainties. Consequently, our achievements have both been humbling and commendable. In measuring these achievements, we review both financial and non-financial metrics to ensure that we maintain a balanced perspective. Key highlights of our performance in 2015 are outlined as follows:

- Our gross premium grew commendably in the life business by 42.5% from ₦7.2 billion in 2014 to ₦10.3 billion in 2015. Similarly, profit before tax grew substantially by 64% from ₦1.1 billion in 2014 to ₦1.8 billion. We are clearly demonstrating stability and strength, and performing consistently. We are still widely regarded as one of the fastest growing insurance companies in Nigeria, maintaining the fifth market position in the life sub-sector for the past three years.
- We have also seen modest year-on-year growth in the gross premium and profit after tax of our general insurance business, growing by 6.3% and 13% respectively. This is a positive trajectory for the general insurance business, but we know there is still much more to do.
- In the course of the year, Agusto & Co., a leading Nigerian rating agency, rated FBNInsurance as an 'A' grade company, describing it as follows: "This is a company with good financial condition and strong capacity to meet claim obligations."
- Our increasing relevance in the Nigerian Insurance industry was once again affirmed following the reception of another international award for the African Deal of the Year from the M&A Atlas Awards for the acquisition of Oasis Insurance.

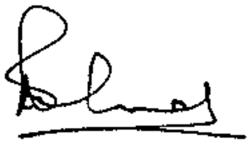
While some have fondly likened our achievements over the past five years to a fairy tale, we, like other insurers, have also had our fair share of challenges, which have primarily been due to the unstable global and local macroeconomic landscape. The global oil dynamics exposed the fundamental weaknesses of the Nigerian economy in 2015 as key economic indicators such as GDP growth rate, inflation, exchange rate, NSE All-Share Index, among others, maintained very negative trends. These particularly limited the opportunities in the general insurance sub-sector as key corporate insurance buyers scaled back on their insurance spend.

In addition, CBN and NAICOM's unresolved stance on bancassurance further compounded the predicaments of some insurers as this income stream was practically stifled. In spite of these trends, we continue to maintain our confidence in the latent opportunities within the Nigerian insurance industry, particularly the possibilities of bancassurance becoming a major income stream. Hence, we will stay flexible to the emerging challenges confronting us with a view to sustainably delivering value, and not excuses to shareholders.

As we march into the next financial year, the following quote will come in handy, "If you have too many rear view mirrors, it will be very difficult to see the road ahead." Funny but true. Therefore, despite being grateful for the accomplishments in our 'rear view mirrors', our plans going forward must continuously result in hard work. We are keen to attain uncontested leadership status in the life insurance sub-sector while we aggressively ramp up the growth of our general insurance business. Our role in this industry is not to follow the competition, but to exceed our own expectations. To break our own records. To ensure that our positive impact on our customers and shareholders is greater this year than the last. This is what we continue to strive for at FBNInsurance.

In closing, as the road ahead remains laden with bumps and uncertainties, it will be businesses with a clear vision and sustainable strategy that will succeed. At FBNInsurance, we will continue to aim; we will stay steady and fire at our ambitious targets with the support of a committed board, competent staff, loyal customers and key stakeholders.

Our journey has only just begun.



Adenrele Kehinde
Chairperson

LEADERSHIP AND GOVERNANCE

BOARD OF DIRECTORS

Adenrele Kehinde
Chairperson

Valentine Ojumah
Managing Director/CEO

Oyewale Ariyibi
Non-Executive Director

Margaret Dawes
Non-Executive Director

Hendrik Nel
Non-Executive Director

Caleb Yaro
Non-Executive/
Independent Director

Aderemi Ogunmefun
Non-Executive Director

MANAGEMENT COMMITTEE

Valentine Ojumah
Managing Director/CEO

Johan Schalkwyk
Chief Operating Officer

Festus Izevbizua
Chief Financial Officer

Emeka Dibia
Chief Human Resources Officer

Olasupo Sogelola
Head, Corporate Distribution

Blessing Ebizie
Head, Internal Audit and Control

Umekwe Odinakachi
Head, Retail Distribution

Olabanjo Oladipo
Head, Technical Operations

Adeola Adekunle
Head, Actuarial Services

Elizabeth Agugoh
Head, Marketing and Corporate Communications

Jackson Ikiebe
Head, Information Technology

Anne Osuorji
Head, Legal Services and Compliance

AWARD

AFRICA DEAL OF THE YEAR

2015 M&A ATLAS AWARDS

FBNInsurance won the award for the acquisition of Oasis Insurance, alongside outstanding accomplishments in Nigeria's insurance value chain for the Group's strategic evolution and growth. The awards were organised by the Global M&A Network at the Park Lane Hotel in London, UK, on 30 April 2015.

BUSINESS REVIEW

MD/CEO'S REVIEW

Valentine Ojumah, Managing Director/CEO

Dear Shareholders,

I am pleased to inform you that 2015 was another exciting year, despite a very difficult business terrain. We have taken bold steps towards sustainable growth to ensure that our business remains strong into the future.

Inspired by our vision to be the nation's first choice in wealth creation and financial security, we maintained a focused approach on our 2015 go-to-market business strategy. This included deepening our footprint in retail insurance by building a resilient retail team, aggressively driving the business by leveraging on the massive branch network of FirstBank. Our unflinching devotion to this strategy, together with a committed and experienced workforce, has seen us attain respectable heights in the last five years.

THE OPERATING ENVIRONMENT

As mentioned earlier, 2015 was a very challenging year for most businesses in Nigeria, and FBNInsurance had its own fair share of the difficulties. Evolving global oil dynamics have exposed the fundamental weaknesses of the Nigerian economy. While the new administration is perceived to have commenced efforts aimed at sanitising the country, key macroeconomic indicators continue to weaken and threaten the business landscape.

Towards the end of quarter four, oil prices slumped below USD30 per barrel. In many countries, lower oil prices supported industrial and household demand but had a negative effect on economies, like Nigeria's, that were oil dependent. Key economic variables continued to weaken: foreign reserves dropped from USD30 billion to USD29 billion; the inflation rate rose from 9.39% to 9.6% (and is now in double digits); the NSE All-Share Index dipped from 31.2 to 28.6. Similarly, there is still no respite for the naira as it traded as high as ₦300 against the US dollar.

The Nigerian insurance sector has been relatively stable over the years, increasing by an average of 14% (year on year). Insurance penetration grew in 2015 to about 0.65% and further attracted foreign players into the industry through various mergers and acquisitions. The renewed interest among foreign investors in the insurance industry during the year stimulated the competitive landscape and continued to shape the ethical conduct of major players. 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 inception of insurance cover) policies, as well as the regulatory stance on bancassurance products.

2015 PERFORMANCE HIGHLIGHTS

Financial highlights

The Group recorded modest operating results in 2015. Our year-on-year gross premium income grew by 44% to ₦12.1 billion. This growth is attributable to our strategy of continually deepening our footprint in the retail sector as well as expanding participation in public sector patronage. Retail performance has maintained an upward trend for the last four years, accounting for over 60% of gross premium. Although the slow credit creation by banks in the country and the unresolved bancassurance regulations have further weakened our credit life policy contribution to the top line, the Group's operating net profit increased from ₦1.6 billion in 2014 to ₦2.3 billion in 2015. The impressive performance during the year was made possible through efficient product delivery channels, customer service delivery and prompt claims settlements. Gross premium from the general insurance segment was largely propelled by efficient product delivery and moderate policy retention as part of the risk management strategy. This achievement further lends credence to our sound corporate governance and risk management policies, as well as improved performance by management and exceptional commitment to our goals by employees.

Total assets closed at ₦22.7 billion in 2015, an increase of 29% (2014: ₦18.3 billion). We achieved a robust liquidity profile – with over 70% of the total assets in yield-enhancing liquid assets – which supports our strategy of a well-structured financial position that can support our business expansion. The Company is well capitalised and the consistently growing capital efficiency of 9% in 2015 remains one of the best in the industry. This improvement in assets size was driven by strong top-line and bottom-line growth in the life assurance business, benefiting from improvements in business volumes and improved market penetration.

Business segments

Our overall business strategy is largely driven by our two main business segments:

- **Life business:** Life Gross Premium grew by 45% from ₦7.13 billion at the end of 2014 to ₦10.31 billion by year end 2015. This was driven by growth in retail distribution (70%), corporate distribution (23%) and alternative distribution (7%). We made significant expansion in our retail space by opening eight additional sales outlets and increasing our number of retail sales agents to 1,885. These moves complemented our corporate and alternative distribution performance.
- **Non-life business:** Non-life gross premium grew marginally by 6% year on year. This is a reflection of the gradual acceptance of the FBN General Insurance brand and tough economic conditions. Our strategy, going forward, is to replicate the retail model of life business to drive the non-life business in 2016.

2015 NON-FINANCIAL HIGHLIGHTS

- **Customer satisfaction rating:** In line with our Strategic Objective to improve customer satisfaction levels, we conducted a customer satisfaction survey in 2015 with a resultant score of 76%. This is a practice that will be sustained in subsequent years thereby ensuring that we deliver excellent services. In an increasingly competitive industry and tough economy, customer satisfaction is becoming a key differentiating factor.
- **Agusto & Co. rating:** In 2015, Agusto rated FBNInsurance an 'A' grade company and described FBNInsurance as follows: "This is a company with good financial condition and strong capacity to meet claim obligations."
- **Employee retention rating:** In line with our Strategic Objective to attract, retain and build a competent workforce, the Company successfully retained 92.5% of its employees.
- Won an award for the African Deal of the Year from the M&A Atlas Awards for acquisition of Oasis Insurance (2015).
- FBNInsurance entered its fifth year of operation in 2015.

KEY STRATEGIES

Our key strategy last year was to deepen our footprint in retail insurance. This singular drive contributed in no small measure to our profitability during the financial year; we are committed to exploiting it more to further drive the business in 2016. In addition to this, and based on identified opportunities and trends within our operating environment, our strategy will focus on the following key areas:

Enhance sales through alternative channels

Economic conditions are compelling banks to seek non-interest income sources. Hence, income from bancassurance is expected to receive a considerable boost in 2016. In line with the FBNHoldings Group's strategic focus of harnessing the cross-selling potentials among its subsidiaries, we will continue to focus on identifying and exploring synergies between FBNInsurance and other subsidiaries within the Group, particularly First Bank of Nigeria Limited. We will continue to strengthen bancassurance capabilities (as permitted by relevant regulators) to drive revenue. Similarly, we will be establishing business relationships with other financial institutions for insurance opportunities.

Boost performance and profitability through the use of technology

As a forward-thinking financial services company, we are poised to leverage on appropriate technology to drive our business. This will not only make our processes faster and less cumbersome, but will also help in saving costs associated with the old way of doing things. 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.

OUTLOOK

Insurance business in the emerging markets, including Africa, is increasingly receiving attention as a future investment destination, especially with the increase in contribution to GDP and investment returns.

In Nigeria, the market is strong and stable with increasing demands for insurance products and services. The relative stability in the regulatory environment and the risk-based supervision will attract foreign investors into the industry. Altogether, these steps will shape the competitive landscape. Again, the fiscal policy tightening by the Federal Government on account of dwindling oil revenues and foreign exchange reserves might slow down insurance policy purchases. As we expect contraction in revenue accruing to insurance companies in the coming years, the implementation of cost-effective business models and the deployment of flexible innovative products and distribution channels will be the game changers.

CONCLUDING REMARKS

I will like to thank all FBNInsurance employees for their dedication and contribution to our business performance. Without their relentless support, FBNInsurance would struggle to meet its obligations to customers and other stakeholders alike.

I would also like to thank the National Insurance Commission (NAICOM) for its commitment to a better practice of insurance in Nigeria. I would like to especially thank you, our shareholders, for your continued trust and support. And finally, I would like to thank our customers for their confidence in our company.

We remain fully committed to our strategy and business goals. We promise to implement our identified strategies and deliver outstanding services while creating customer-centric products as at due. You can trust us to always put YOU first.

Sincerely,

Valentine Ojumah

(Managing Director/CEO)

OUR BUSINESS MODEL AND STRATEGY

OUR BUSINESS MODEL

Our business is structured to promote operational and service excellence across all touch points. We are organised into key customer segments and distribution channels. This structure allows us to interact with our customers through the following key divisions:

- Retail distribution – primarily responsible for the sales of our products to different customer categories, which include the mass market, mass affluent, affluent and high net-worth individuals (HNIs). Our products are developed to address the specific insurance needs of these customer segments, some of whom we engage via our robust agency network across the country.
- Corporate distribution – drives the sale of our group life scheme and other life products to corporate organisations, governments and other public sector parastatals. We continue to build and strengthen our relationships with key stakeholders such as insurance brokers in order to deepen our footprints in the corporate insurance segment.
- Alternative distribution – consists of other channels through which we reach out to our target customers in the retail and corporate segments. This arm of our business oversees our mobile insurance and bancassurance business lines.

OUR STRATEGY

FBNInsurance's strategy is designed to deliver sustainable and profitable growth in a dynamic and competitive business landscape. It builds on the strengths of our owners, FBNHoldings and Sanlam, and places our customers' needs at the centre of our business.

In a highly competitive sector such as the insurance industry, key players tend to appear very similar in terms of product and service delivery. At FBNInsurance, we focus on, and exploit, our competitive advantages, including:

- **Brand strength of our owners:** In an industry plagued by a persistent lack of trust and confidence from customers, the reputation of an insurer in Nigeria is critical to its success. We are proud that the brand strength of our owners echoes stability, financial strength, expertise and reliability. Consequently, we believe customers who truly want to protect the people they love will put their trust in us.
- **Access to FirstBank's retail network:** Our status as a member of the FBNHoldings Group affiliates us to FirstBank, the biggest retail bank in Nigeria. This relationship grants us access to an extensive array of insurance opportunities particularly as it pertains to permissible bancassurance transactions such as credit life.
- **Commitment to excellence and innovation:** Our products and services are competitively priced without sacrificing quality. As we design products we ensure flexibility by carefully considering the unique needs of our customers to develop fit for purpose products. As the pioneers of mobile insurance in Nigeria, we will continue championing innovation in the industry.

Within the 2014-2016 planning period, our strategic aspiration is to become a top-five insurer in Nigeria based on revenue and profitability. In line with this aspiration, our strategic priorities for 2016 are to:

- **Exploit the retail growth potential in Nigeria:** We maintain a strong resolve to exploit the low penetration of retail insurance in Nigeria. Our agency distribution network model has remained a significant strength, which we will explore further in the coming years in order to consolidate the positive results generated in the retail space.
- **Enhance sales through alternative channels:** In line with the FBNHoldings Group's strategic focus of harnessing the cross-selling potentials among its subsidiaries, we will continue to focus on identifying and exploring synergies between FBNInsurance and other subsidiaries within the Group and particularly FirstBank. We will continue to strengthen bancassurance capabilities (as permitted by relevant regulators) to drive revenue. Similarly, we will be establishing business relationships with other financial institutions for insurance opportunities.
- **Build excellent service delivery capabilities:** In a country where customers are often suspicious of underwriters, we consider efficient underwriting, claims processing and overall service delivery as critical elements of our strategy. To this end, we shall be optimising the use of technology as a service delivery enabler across all touch points with customers. In 2016, we will be completing the automation of key processes.
- **Attract, retain and build a talented workforce:** As we continue to grow, the need to attract and retain the best insurance workforce remains apparent. As a result, we place strategic importance on the quality of our people. In 2015, we further developed human resource initiatives, including an employee engagement survey and the review of our performance management system. Other efficiency-driving initiatives will be implemented in 2016 across business lines to stimulate a high-performance culture.

2015 KEY PERFORMANCE INDICATORS (KPIS)

	Life			Non-life		
KPIs	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**
GPW (₦' billion)	3.9	7.2	**10.3**	1.2	1.7	**1.8**
Year-on-year GPW growth	35%	86%	**42%**	(23%)	37%	**6%**
PBT (₦' billion)	0.52	1.13	**1.8**	(0.06)	0.27	**0.23**
Net claims ratio	12.8%	11.3%	**30.5%**	11.0%	11.3%	**11.3%**
Expense ratio	28.4%	20.9%	**19.5%**	61.0%	31.9%	**39.1%**
RoE (pre-tax)	15.2%	28.4%	**26.8%**	(2.0%)	8.0%	**6.0%**
RoE (post-tax)	12.7%	24.0%	**24.3%**	(2.0%)	5.0%	**5.0%**
RoA	6.1%	8.4%	**10.1%**	(1.0%)	6.0%	**5.0%**

RELATIONSHIPS AND RESPONSIBILITY

At FBNInsurance, our vision is to be Nigeria's first choice in wealth creation and financial security. This is a statement of intent that can only come to fruition by cultivating solid and enduring relationships. Building these relationships requires a great deal of responsibility which we never shy away from. This is reflected in the way we work, our values and in our corporate responsibility and sustainability (CRS) strategies.

OUR CRS APPROACH

Insurance is a promise. As a foremost insurance company, it is imperative we project trust and inspire confidence in our products at every touch point. These help in building great relationships, which are key for us as a business.

Our CRS strategy therefore is aimed at building trust, brand and reputation through effective stakeholder engagement and thought leadership on CRS. This strategy rides on the FBNHoldings Group Strategy and is expressed via the following strategic pillars:

1. Sustainable insurance

In designing our products and selling our services, we put sustainable insurance into consideration. Sustainable insurance is a strategic approach where all activities in the value chain, including interactions with stakeholders and customers, are done in a responsible and forward-looking way by identifying, assessing, managing and monitoring risks associated with environmental, social and governance issues.

2. People empowerment

Our workforce is our most cherished asset. We remain committed to nurturing efficient, ethical and responsible staff who are constantly motivated, trained and re-trained for personal and organisational growth. In association with our partners, Sanlam Group SA, we are able to keep our workforce up to date with global trends in the insurance industry.

3. Community support

We constantly draw ideas and opinions from our host communities and act on same by designing products and services that suit their needs. We appreciate their hospitality by investing time, effort and our funds in projects that will make life better for everyone in the community.

4. Environmental sustainability

In doing business, we take cognizance of potential environmental risks with a view to nipping them in the bud. This is done via constant interactions with our stakeholders, driving sustainable insurance and putting necessary frameworks in place towards ensuring that our actions as a corporate entity does not impact negatively on our environment.

MAIN CRS ACTIVITIES IN 2015

1. Mothers' Day Fiesta

The event is an initiative designed to celebrate essential qualities and values of motherhood in all its forms. We supported the fiesta with a donation of ₦300,000.

2. Support for Young Scholars Children's Day Bash for Peace

Young Scholars Children's Day Bash for Peace is a celebration of Children on Children's Day. We provided support by educating the young scholars about the importance of insurance and sponsored a live talk show on TV. The event was supported with a cash donation of ₦250,000.

3. Donation to the Bonola Cerebral Palsy Initiative

We donated the sum of ₦3 million to support the Benola campaign. Benola is a non-profit organisation with the mission to change the face of cerebral palsy in Africa with the main aim of ensuring that those living with this condition enjoy the best quality of life possible under the circumstance in which they find themselves.

Donation to the Bonola Cerebral Palsy Initiative

4. Donation of a dialysis machine to Gbagada General Hospital

We made a ₦3 million naira cheque presentation to Gbagada General Hospital to be used in the purchase of a dialysis machine for the hospital to help alleviate the financial burden of the patients.

Cheque presentation to a representative of Gbagada General Hospital for the purchase of a dialysis machine

GOVERNANCE

LEADERSHIP

BOARD OF DIRECTORS

Adenrele Kehinde, Chairperson

Adenrele Kehinde is the Chairperson of the Board of FBN Insurance Limited. She started her career as State Counsel with the Lagos State Ministry of Justice between 1974 and 1978 before moving to the private sector where she gained significant experience in company secretarial, banking, dispute resolution, property management and consulting as well as human resource management.

A certified arbitrator, Adenrele has a first degree in law from the University of Lagos. She has been a member of the Nigerian Bar for more than 40 years, and is a member of the Negotiation and Conflict Management Group. She has also served on the boards of Lagos Development and Property Corporation, Crown Estates Plc and FBN Capital Ltd. Adenrele now runs her own legal practice, which is retained by a number of reputable financial institutions for legal advisory services.

She is happily married with children and grandchildren.

Valentine Ojumah, Managing Director/CEO

Valentine Ojumah is a resourceful management executive with more than 30 years' experience in risk management, insurance broking, loss adjusting, consultancy and training within the insurance industry, academia and research.

Prior to becoming FBNInsurance's CEO, Valentine was head of various departments within Insurance Brokers of Nigeria Ltd. He was also a lecturer at the University of Lagos. He has a first degree in insurance from the University of Lagos and an MSc in business from the University of Wisconsin-Madison, and is an Associate Member of the Chartered Insurance Institutes in both Nigeria and the UK.

Oyewale Ariyibi, Non-Executive Director

Oyewale Ariyibi is the Head of Finance at FBN Holdings Plc. Before his appointment, he was Chief Finance Officer at Transnational Corporation of Nigeria Plc (Transcorp) and Country Financial Controller at Standard Chartered Bank, Nigeria. He has a combined 23 years' experience in banking and allied financial services, business assurance, tax management, business process review and consulting across several institutions.

Wale's core competencies include financial accounting and reporting, capital raising, tax planning and cost management, operational risk management, strategic and corporate planning, compliance and business assurance. He is a Fellow of the Institute of Chartered Accountants of Nigeria (FCA), and an Associate of the Chartered Institute of Taxation (ACIT) and the Certified Pension Institute of Nigeria (ACIP). Wale loves travelling, soccer and table tennis and is happily married with children.

Margaret Dawes, Non-Executive Director (South African)

Margaret Dawes is the Chief Executive Officer of Sanlam Developing Markets (Rest of Africa). She worked with Fisher Hoffman Sithole, Johannesburg (1987-1999) as an Audit Manager and Cubed Capital Holdings Limited (1999-2005) as the Group Financial Director/COO. In 2008, Margaret was appointed Head, Sanlam – Rest of Africa Division, with responsibility for the operations of Sanlam's Life companies in Africa.

Hendrik Nel, Independent Non-Executive Director (South African)

Hendrik Nel is the Chief Financial Officer at Santam. He is responsible for the Group's finance function, including financial reporting, corporate finance, investments, tax, internal audit, enterprise risk management, sustainability and corporate legal services. Hennie holds directorships of the Centriq Insurance Group of Companies, Emerald Risk Transfer, Stalker Hutchison Admiral, MiWay Group Holdings (Pty) Ltd (a subsidiary of Sanlam Life Insurance Ltd), Censeo and Sanlam Emerging Markets.

He joined Santam in September 2012. He was previously head of PricewaterhouseCoopers' Financial Services Practice in Cape Town, South Africa. He was recently appointed a Non-Executive Director at FBN Insurance Limited, representing the interests of the Sanlam Group, South Africa on the Board.

Caleb Yaro, Non-Executive Director

Caleb Yaro is the Managing Consultant of Cornerstone Consultant, Lagos. He is a seasoned executive with extensive experience in accounting and investment. He worked with Citibank and NIDB from 1974-1976 before proceeding to Chase Merchant Bank (later known as Continental Merchant Bank).

Caleb is currently a Director of the Design Trade & Company Limited and was formerly on the Board of UBA Global Markets and Light House Asset Management.

Aderemi Ogunmefun, Non-Executive Director

Remi Ogunmefun is the managing partner of Blackstone Partners, a specialist financial services law firm in Nigeria. He has over 32 years' legal and banking practice experience spanning various organisations, both private and public. He was previously Company Secretary, Legal Adviser and Director at the Universal Trust Bank Group.

Remi is a Fellow of the Institute of Strategic Management with a specialism in corporate governance, and an alumnus of Columbia Business School, Columbia University, New York.

Johan Schalkwyk, Chief Operating Officer

Johan Schalkwyk has over 11 years' experience in various insurance departments, including claims and underwriting, marketing and information technology. He spent eight years at Sanlam Life Insurance Ltd in South Africa before leaving to become the Chief Operating Officer at the NICO Life Insurance Company, Malawi.

Festus Izevbizua, Chief Financial Officer

Festus Izevbizua has over 23 years' experience in banking, operational risk management, oil and gas accounting, tax matters and international finance. He is also a distinguished fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and an Associate Member of the Nigerian Institute of Management. Prior to joining FBNInsurance, Festus was the Financial Controller of Standard Chartered Bank Limited

Emeka Dibia, Chief Human Resources Officer

Emeka's career spans over 15 years and various industries, including financial services, IT, aviation, telecommunications, oil and gas, transport and management consulting. Prior to joining FBNInsurance, Emeka was the first HR Executive at Old Mutual Nigeria. He holds a BSc in Fisheries Management from the University of Ibadan, as well as a Diploma in e-commerce. A certified Global Professional in HR, Emeka also holds qualifications in project management, change management, information technology, training management and psychometrics. He is responsible for providing strategic direction and leadership for the Human Resources and Administrative Services departments at FBNInsurance.

Olasupo Sogelola, Head, Corporate Distribution

Olasupo has over 18 years' experience in insurance marketing, reinsurance and claims. He has worked with various insurance companies including Guinea Insurance Plc, Equity Indemnity Insurance, Globe Reinsurance Plc and Glanvill Enthoven Reinsurance Brokers, where he worked as Managing Director before joining FBN Life. Supo is a graduate of the University of Ibadan. In addition, he holds an MBA in Marketing from Lagos State University. He is an Associate of the Chartered Insurance Institute of Nigeria (AIIN).

Blessing Ebizie, Head, Internal Audit and Control

Blessing is a Fellow of the Institute of Chartered Accountants of Nigeria with over 20 years' experience in accounting, auditing and budgeting/controls, as well as financial and risk management functions.

His service record cuts across the manufacturing, communications/logistics and financial services sectors. Blessing is a Certified Information System Auditor (CISA). He holds an MBA in Financial Management and is also an Associate Member of the Chartered Institute of Taxation of Nigeria.

Umekwe Odinakachi, Head, Retail Distribution

Umekwe Odinakachi is a seasoned marketing/distribution management executive with over 20 years' experience in sales and marketing. His wealth of experience also covers business development, team leadership and general management. Having held managerial positions in Industrial & General Insurance Plc (IGI) and Oceanic Insurance Ltd, now known as Old Mutual Insurance Nigeria, Umekwe is presently a senior manager with FBN Insurance Limited, a company he has been with since its launch.

Umekwe holds a Higher National Diploma in Marketing from Federal Polytechnic Oko, Anambra State, a postgraduate diploma in Marketing Management from Obafemi Awolowo University, Ile Ife, and an MBA from the University of Calabar. He is also an Associate Member of the Nigerian Institute of Marketing; a Fellow and Member of the Governing Council, Institute of Strategic Customer Service and Trade Management of Nigeria; a Fellow of the Institute of Administrators and Researchers of Nigeria; and a Member of the Chartered Insurance Institute of Nigeria. Umekwe has also successfully completed the Advanced Senior Executive Management Programme from the University of Stellenbosch Business School, South Africa, and holds an honorary doctorate in Finance and Corporate Leadership from the European-American University, Commonwealth of Dominica.

Umekwe has a proven ability to develop and lead a team to achieve high performance, which has earned him several awards both locally and internationally.

Olabanjo Oladipo, Head, Technical Operations

Olabanjo Oladipo holds a BSc (ED) in Mathematics from Obafemi Awolowo University and an MBA from the Federal University of Technology, Akure. He is an Associate Member of the Chartered Insurance Institute of Nigeria.

Banjo has over 17 years' experience in insurance practices in various capacities. He started his insurance career with Leadway Assurance Company Limited in 1994, where he rose to the position of Head, Individual Life Unit. In 2002, he Joined Mutual Benefit Assurance as the first Head of Operations in their Life Division. He later joined Cornerstone Insurance Plc as Head of Technical Operations. Prior to joining FBN Life, Banjo was Senior Manager and Head of Western Operations in charge of technical and marketing operations.

Adeola Adekunle, Head, Actuarial

Adeola is an actuary with about eight years' working experience covering life assurance and retirement benefit consultancies, embedded value calculations and pension fund administration. He has been actively involved in the management of the British American Tobacco Nigeria, FBN and Promasidor Nigeria Provident funds, various due diligence exercises in the insurance sector, and actuarial valuations of insurance companies. Adeola has received numerous awards, including Best Graduating Student for Faculty of Sciences, Ahmadu Bello University (ABU), Zaria. He holds a BSc in Mathematics from ABU and is a student member of the Institute of Actuaries, UK.

Elizabeth Agugoh, Head, Marketing and Corporate Communications

Elizabeth is a seasoned brand management, research and communications professional with over 15 years' experience within the advertising, media and insurance industries. Prior to joining FBN Insurance Limited in 2015, she was the Head of Brand and Corporate Communications at AIICO Insurance Plc. Elizabeth's first degree was in Mass Communications, and she holds an MBA in Marketing from Lagos State University. She also holds a Professional Certificate in Marketing from the prestigious Chartered Institute of Marketing, UK. She is an Associate Member of both the Advertising Practitioners Council of Nigeria (APCON) and the Nigerian Institute of Management.

Jackson Ikiebe, Head, Information Technology

Jackson is a versatile IT professional with a broad suite of skills garnered from over 19 years work experience – spanning the insurance industry, academia and public service evaluating, lecturing and IT. During this time he has gained particular experience as a project leader. Jackson holds a master's degree in Information Technology from the University of Lagos, and a bachelor's degree in Computer Science from the University of Benin, Benin City, Nigeria. He is a Microsoft Certified Professional (MCP), ITIL Certified, Information Technology Business Manager Certified and an Associate Member of the Nigeria Institute of Management. Prior to joining FBNInsurance, Jackson was IT Manager at Cornerstone Insurance Plc.

Anne Osuorji, Head, Legal Services and Compliance

Anne graduated from the University of Benin in 2000 and was called to the Nigerian Bar in 2003. She is a member of the Nigerian Bar Association.

She is a resourceful legal practitioner with considerable experience in company secretarial practice, legal advisory and compliance, and corporate and commercial law practice. She has practical experience in interfacing with regulatory and statutory authorities on behalf of start-up and existing companies. Anne has undertaken various assignments for public-quoted entities, including organising general meetings, public offers and private placements.

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 Code of Governance codes available in the country. 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 a 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' values.

The partnership with Sanlam Emerging Markets, 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, thus ensuring the highest standards of accountability of its officers, continuous transparency of the Board and disclosure of information to all stakeholders.

FBNInsurance is committed to the continuous management of its business operations by identifying and implementing key governance indicators that aid sustainable development and guarantee shareholders 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 to ensure the Group 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 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 reviews of 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 program. Standard requirements have been defined for internal control over financial reporting. The management expects all employees to maintain high moral and ethical standards and those expectations are communicated to the 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 seven members led by a chairperson who is a non-executive director: one executive director who is the managing director and CEO, two foreign directors who represent Sanlam Emerging Markets and three other local 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 and other meetings are 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 and establishment of subsidiaries; approval of remuneration policy and packages of the 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 meeting(s), shareholders circulars, prospectus and principal regulatory filings with the regulators.
- The Board ensures that a risk culture and effective risk management process exists and is maintained.
- The Board approves changes to the Group's corporate structure and changes relating to the Group 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 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 budgetary and planning 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/CEO
Caleb Yaro – Independent Non-Executive Director
Margaret Dawes – Non-Executive Director
Aderemi Ogunmefun – Non-Executive Director
Hendrik Nel – Non-Executive Director
Oyewale Ariyibi – Non-Executive Director (appointed 6 March 2015)

The Chairman of the Board

The Chairman has the responsibility to lead and manage the Board to ensure that it operates effectively and fully discharges all its legal and regulatory responsibilities while promoting effective relationship and open communication within the boardroom.

The Chief Executive Officer

The Chief Executive Officer (CEO) is charged with the strategic and supervisory role over all core operations of the Group, which involves risk management, formulation of policies and the implementation of operational decisions. The CEO is the first line of reference for issues to be discussed at 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 Statement of the Group for the period, review of 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 standing 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 the Board's quarterly meetings.

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

AUDIT, COMPLIANCE AND RISK COMMITTEE

The 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. The Committee monitors the effectiveness of the Group's internal control system, risk management system, compliance system and internal audit system. The Committee recommends the appointment of external auditors and monitors its independence and quality, and review external auditor's fee arrangements.

Core responsibilities of the Committee:

- 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.
- 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 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 a medium to long-term competitive edge. The value of the Group's mark-to-market portfolios is also evaluated by this Committee.

Core responsibilities of the Committee:

- 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.
- Monitoring the investment process from a governance point of view, e.g., avoiding conflicts of interest, insider trading and other ethically suspect practices.

The 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 e.g., not more than x% equity).
- 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 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

A quorum will be formed when there are at least two non-executive members including one from Sanlam and one executive member of the Committee.

BOARD ESTABLISHMENT COMMITTEE

Core responsibilities of the Committee:

- Review and approve proposals from the executive committee for recruitment, promotion and termination of senior officers on Assistant General Manager (AGM) grade and above.
- Review and approve disciplinary action proposed by the Board to be carried out against a senior officer on manager grade and above.
- Review and make recommendations to the Board for approval of disciplinary action to be carried out against senior officers from AGM grade and above.
- Review and make 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.
- Review and make recommendation to the Board for approval on the Group's policy on health and safety at work and any proposed amendments.
- Review and make recommendations to the Board for approval on Group human resource strategies.
- Review and make recommendations to the Board for approval of the succession plan for senior management staff and any proposed amendments.
- Perform 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 ARE AS FOLLOWS:

Audit, Compliance and Risk Committee

Caleb Yaro – Chairman
Margaret Dawes – Member
Hendrik Nel – Member
Valentine Ojumah – Member
Oyewale Ariyibi – Member

Board Investment Committee

Remi Ogunmefun – Chairman
Caleb Yaro – Member
Valetine Ojumah – Member
Hendrik Nel – Member

Board Establishment Committee

Margaret Dawes – Chairperson
Remi Ogunmefun – Member
Caleb Yaro – Member
Oyewale Ariyibi – Member

ATTENDANCE OF BOARD AND COMMITTEE MEETINGS

Board meetings	Composition	No of meetings attended	6 March 2015	15 May 2015	3 Sept 2015	4 Dec 2015
Adenrele Kehinde	Chairperson	4	1	1	1	1
Valentine Ojumah	Member	4	1	1	1	1
Caleb Yaro	Member	4	1	1	1	1
Margaret Dawes	Member	4	1	1	1	1
Aderemi Ogunmefun	Member	4	1	1	1	1
Hendrik Nel	Member	4	1	1	1	1
Oyewale Ariyibi	Member	3	0	1	1	1

Board Audit, Compliance and Risk Committee	Composition	No of meetings attended	5 March 2015	14 May 2015	2 Sept 2015	3 Dec 2015
Caleb Yaro	Chairman	4	1	1	1	1
Margaret Dawes	Member	4	1	1	1	1
Hendrik Nel	Member	4	1	1	1	1
Oyewale Ariyibi	Member	3	0	1	1	1
Valentine Ojumah	Member	4	1	1	1	1

Board Investment Committee	Composition	No of meetings attended	5 March 2015	14 May 2015	2 Sept 2015	3 Dec 2015
Remi Ogunmefun	Chairman	4	1	1	1	1
Caleb Yaro	Member	4	1	1	1	1
Valentine Ojumah	Member	4	1	1	1	1
Hendrik Nel	Member	4	1	1	1	1

Board Establishment Committee	Composition	No of meetings attended	5 March 2015	14 May 2015	2 Sept 2015	3 Dec 2015
Margaret Dawes	Chairperson	4	1	1	1	1
Remi Ogunmefun	Member	4	1	1	1	1
Caleb Yaro	Member	4	1	1	1	1
Oyewale Ariyibi (appointed w.e.f.* 6 March 2015)	Member	3	0	1	1	1

* With effect from.

SUPPORT COMMITTEES

Executive Management Committee

This Committee reports to the Board on activities of the Group. The Committee is responsible for the following:

- ensuring alignment of Group's strategy and plan with operations activities;
- reviewing strategic and business performance against 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 Principal Manager grade and above.

Management Investment Committee

This Committee reports to the Board Investment Committee on investment activities of the Group. The Committee meets monthly to discuss and review the portfolio of the Group. The Committee members are:

MD/CEO – Chairman
Chief Financial Officer – Member
Chief Operating Officer – Member
Head of Actuary – Member
Financial Control Officer – Secretary

WHISTLEBLOWING PROCEDURES

The whistleblowing process involves steps that should be taken by the whistleblower 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 is committed to promoting a culture of openness, accountability and Integrity, and will not tolerate any harassment, victimisation or discrimination of the whistleblower provided such disclosure is made in good faith with reasonable belief that what is being reported is fact. The Company has a dedicated email address and telephone numbers through which staff are encouraged to raise any concern or report any unethical conduct.

DIRECTORS' REPORT

The directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2015, which disclose the state of affairs of the Group.

a. Incorporation and address

FBN Insurance Limited, (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 contract. The Company commenced operations on 1 September 2010. The address of its registered office is 34 Marina, Lagos.

FBN Insurance Limited acquired 100% of the Equity of FBN General Insurance Limited (formerly known as Oasis Insurance Plc) in 2014, and the acquiree became a wholly owned subsidiary of the Group in December 2014. FBN General Insurance Limited carry on non-life insurance business.

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 40 to 59. The profit after tax for the year of ₦1.9 billion for the Group and ₦1.7 billion for the Company (₦1.1 billion and ₦1.0 billion in 2014 respectively) has been transferred to retained earnings.

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Gross premium income	**12,118,495**	8,412,909	**10,307,383**	7,129,474
Net underwriting income	**10,665,417**	7,812,184	**9,423,612**	6,887,353
Profit before tax	**2,078,811**	1,330,591	**1,844,023**	1,125,524
Taxation	**(219,016)**	(241,591)	**(172,810)**	(172,292)
Profit after tax	**1,859,796**	1,089,001	**1,671,213**	953,232

d. Dividends

The Board of Directors has recommended for the approval of the shareholders an ordinary dividend of 19 kobo per ordinary share in respect of the financial year ended 31 December 2015 (15 kobo per share in 2014).

e. Directors

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

Adenrele Kehinde – Chairperson
Valentine Ojumah – Managing Director
Caleb Yaro – Independent Non-Executive Director
Margaret Dawes – Non-Executive Director
Aderemi Ogunmefun – Non-Executive Director
Hendrik Nel – Non-Executive Director
Oyewale Ariyibi – Non-Executive Director

Appointment of Directors

Oyewale Ariyibi was appointed as Non-Executive Director effective 6 March 2015.

f. Directors' shareholding

The directors had no interest 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:

	2015		2014	
	Number of shares	Percentage held	Number of shares	Percentage held
FBN Holdings Plc	**3,468,692**	**65**	2,262,000	65
Sanlam Emerging Markets (Pty) Ltd	**1,867,758**	**35**	1,218,000	35
	5,336,450	**100**	3,480,000	100

i. Donations and gifts

The Group made the following contribution to charity and non-governmental organisations during the year amounting to ₦9,800,000 (2014: ₦406,000).

	2015 Amount ₦'000
Nigeria Bar Association, Lagos Branch	**1,000**
General Hospital, Gbagada	**5,300**
Bonola Cerebral Palsy Initiative	**3,000**
Heritage Homes and Orphanages	**250**
Lagos State Old People's Home	**250**
	9,800

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 Limited as at 31 December 2015.

k. Human resources

Employment of disabled persons

The Group continues to maintain a policy of giving fair consideration to the application 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 arranged to ensure that they fit into the Group's working environment. As at 31 December 2015, 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 at 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 operates a 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 of the Group 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 critically discuss the Group's performance and recommend solutions to identified challenges.

Gender analysis

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

	Male Number	Female Number	Male %	Female %
Employees	62	54	53%	47%
Gender analysis of the Board and top management is as follows:				
Board	5	2	71%	29%
Top management	6	2	75%	25%
Detailed analysis of the Board and top management is as follows:				
Principal Manager	2	1	67%	33%
Assistant General Manager	3	1	75%	25%
Deputy General Manager	1	0	100%	0%
General Manager	2	0	100%	0%
Chief Operating Officer	1	0	100%	0%
Chief Executive Officer	1	0	100%	0%
Non-Executive Director	4	2	67%	33%

l. Auditor

The Auditor, Messrs PricewaterhouseCoopers, has indicated their willingness to retire from office having served a maximum tenure of five years in accordance with NAICOM regulation. A resolution will be proposed at the Annual General Meeting of the Company for the appointment of a new Auditor with section 357(1) of CAMA.

FBN Insurance Limited's consolidated financial statements have been authorised for issue by the Board of Directors on 5 February 2016.

By order of the Board

Ayoko Ayokunle Olushola
Company Secretary
FRC/2015/NBA/00000013900

5 February 2016

RISK FACTORS

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; and
- ensuring losses due to fraud and operational lapses are a maximum of a specified percentage of gross earnings and are lower than the industry average.

RISK MANAGEMENT POLICIES AND PROCEDURES

The enterprise-wide risk management policies and procedures that have been instituted strategically are 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.

KEY RISKS

The Company issues contracts that transfer insurance or financial risk or both. Below is a summary of the nature and management of these risks.

Market risk/Investment risk

This is the risk to the Group's financial condition resulting from adverse movements in the level or 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 over-exposure 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 in the course of its business but could have credit risk associated with insurance brokers consequent upon the 'No Premium No Cover' enforcement by NAICOM.

Operational risk

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

Liquidity risk

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

Reinsurance risk

This is the risk of inadequate reinsurance cover to mitigate underwriting risk. It usually occurs when there is insolvency of a reinsurer, discovery of exposures without current reinsurance coverage, or exhaustion of reinsurance covers through 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 and claims recovery.

Underwriting risk

Underwriting is the process by which an insurer determines the conditions necessary and suitable to accept insurance of a risk. The risk crystallises when there are severe and/or frequent claims against the Group's projected capacity. The Group has embedded internal control processes to guide its insurance business and guard against the risk of unexpected losses and capital erosion. There are well-documented underwriting policies and procedures that 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, as well as being embedded in our brand promise.

Reputational risk

This is the risk of events that could cause public distrust and damage to the Group's integrity, reputation and goodwill, especially in the eyes of the 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, which the 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 outcomes of such exercises are 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 time. These regulations include those set by NAICOM and other relevant agencies of government. 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 corruption measures;
- guidelines for adherence to corporate governance principles;
- gift policies; and
- whistleblowing 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 constructing 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 the 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

The Group has a mechanism for risk assessment on a periodic basis and this is known as the risk control self-assessment (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 effectively as designed. The control requirements are proactively 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

The key risk indicators (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 to probably review the risk appetite. The 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 loss 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

The Business Continuity Plan (BCP) has been designed to promote resilience against operational threats especially with regards to 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 inherent gaps identified during each simulation exercise.

INDEPENDENT AUDITOR'S REPORT

pwc

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 2015 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 2015 and of the 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; and

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

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

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A 0572999

RISK DECLARATION

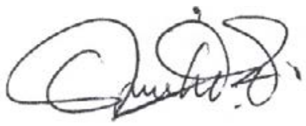
The Board Audit, Compliance and Risk Committee of FBN Insurance Limited hereby declares as follows:

a. The Company has systems in place for the purpose of ensuring compliance with NAICOM guidelines;

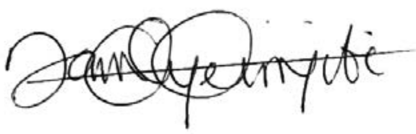
b. The Board is satisfied with the efficacy of the processes and systems surrounding the production of financial information of the Company;

c. The Company has in place a Risk Management Strategy, developed in accordance with the requirements of 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.



Valentine O Ojumah
FRC/2012/CIIN/00000002422



Oyewale Ariyibi
FRC/2013/ICAN/00000001251

FINANCIAL STATEMENTS

CORPORATE INFORMATION

COMPANY DETAILS

Registered address:	34 Marina Lagos Nigeria
RC number:	707564
FRC number:	FRC/2013/00000000001223
Telephone:	+234 808 047 9311 +234 808 047 9319 +234 709 812 3827
Email:	FBNLifeassuranceenquiry@firstbanknigeria.com
Postal address:	PO Box 5216 Lagos Nigeria
Company Secretary:	Ayoko Ayokunle Olushola
Auditors:	PricewaterhouseCoopers Registered address: Landmark Towers 5B Water Corporation Road 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 Bank Stanbic IBTC Plc Access Bank Plc Eco Bank Plc
Reinsurers:	African Reinsurance Corporation Continental Reinsurance Plc
Actuary:	HR (Nigeria) Ltd

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 statement 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 to prevent and detect fraud and other irregularities; and

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/2013/NBA/00000006842

Valentine O Ojumah
Managing Director
FRC/2012/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 2015, 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.

Ayoko Ayokunle Olushola
Company Secretary
FRC/2015/NBA/00000013900

Lagos, Nigeria
5 February 2016

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 INSURANCE LIMITED

To the Commissioner for Insurance, Abuja:

This Certificate witnesseth that as respects the above mentioned Insurer, having its head office at 34, Marina, 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 2015.

Dated: February 2016

Olurotimi Okpaise BSc, ASA, FIA
Consulting Actuary
FRC/2012/NAS/00000000738

Location:
7th Floor, Allco Plaza,
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Fax: +234 1 280 0917/8
Email: info@hractuaries.com
Web: www.hractuaries.com

RESULTS AT A GLANCE

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Comprehensive income statement				
Gross premium written	**12,118,495**	8,412,909	**10,307,383**	7,129,474
Gross premium income	**11,580,591**	8,288,820	**9,711,296**	7,109,362
Net premium income	**10,473,250**	7,673,224	**9,346,848**	6,835,965
Investment and other income	**2,041,848**	1,283,605	**1,745,294**	1,147,586
Profit before tax	**2,078,811**	1,330,591	**1,844,023**	1,125,524
Profit after tax	**1,859,795**	1,089,001	**1,671,213**	953,232
Statement of financial position				
Total assets	**22,426,061**	16,679,712	**20,926,548**	15,454,829
Insurance contract liabilities	**11,837,414**	7,939,499	**10,694,965**	6,909,773
Total liabilities	**12,817,642**	12,432,418	**11,430,690**	11,209,228
Earnings per share (basic)	**46 kobo**	32 kobo	**41 kobo**	27 kobo

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 GENERAL INFORMATION

These financial statements are the consolidated financial statements of FBN Insurance Limited (the 'Company') and its subsidiary (together the 'Group').

FBN Insurance Limited (formerly known as FBN Life Assurance Limited) 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. The Company is incorporated and domiciled in Lagos, Nigeria, providing life insurance services. In 2014, the Company acquired FBN General Insurance (formerly Oasis Insurance Plc), which was licensed to carry on non-life insurance business.

The Company has its registered office on 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

These financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) and effective or available as at 31 December 2015; and other local regulations like Companies and Allied Matters Act (CAMA) and the Insurance Act 2003, to the extent that they are not in conflict with IFRS.

These 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 naira (which is the Group's functional currency), and all values are rounded to the nearest thousand except when otherwise indicated.

The 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.

(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 believes 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 2015

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

IFRS	Effective date	Subject of amendment
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.
Amendments to IFRS 13, fair value measurement	1 July 2014	The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Company does not apply the portfolio exception in IFRS 13.

IFRS	Effective date	Subject of amendment
Amendments to IAS 40, Investment property	1 July 2014	The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In the previous period, the Company relied on IFRS 3, not IAS 40, in determining whether an acquisition is an asset or a business acquisition. Thus, this amendment did not impact the accounting policy of the Company.

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

As at 31 December 2015, a number of standards and interpretations, and amendments thereto, had been issued by the IASB that are not yet effective for these consolidated financial statements. Those in issue that would likely impact the Group's financial statements are indicated below:

(a) 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.

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, further changes were made to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

While the Company has yet to undertake a detailed assessment of the debt instruments currently classified as available-for-sale financial assets, it would appear that they would satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) based on the current business model for these assets. Hence there will be no change to the accounting for these assets.

There will also be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule, it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation.

The new impairment model is an expected credit loss (ECL) model, which may result in the earlier recognition of credit losses. The Company has no hedging arrangements and is yet to assess how it would be affected by the new impairment provision rules. The Company will adopt the standard when it becomes effective on 1 January 2018.

(b) IFRS 15 Revenue from contracts with customers

This is the new standard issued for recognition of revenue. It will replace IAS 18, which covers contracts for goods and services, and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g., 1 January 2017), i.e., without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. Management is currently assessing the impact of the new rules and has identified that the standard is not expected to have significant impact on the Company's financial statements. The Company will adopt the standard on its mandatory effective date of 1 January 2017.

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 values 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 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 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 subsequently 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 into 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 contracts liabilities that are linked to the changes in fair value of these assets. The designation of these 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 needs 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 statements 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 deducting allowance made for specific debts considered doubtful of recovery. Impairment of trade receivables is presented within other operating expenses.

Trade and other receivables 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 fair values 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 (e.g., NIBOR, MPR, etc.) existing at the dates of the statement of financial position.

The Group uses widely recognised money market rates in determining 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 the Group 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 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.
- 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 an 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 asset is reviewed quarterly for impairment. Where there are objective evidence that the 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 the 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

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

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset. 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, DAC is amortised over the terms of the policies as premium is earned;
- for long-term insurance contracts with fixed and guaranteed terms, DAC is amortised in line with premium revenue using assumptions consistent with those used in calculating future policy benefit liabilities; and
- for long-term insurance contracts without fixed terms and investment contracts, DAC is amortised over the expected total life of the contract group 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 rentals 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 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, holding a recognised and relevant professional qualification and with 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. there is ability 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 attributed 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 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 an 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 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 de-recognition 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 includes all costs directly attributable to developing the software and capitalised borrowing costs, and is 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	3 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 differences between the carrying amounts at the date of de-recognition 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 (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. 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.

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-duration 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-duration 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 premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the 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 contracts is made up of an unexpired premium reserve (UPR) and reserve for IBNR claims. The 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 experience. IBNR reserves are calculated by adjusting the ultimate claims amounts to allow for claims already paid and those outstanding for payment, and again adjusted to allow for the holding of a separate UPR reserve. As the short-term insurance contract experience of FBN 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.

The long-term insurance contracts insure events associated with human life. 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 claim 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.

2.16 TECHNICAL RESERVES

These are the reserves computed in compliance with the provision of Section 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 Insurance Act 2003, the reserve for unearned premium 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. The IBNR is 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 the unearned premium reserve (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 each end of the 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 flows, 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 in financial liabilities represents mainly 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, short-term bank overdraft and other liabilities in the financial statements. 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 re-insurer on 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 prior 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. 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.

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.

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. Where tax on dividend paid exceeds the current income tax assessed on the preceeding basis, tax payable will be computed as 30% of dividend paid.

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 as 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 where 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 premium 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

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 group 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 to 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

Possible obligations of the Group – 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 present obligations of the Group 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 statement of financial position but are disclosed in the notes to the financial statements.

Possible assets of the Group – 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 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 in 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 (EPS) for its ordinary shares. This 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. The diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

2.26 REVENUE RECOGNITION

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

2.26.1 Premium income

Short-term insurance contract

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

Long-term insurance contract

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 within long-term policy liabilities. Group and Group life insurance, mortgage insurance and credit life premiums are accounted for when receivable.

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 within 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 premium ceded to reinsurers also described as reinsurance expenses represents outward premium 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 claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the 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 has 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/contract. 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 employees' 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 benefits 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 fee, depreciation expenses and other non-technical expenses. Other operating and administrative expenses are accounted for on 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	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Assets					
Cash and cash equivalents	6	**1,970,829**	720,605	**1,678,073**	407,094
Financial assets					
- Financial assets at fair value through profit and loss	7.1	**2,156,885**	48,408	**177,428**	-
- Available for sale	7.2	**9,908,183**	11,554,897	**9,394,449**	9,646,366
- Held to maturity	7.3	**274,924**	348,326	**274,924**	324,475
- Loans and receivables	7.4	**3,954,885**	-	**3,954,885**	-
Trade receivables	8	**55,504**	135,767	**25,316**	8,406
Reinsurance assets	9	**662,590**	557,835	**38,331**	45,546
Other receivables and prepayments	10	**446,787**	392,263	**332,776**	527,836
Deferred acquisition costs	11	**150,604**	111,370	**64,806**	1,913
Investment properties	12	**320,225**	322,000	**-**	-
Investment in subsidiary	13	**-**	-	**4,100,873**	3,600,873
Intangible assets	14	**283,894**	301,441	**21,454**	34,560
Property and equipment	15	**1,740,751**	1,686,800	**663,233**	657,760
Statutory deposit	16	**500,000**	500,000	**200,000**	200,000
Total assets		**22,426,061**	**16,679,712**	**20,926,548**	15,454,829
Liabilities					
Insurance contract liabilities	17	**11,837,414**	7,939,499	**10,694,965**	6,909,773
Trade payables	18	**42,852**	28,118	**26,859**	28,118
Other payables and accruals	19	**592,767**	4,125,423	**443,281**	4,070,381
Tax payable	20	**258,573**	271,433	**233,901**	167,459
Deferred tax liability	21	**86,036**	67,945	**31,684**	33,497
Total liabilities		**12,817,642**	**12,432,418**	**11,430,690**	11,209,228
Equity					
Share capital	22 a	**5,336,450**	3,480,000	**5,336,450**	3,480,000
Share premium	22 b	**1,930,708**		**1,930,708**	
Contingency reserves	23	**437,917**	216,462	**370,006**	202,885
Retained earnings	24	**1,739,780**	623,440	**1,613,451**	631,361
Fair value reserves	25	**163,564**	(72,608)	**245,243**	(68,645)
Total equity		**9,608,419**	4,247,294	**9,495,858**	4,245,601
Total equities and liabilities		**22,426,061**	**16,679,712**	**20,926,548**	15,454,829

Signed on behalf of the Board of Directors on 5 February 2016 by:

Festus Izevbizua
Chief Financial Officer
FRC/2012/ICAN/00000001628

Valentine O Ojumah
Managing Director/CEO
FRC/2012/CIIN/00000002422

Adenrele Kehinde
Chairperson
FRC/2013/NBA/00000006842

STATEMENT OF COMPREHENSIVE INCOME

		Group		Company	
	Note	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Gross premium written	26	12,118,495	8,412,909	10,307,383	7,129,474
Unearned premium	26	(537,904)	(124,089)	(596,087)	(20,112)
Gross premium income		11,580,591	8,288,820	9,711,296	7,109,362
Insurance premium ceded to reinsurers	27	(1,107,341)	(615,596)	(364,448)	(273,397)
Net premium income		10,473,250	7,673,224	9,346,848	6,835,965
Fees and commission income	28	192,166	138,960	76,764	51,388
Net underwriting income		10,665,416	7,812,184	9,423,612	6,887,353
Insurance claims incurred and loss adjustment expenses	29	(3,819,114)	(1,344,891)	(3,249,976)	(878,916)
Insurance claims incurred recovered from reinsurers	29	472,332	361,007	108,467	71,293
Underwriting expenses	30	(1,692,745)	(1,449,804)	(1,313,387)	(1,203,376)
Changes in long-term insurance contracts	31	(2,862,466)	(3,407,261)	(2,862,466)	(3,407,261)
Net underwriting expenses		(7,901,993)	(5,840,949)	(7,317,362)	(5,418,260)
Net underwriting profit		2,763,423	1,971,235	2,106,250	1,469,093
Other income	32	62,048	46,767	50,071	27,128
Investment income	33	1,979,801	1,236,838	1,695,224	1,120,458
Employee benefit expenses	34	(1,298,354)	(938,895)	(893,887)	(662,431)
Other operating and administrative expenses	35	(1,428,106)	(985,353)	(1,113,635)	(828,725)
Profit before tax		2,078,811	1,330,591	1,844,023	1,125,524
Income tax expense	36	(219,016)	(241,591)	(172,810)	(172,292)
Profit for the year		1,859,795	1,089,001	1,671,213	953,232
Profit attributable to:					
– Owners of the parent		1,859,795	1,041,400	1,671,213	953,232
– Non-controlling interests		-	47,601	-	-
		1,859,795	1,089,001	1,671,213	953,232
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
– Change in value of available-for-sale financial assets (net of taxes)	25	236,172	(87,931)	313,889	(83,968)
– Other comprehensive income for the year		236,172	(87,931)	313,889	(83,968)
Total comprehensive income for the year		2,095,966	1,001,070	1,985,102	869,264
Total comprehensive income attributable to:					
– Owners of the parent		2,095,966	953,469	1,985,102	869,264
– Non-controlling interests		-	47,601	-	-
		2,095,966	1,001,070	1,985,102	869,264

The notes on pages 60 to 121 are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY – GROUP

	Share capital ₦'000	Share premium ₦'000	Contingency reserve ₦'000	Fair value reserve ₦'000	Retained earnings ₦'000	Total equity ₦'000
Balance at 1 January 2015	3,480,000	-	216,462	(72,608)	623,440	4,247,294
Profit for the year	-	-	-	-	1,859,795	1,859,795
Other comprehensive income for the year	-	-	-	236,172	-	236,172
Total comprehensive income for the year	-	-	-	236,172	1,859,795	2,095,966
Dividend paid to equity holders	-	-	-	-	(522,000)	(522,000)
Increase in allotted share capital	1,856,450	-	-	-	-	1,856,450
Allotted share premium during the year	-	1,930,708	-	-	-	1,930,708
Transfer to contingency reserve	-	-	221,455	-	(221,455)	-
Total transactions with owners, recognised directly in equity	1,856,450	1,930,708	221,455	236,172	1,116,340	3,265,158
Balance at 31 December 2015	5,336,450	1,930,708	437,917	163,564	1,739,780	9,608,418

	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 Plc	-	-	-	-	-	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	-	4,247,294

STATEMENT OF CHANGES IN EQUITY – COMPANY

	Share capital ₦'000	Share premium ₦'000	Contingency reserve ₦'000	Fair value reserve ₦'000	Retained earnings ₦'000	Total ₦'000
Balance at 1 January 2015	3,480,000	-	202,885	(68,645)	631,358	4,245,598
Profit for the year	-	-	-	-	1,671,213	1,671,213
Other comprehensive income for the year	-	-	-	313,889	-	313,889
Total comprehensive income for the year	-	-	-	313,889	1,671,213	1,985,102
Dividend paid to equity holders	-	-	-	-	(522,000)	(522,000)
Increase in allotted share capital during the year	1,856,450	-	-	-	-	1,856,450
Allotted share premium during the year	-	1,930,708	-	-	-	1,930,708
Transfer to contingency reserve	-	-	167,121	-	(167,121)	-
Total transactions with owners, recognised directly in equity	1,856,450	1,930,708	167,121	-	(689,121)	3,265,158
Balance at 31 December 2015	5,336,450	1,930,708	370,006	245,244	1,613,449	9,495,858

	Share capital ₦'000	Share premium ₦'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	-	-	-	-	953,183	953,183
Change in value of available-for-sale financial assets	-	-	-	(83,968)	-	(83,968)
Total comprehensive income for the year	-	-	-	(83,968)	953,183	869,215
Shares issued	-	-	-	-	-	-
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)	631,358	4,245,598

STATEMENT OF CASH FLOWS

	Note	Group 2015 ₦'000	Group 2014 ₦'000	Company 2015 ₦'000	Company 2014 ₦'000
Cash flows from operating activities					
Cash premium received		12,034,740	8,401,763	10,290,473	7,098,407
Cash claims recovered		232,191	215,288	106,208	71,328
Dividend received		9,310	1,230	2,150	-
Claims paid		(3,321,569)	(1,547,735)	(2,923,338)	(1,047,090)
Cash paid to reinsurers/coinsurers		(1,092,607)	(593,009)	(365,707)	(250,810)
Underwriting expenses paid		(1,196,576)	(1,143,365)	(1,121,591)	(1,121,501)
Employee benefits paid		(1,241,354)	(911,443)	(836,887)	(612,431)
Other operating expenses paid		(1,038,218)	(783,560)	(934,408)	(621,321)
Income tax paid		(213,785)	(63,147)	(108,181)	(63,147)
Net cash from operating activities		4,172,133	3,576,024	4,108,720	3,453,436
Cash flow from investing activities					
Purchases of plant and equipment	15	(184,574)	(625,903)	(93,439)	(605,687)
Purchase of intangible assets	14	(1,140)	(12,832)	(1,140)	(12,832)
Purchase of investment properties		-	-	-	-
Proceeds from disposal of property and equipment		6,746	11,799	-	6,632
Purchase of government bonds		(4,985,124)	(824,554)	(3,784,226)	(795,030)
Redemption of government bonds		4,497,766	2,492,583	3,334,908	2,467,583
Purchase of other investment securities		(15,994,945)	(14,369,496)	(13,709,062)	(13,941,977)
Redemption of other investment securities		15,560,248	17,385,920	14,398,695	16,797,465
Acquisition of subsidiary, net of cash acquired		-	(2,711,658)	(500,000)	(3,600,873)
Interest received		197,258	885,271	185,326	882,506
Net cash used in investing activities		(903,764)	2,231,130	(168,938)	1,197,788
Cash flow from financing activities					
Dividend paid	25	(522,000)	(305,244)	(522,000)	(305,244)
Net cash used in financing activities		(521,999)	(305,244)	(522,000)	(305,244)
Net increase/(decrease) in cash and cash equivalents		2,746,370	5,501,909	3,417,781	4,345,980
Cash and cash equivalent at beginning of year		6,347,680	845,771	5,191,751	845,771
Net increase/decrease in cash and cash equivalents		2,746,370	5,501,909	3,417,781	4,345,980
Cash and cash equivalents at end of period	6.1	9,094,050	6,347,680	8,609,533	5,191,751

		Group		Company	
	Note	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Reconciliation of profit before tax to cash generated from operations		**2,078,811**	1,330,591	**1,844,023**	1,125,524
Adjustment for non-cash items					
Write-off/Impairment of premium receivables	8	**(3,492)**	3,492	**-**	-
(Gain)/loss on disposal of property and equipment		**(4,773)**	(677)	**-**	2,111
Depreciation charge	15	**125,239**	121,655	**84,555**	80,628
Amortisation of intangible assets	14	**18,687**	24,095	**14,246**	13,177
Investment income		**(1,773,232)**	(350,291)	**(1,507,748)**	(237,907)
Unrealised fair value loss on revaluation of investment properties	12	**2,735**	34,236	**-**	-
Changes in unearned premium		**537,903**	124,089	**596,087**	20,112
Changes in IBNR		**296,829**	(223,712)	**176,563**	(242,819)
Changes in contract liabilities		**2,862,466**	3,407,261	**2,862,466**	3,407,261
Operating profit before changes in operating assets and liabilities		**4,141,172**	4,470,738	**4,070,192**	4,168,087
Changes in working capital					
Trade receivables		**83,755**	11,145	**(16,910)**	183,021
Reinsurance assets		**(104,756)**	(146,117)	**7,215**	31,067
Other receivables and prepayment		**(54,524)**	(159,715)	**195,060**	(315,527)
Restricted cash in escrow account		**-**	(779,848)	**-**	(822,788)
Deferred acquisition cost		**(39,234)**	(2,680)	**(62,893)**	(881)
Outstanding claims		**200,717**	20,868	**150,076**	74,645
Trade payables		**14,734**	22,587	**(1,259)**	22,587
Other liabilities		**144,055**	202,191	**(124,579)**	176,372
Changes in working capital		**4,385,918**	3,639,171	**4,216,901**	3,516,583
Income tax paid	21	**(213,785)**	(63,147)	**(108,181)**	(63,147)
Net cash from operating activities		**4,172,133**	3,576,024	**4,108,720**	3,453,436

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1 GENERAL INFORMATION

These financial statements are the consolidated financial statements of FBN Insurance Limited (the 'Company'), and its subsidiary (together the 'Group').

FBN Insurance Limited (formerly known as FBN Life Assurance Limited) 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, providing life insurance services. During the year, the Company acquired Oasis Insurance Plc, which was licensed to carry on non-life insurance business.

The Company has its registered office on 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 on pages 40 to 53. These policies have been consistently applied to all the 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 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 product 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 staffs 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	2015			2014		
	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000
Life business						
Individual traditional	**8,553,835**	**-**	**8,553,835**	4,801,890	-	4,801,890
Group credit life	**559,524**	**-**	**559,524**	765,348	-	765,348
Group life – UPR	**720,070**	**(1,092)**	**718,979**	123,983	(7,782)	116,201
Group life – AURR	**4,904**	**-**	**4,904**	12,830	-	12,830
Group life – IBNR	**250,516**	**(1,092)**	**249,486**	73,953	(3,813)	70,140
Additional reserves	**224,610**	**-**	**224,610**	900,339	-	900,339
Claims reserve – life business	**381,506**	**(36,210)**	**345,295**	231,430	-	231,430
Total liability – life business	**10,694,965**	**(38,331)**	**10,656,633**	6,909,773	(11,595)	6,898,178
Non-life business						
Reserve – UPR						
Aviation	**16**	**-**	**16**	9,049	-	9,049
Bond	**2,465**	**-**	**2,465**	966	-	966
Engineering	**46,332**	**-**	**46,332**	29,004	-	29,004
Fire	**86,113**	**-**	**86,113**	69,681	-	69,681
General accident	**53,904**	**-**	**53,904**	46,057	-	46,057

3.2 Frequency and severity of claims (continued)

Group	2015			2014		
	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000
Marine cargo	5,626	-	5,626	19,814	-	19,814
Marine hull	7,446	-	7,446	7,632	-	7,632
Motor	165,654	-	165,654	141,340	-	141,340
Oil and gas	147,476	-	147,476	249,672	-	249,672
	515,031	-	515,032	573,215	-	573,215
Claims reserve						
Outgoing gross OCR						
Aviation	11,553	-	11,553	750	-	750
Engineering	8,133	(7,241)	892	12,346	-	12,346
Fire	204,185	(188,293)	15,892	18,886	-	18,886
General accident	88,265	(37,778)	50,487	201,116	-	201,116
Marine cargo	1,975	(1,336)	639	3,720	-	3,720
Marine hull	475	(39)	436	7,052	-	7,052
Motor	39,261	(9,630)	29,631	65,486	-	65,486
Oil and gas	22,050	-	22,050	15,900	-	15,900
	375,897	(244,317)	131,580	325,256	-	325,256
Outgoing gross IBNR						
Aviation	6,541	-	6,541	12,083	-	12,083
Bond	253	-	253	30	-	30
Engineering	8,872	(7,079)	1,793	7,191	-	7,191
Fire	11,040	(8,230)	2,810	31,782	-	31,782
General accident	102,050	(73,775)	28,275	37,720	-	37,720
Marine cargo	2,884	(1,577)	1,307	874	-	874
Marine hull	12,322	(10,236)	2,086	10,304	-	10,304
Motor	34,730	(4,436)	30,294	5,077	-	5,077
Oil and gas	72,828	-	72,828	26,194	-	26,194
	251,522	(105,334)	146,187	131,255	-	131,255
Total liability – non-life business	1,142,450	(349,650)	792,799	1,029,726	-	1,029,726
Total liability – life and non-life businesses	11,837,414	(387,981)	11,449,432	7,939,499	(11,595)	7,927,904

3.2 Frequency and severity of claims (continued)

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

Group	2015			2014		
	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000
Group life	1,271,153	(108,467)	1,162,686	423,441	(71,294)	352,147
Group credit life	338,987	-	338,987	232,531	-	232,531
Individual life	1,639,836	-	1,639,836	465,762	-	465,762
Non-life business	569,136	(363,865)	205,271	465,976	(269,967)	196,009
	3,819,112	(472,332)	3,346,780	1,587,710	(341,261)	1,246,449

Group	2015			2014		
	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000
Individual traditional	8,553,836	-	8,553,836	4,801,890	-	4,801,890
Group credit life	559,524	-	559,524	765,348	-	765,348
Group life – UPR	720,070	(1,092)	718,978	123,983	(7,782)	116,201
Group life – AURR	4,903	-	4,903	12,830	-	12,830
Group life – IBNR	250,516	(1,029)	249,487	73,953	(3,813)	70,140
Additional reserves	224,610	-	224,610	900,339	-	900,339
Outstanding claims	381,506	(36,210)	345,296	231,430	-	231,430
	10,694,965	(38,331)	10,656,634	6,909,772	(11,595)	6,898,177

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

Company	2015			2014		
	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000
Group life	1,271,153	(108,467)	1,162,686	423,441	(51,547)	371,894
Group credit life	338,987	-	338,987	232,531	-	232,531
Individual life	1,639,836	-	1,639,836	465,763	-	465,763
	3,249,976	(108,467)	3,141,509	1,121,735	(51,547)	1,070,188

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 incurred but not reported claims (IBNR).

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
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 sum insured on the occurrence of an accidental death. FlexiSave is an embedded product having components of insurance and financial risks. The product has not be unbundled due to the fact that the components could not be measured separately. This reserve calculation also considers the expected future cash flows, including expenses.

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 – 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 make an allowance for the delay in reporting of claims.

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

A loss ratio approach (basic chain ladder in 2015) 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 a UPR 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 were 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 the credibility. Extreme 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 taking into account 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 case 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 claims, 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 reporting of claims will continue into the future. If it is expected that these delay assumptions no longer hold, an adjustment needs to be made to allow for this change in reporting. If the delay period in reporting is expected to have increased from previous years, the results shown in this report will be understated.

Additionally, an estimate of the average ultimate loss ratio was assumed. We based our estimated average loss ratio on claims experience to date for accident years 2013, 2014 and 2015.

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 on, which satisfies paragraph 27 of IFRS 4. Further, the result is a 'fair value' liability calculation, which aids the comparability of accounts between insurers.

Net valuation interest rate of 10.25% 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 2015, FGN bond yields of duration between five and 20 years were around 11%. The 20-year FGN bond yield was 11.15%. By comparison, long-term bonds were yielding 15% at December 2014.

For the purpose of determining the valuation interest rate, we have considered a 0.25% prudent margin against the long-term yield to arrive at a gross valuation interest rate of 10.90%. This makes some allowance for the volatility and liquidity of the 'risk free' yields.

	Rate
Long-term FGN bond yield	11.15%
Less 0.25% risk adjustment	(0.25%)
Less 0.65% tax	(0.65%)
Net valuation rate	10.25%

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

Type of business	Current valuation	Previous valuation
Risk products	10.25%	14.75%
Pension annuity	10.25%	-

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: ₦4,297 per policy;
- credit life: ₦600 per policy;
- family shield: ₦520 per policy; and
- Group life: 42% of premium.

The Group adopted a valuation expense assumption of ₦4,300 per policy on risk policies excluding family shield and ₦600 per policy for credit life, while expense per policy for family shield is set at ₦500. The analysis is based on the number of active policies at the valuation date.

The valuation expense assumptions are as follows:

Type of business	Current valuation ₦ per policy	Previous valuation ₦ per policy
Individual life	300	5,000
Credit life	600	250
Family shield	500	-

3.4.3 Expense inflation

The above expenses are subject to inflation at 9.5% per annum. Consumer price inflation at 31 December 2015 was 9.42%. Both the expense inflation and expense assumption will be actively reviewed in subsequent valuations once more experience data and an expense analysis is made available.

3.4.4 Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into the 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 Cashflow and FlexiSave Plans, after policies have been in force for a predefined length of time (at which policies become eligible to receive a surrender value payout). Where eligible, the FlexiSave surrender values are apportioned on the basis of sum insured.

Surrender rate was not applied in the current valuation. However, the reserves for the Cashflow Plans will be subjected to a minimum floor of the surrender value at the valuation date.

3.4.6 Lapses

We have made an allowance for future lapses (being an exit without payment before a surrender value becomes payable) and surrenders under the endowment plans at the following rates:

Education and cash flow	Lapse rate per annum	Surrender rate per annum
Year 1	12.5%	-
Year 2	-	2.5%
Year 3	-	2.5%
Year 4	-	2.5%
Year 5	-	2.5%

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. For all protection business, any negative reserves were set to zero to prevent policies being treated as assets. Negatives reserves were permitted for endowment plans for policies with no surrender value at the valuation date.

vi. Any policies subject to substandard terms were valued using the same basis as standard policies.

3.4.7 Bonuses

We will make a full allowance for the accrual of future bonuses at the guaranteed (simple) bonus rate of 2% per annum for the cash-flow endowment.

3.4.8 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 20% of gross premium was adopted. Group life commission was paid at 9% of premium and a NAICOM (regulatory) fee is payable at 1% of premium, 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. The UPR was based on the net premiums, where net premiums are reported after the deduction of commission.

iv. The IBNR 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 to be held. 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 contingencies reserves have been estimated as necessary using the information available and reported in the main valuation. Assumptions used for these estimates are summarised in the table below:

All business group	2015	2014
Expense overrun	0%	10%
Worsening of mortality experience	0%	10%

3.4.9 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.

3.4.10 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 +/-1%;

b. expenses +/- 10%;

c. expense inflation +/- 2%; and

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

Group 2015									
₦'000	Base	VIR		Expenses		Expense inflation		Mortality	
		1%	(1%)	10%	(10%)	2%	(2%)	5%	(5%)
Individual risk reserves	8,552,073	7,476,262	10,104,883	8,875,688	8,116,184	9,852,892	7,858,125	8,607,479	8,497,962
Group life – UPR incl. AURR	724,973	724,973	724,973	724,973	724,973	724,973	724,973	724,973	724,973
General business – UPR incl. AURR	515,031	515,031	515,031	515,031	515,031	515,031	515,031	515,031	515,031
Group life – IBNR	250,516	250,516	250,516	250,516	250,516	250,516	250,516	250,516	250,516
Group credit life	559,524	559,524	559,524	567,769	551,279	559,524	559,524	559,524	559,524
Additional reserves	224,610	224,610	224,610	224,610	224,610	224,610	224,610	224,610	224,610
Reinsurance	(2,121)	(2,121)	(2,121)	(2,121)	(2,121)	(2,121)	(2,121)	(2,121)	(2,121)
Net liability	10,824,606	9,748,795	12,377,416	11,156,466	10,380,472	12,125,425	10,130,658	10,880,012	10,770,495
% change in net liability		90.1%	114.3%	103.1%	95.9%	112.0%	93.6%	100.5%	99.5%
Assets	13,782,921	13,782,921	13,782,921	13,782,921	13,782,921	13,782,921	13,782,921	13,782,921	13,782,921
Surplus/(deficit)	2,958,315	4,034,126	1,405,505	2,626,455	3,402,449	1,657,496	3,652,263	2,902,909	3,012,426

Group 2014

₦'000	Base	VIR		Expenses		Expense inflation		Mortality	
		1%	(1%)	10%	(10%)	2%	(2%)	5%	(5%)
Individual risk reserves	4,801,890	4,417,809	5,185,970	4,869,416	4,736,655	4,833,963	4,774,814	4,811,015	4,793,156
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 2015									
₦'000	Base	VIR		Expenses		Expense inflation		Mortality	
		1%	(1%)	10%	(10%)	2%	(2%)	5%	(5%)
Individual risk reserves	8,552,073	7,476,262	10,104,883	8,875,688	8,116,184	9,852,892	7,858,125	8,607,479	8,497,962
Group life – UPR incl. AURR	724,973	724,973	724,973	724,973	724,973	724,973	724,973	724,973	724,973
Group life – IBNR	250,516	250,516	250,516	250,516	250,516	250,516	250,516	250,516	250,516
Group credit life	559,524	559,524	559,524	567,769	551,279	559,524	559,524	559,524	559,524
Additional reserves	224,610	224,610	224,610	224,610	224,610	224,610	224,610	224,610	224,610
Reinsurance	(2,121)	(2,121)	(2,121)	(2,121)	(2,121)	(2,121)	(2,121)	(2,121)	(2,121)
Net liability	10,309,575	9,233,764	11,862,385	10,641,435	9,865,441	11,610,394	9,615,627	10,364,981	10,255,464
% change in net liability	-	89.6%	115.1%	103.2%	95.7%	112.6%	93.3%	100.5%	99.5%
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)	1,575,122	499,311	3,127,932	1,906,982	1,130,988	2,875,941	881,174	1,630,528	1,521,011

Company 2014									
₦'000	Base	VIR		Expenses		Expense inflation		Mortality	
		1%	(1%)	10%	(10%)	2%	(2%)	5%	(5%)
Individual risk reserves	4,801,890	4,417,809	5,185,970	4,869,416	4,736,655	4,833,963	4,774,814	4,811,015	4,793,156
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

Assumptions have been flexed on the basis used to calculate the value of in-force (VIF) 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 expenses rates to 90% and 110% respectively of the base rates. The valuation interest rate (VIR) sensitivity result shows the impact of reducing and increasing the VIR to 99% and 101% respectively of the base rates.

3.6 SOLVENCY

The solvency level at the valuation date was 121% for the Group (2014: 100%) and 115% for the Company (2014: 107%). That is, assets representing life and non-life funds on the Group's balance sheet (₦13.8 billion) were 121% of the valuation of the actuarially calculated liabilities (₦11.8 billion), while assets representing the life fund on the Company's balance sheet (₦12.3 billion) were 115% of the value of the actuarially calculated liabilities (₦10.7 billion).

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

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Govt. bonds	1,386,261	669,761	1,171,238	643,711
Treasury bills	9,054,556	7,207,572	8,206,262	6,349,051
Cash and bank balances	1,970,442	691,848	1,677,687	407,094
Commercial papers	1,074,868	-	1,074,868	-
Investment properties	80,000	80,000	-	-
Investment in quoted equity	216,794	24,204	177,428	-
Investment in unquoted equity	-	61,068	-	-
Total	13,782,920	8,734,453	12,307,483	7,399,856

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 shows a surplus of ₦1.6 billion (2014: ₦490 million), while the life and non-life funds show a surplus of ₦1.9 billion (2014: ₦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 policy contracts.

The Group manages these risks through the activities of the Audit, Compliance and Risk Committee and the 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 Audit, Compliance and Risk Committee is a committee of the Board of FBN Insurance Limited 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:

- 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 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.

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

- ensuring that insurance and investment contract liabilities are matched with appropriate supporting assets based on the type of benefits payable to the contract holders;
- ensuring that the long-term investment return on assets supporting policy liabilities are sufficient to fund policyholders' reasonable benefit expectations and the shareholders' profit entitlement; and
- the implementation and monitoring of 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 optimisation of expected risks and rewards based on investment objectives, to asset-liability matching in support of statement of financial position obligations.

The 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 are applied to monitoring and controlling market risk.

4.1.1 Foreign exchange risk

Foreign exchange risk is the risk associated with movement in the foreign exchange prices from foreign currency-denominated transactions to which the Group is exposed.

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

The Group manages its exposure to foreign exchange risk using sensitivity analysis to assess 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 policies, procedures and methods used to measure the risk.

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

		Group		Company	
Cash and bank balances	Currency	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
	Dollars	**140,460**	34,211	**118,838**	206
	Euro	**4,530**	3,812	**-**	-

The table below shows the effect on profit as at 31 December 2015, from a ₦200/USD (2014: ₦180/USD) and ₦217.68/euro (2014: ₦232.54/euro) closing rate, of a favourable/unfavourable change in USD/euro against the naira when all other variables remain constant.

	Impact on PBT			
	Group		Company	
Changes in USD exchange rate	**2015**	**2014**	**2015**	**2014**
Increase/(decrease) by 10% (+/-)	**14,046**	380	**11,884**	25
Increase/(decrease) by 15% (+/-)	**21,069**	1,901	**17,826**	127
Changes in euro exchange rate				
Increase/(decrease) by 10% (+/-)	**453**	381	**-**	-
Increase/(decrease) by 15% (+/-)	**679**	572	**-**	-

4.1.2 Interest rate risk

Interest rate risk is the risk that the value of a fixed income security will fall as a result of movement in market interest rates. Interest rate risk also arises from fluctuations in future cash flows of a financial instrument because of changes in market interest rates.

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 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 2015 when all other variables are 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 2015 ₦'000	Total	1-3 months	3-6 months	6-12 months	>12 months
Interest-bearing assets					
Cash and bank balances	1,970,829	1,970,829	-	-	-
Investment securities	16,294,877	9,206,566	2,632,149	3,343,174	1,112,988
Statutory deposit	500,000	-	-	-	500,000
Staff loans	159,241	-	151	4,101	154,989
Due from agents	8,180	-	-	-	8,180
Due from policyholders	14,211	4,645	649	8,917	-
	18,947,338	11,182,040	2,632,949	3,356,192	1,776,157
Interest-bearing liabilities	-	-	-	-	-
Gap	18,947,337	11,182,040	2,632,949	3,356,192	1,776,157
Changes in interest rate			**Impact on PBT**		
Increase/(decrease) by 100bp (+/-)		111,820	26,329	33,562	17,762
Increase/(decrease) by 500bp (+/-)		559,102	131,647	167,810	88,808

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	-	-	-	-	-
Gap	11,488,714	5,808,762	2,843,440	1,988,186	848,326
Changes in interest rate			**Impact on PBT**		
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 2015 ₦'000	Total	1–3 months	3–6 months	6–12 months	>12 months
Interest-bearing assets					
Cash and bank balances	1,678,073	1,678,073	-	-	-
Investment securities	13,801,686	8,402,499	1,671,784	3,128,151	599,252
Statutory deposit	200,000	-	-	-	200,000
Staff loans	159,241	-	151	4,101	154,989
Due from agents	8,180	-	-	-	8,180
Due from policyholders	14,211	4,645	649	8,917	-
	15,861,391	10,085,217	1,672,584	3,141,169	962,421
Interest-bearing liabilities	-	-	-	-	-
Gap	15,861,391	10,085,217	1,672,584	3,141,169	962,422
Changes in interest rate			**Impact on PBT**		
Increase/(decrease) by 100bp (+/-)		100,852	16,726	31,412	9,624
Increase/(decrease) by 500bp (+/-)		504,261	83,629	157,058	48,121

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-earning liabilities	-	-	-	-	-
Total interest-earning assets	-	-	-	-	-
Gap	9,715,329	4,814,666	2,541,150	1,835,038	524,475
Changes in interest rate			**Impact on PBT**		
Increase/(decrease) by 100bp (+/-)		48,147	25,412	18,350	(23,509)
Increase/(decrease) by 500bp (+/-)		240,733	127,058	91,752	(117,543)

4.1.3 Equity price risk

The Group is exposed to equity price risks arising from equity investments. Based on the volatility of quoted stocks, the Group monitors the contribution of individual stock to the total stocks holding in a portfolio on a monthly basis. Should there be a drastic drop in price of one equity, the effect on the portfolio will not be significant. The Group is only exposed to equity price risk within the banking sector.

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 ₦8.8 million (Company 2014: ₦0.3 million) as a result of the changes in fair value of investments in equity instruments. If equity prices had been 1% higher/lower, the Group's other comprehensive income would increase/decrease by ₦1.8 million (Company 2014: ₦0.06 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, business sectors and 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 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 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 through counterparty risk using established limits as approved by the Board. These limits are determined based on credit ratings of the counterparty among other factors. The investments portfolio is monitored on a monthly basis.

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

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Cash and bank balances	**1,970,829**	720,605	**1,678,073**	407,094
Investment securities	**16,294,877**	11,292,547	**13,801,686**	9,970,841
Trade receivables	**55,504**	135,767	**25,316**	8,406
Reinsurance assets	**662,590**	145,719	**38,331**	33,951
Other receivables	**3,921**	19,606	**4,953**	7,498
Statutory deposit	**500,000**	500,000	**200,000**	200,000
Staff loans	**159,241**	-	**159,241**	-
Due from agents	**8,180**	-	**8,180**	-
Due from policyholders	**14,211**	-	**14,211**	-
	19,669,353	12,814,244	**15,929,991**	10,627,790

4.2.2 Credit quality of financial assets

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

	Group		Company	
	2015 ₦'000	2014 ₦'000	**2015 ₦'000**	2014 ₦'000
Neither past due nor impaired	**55,504**	135,767	**25,316**	8,406
Individually impaired	**-**	3,492	**-**	-
Gross	**55,504**	139,259	**25,316**	8,406
Less: allowance for impairment	**-**	(3,492)	**-**	-
Net	**55,504**	135,767	**25,316**	8,406

No trade receivable balance was past due but not impaired. The risk associated with other receivables is low.

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 2015 ₦'000	AAA	AA	A	BB	CC	Total
Policyholder portfolio						
Cash and bank balances	1,970,442	-	-	-	-	1,970,442
Investment securities	11,812,479			-	-	11,812,479
Total	13,782,921	-	-	-	-	13,782,921
Shareholder portfolio						
Cash and bank balances	387	-	-	-	-	387
Investment securities	4,482,398		-	-	-	4,482,398
Reinsurance assets	-	662,590	-	-		662,590
Statutory deposit	500,000	-	-	-	-	500,000
Staff loans	159,241	-	-	-	-	159,241
Due from agents	-	-	-	8,180	-	8,180
Due from policyholders	-	-	-	14,211	-	14,211
Total	5,142,026	662,590	-	22,391	-	5,827,007

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	8,654,452	-	-	-	-	8,654,452
Shareholder portfolio						
Cash and bank balances	3,329,943	-	-	-	-	3,329,943
Investment securities	-	145,719	-	-		145,719
Reinsurance assets	-	19,606	-	-	-	19,606
Other receivables	-	-	-	-	-	-
Statutory deposit	500,000	-	-	-	-	500,000
Total	3,829,943	165,325	-	-	-	3,995,268

Company 2015 ₦'000	AAA	AA	A	BB	CC	Total
Policyholder portfolio						
Cash and bank balances	691,848	-	-	-	-	691,848
Investment securities	8,042,605	-	-	-	-	8,042,605
Total	8,734,453	-	-	-	-	8,734,453
Shareholder portfolio						
Cash and bank balances	986,225	-	-	-	-	986,225
Investment securities	5,759,081	-	-	-	-	5,759,081
Reinsurance assets	-	-	38,331	-	-	38,331
Statutory deposit	200,000	-	-	-	-	200,000
Staff loans	159,241	-	-	-	-	159,241
Due from agents	-	-	-	8,180	-	8,180
Due from policyholders	-	-	-	14,211	-	14,211
Total	7,104,548	-	38,331	22,391	-	7,165,270

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
Trade receivables	-	-	-	-	-	-
Reinsurance assets	-	-	-	-	-	-
Total	7,399,856	-	-	-	-	7,399,856
Shareholder portfolio						
Cash and bank balances	2,978,079	-	-	-	-	2,978,079
Investment securities	-	-	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

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	2015				2014			
	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	55,504	16,145,236	2,633,419	18,834,159	-	-	885,930	885,930
Manufacturing	-	149,641	-	149,641	-	-	-	-
Oil and gas	-	-	-	-	-	-	-	-
Public sector	-	-	500,000	500,000	135,767	11,292,547	500,000	11,928,314
Retail	-	-	185,553	185,554	-	-	-	-
	55,504	16,294,877	3,318,973	19,669,354	135,767	11,292,547	1,385,930	12,814,244

Company	2015				2014			
	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	25,316	13,652,045	1,716,404	15,393,765		-	448,543	448,543
Manufacturing	-	149,641	-	149,641	-	-	-	-
Oil and gas	-	-	-	-				-
Public sector	-	-	200,000	200,000	8,406	9,970,841	200,000	10,179,247
Retail	-	-	186,585	186,585	-	-	-	-
	25,316	13,801,686	2,102,989	15,929,991	8,406	9,970,841	648,543	10,627,790

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 payables and receivables create for the parties to the agreement a right of set-off on recognised amounts that is enforceable only following redetermined 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 2015				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 amount of financial assets presented in the statement of financial position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
Reinsurance receivables	662,590	-	662,590	(42,852)	-	619,738

				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 amount of financial liabilities presented in the statement of financial position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
Trade payables	42,852	-	42,852	(42,852)	-	-

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 amount 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 amount of financial liabilities presented in the statement of financial position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
Trade payables	28,118	-	28,118	(28,118)	-	-

Company 2015

				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 amount of financial assets presented in the statement of financial position**	**Financial instruments (including non-cash collateral)**	**Cash collateral received**	**Net amount**
Reinsurance receivables	38,331	-	38,331	(26,859)	-	11,472

				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 amount of financial assets presented in the statement of financial position**	**Financial instruments (including non-cash collateral)**	**Cash collateral received**	**Net amount**
Reinsurance payables	26,859	-	26,859	(26,859)	-	-

Company 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 amount 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)	-	17,428

				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 liabilities offset in the statement of financial position**	**Net amount of financial assets 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)	-	-

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 commitment, 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 those 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 the financial position.

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

Group 2015	Carrying amount	0–3 months	3–9 months	9 months to 1 year	1–5 years	>5 years	Total
Cash and bank balances	1,970,829	1,970,829	-	-	-	-	1,970,829
Investment securities	16,294,877	9,206,566	3,260,334	2,714,989	130,488	982,500	16,294,877
Trade receivables	55,504	55,504	-	-	-	-	55,504
Reinsurance assets	662,590	662,590	-	-	-	-	662,590
Other receivables	446,787	446,787	-	-	-	-	446,787
Total financial assets	19,430,587	12,342,278	3,260,334	2,714,989	130,488	982,500	19,430,587
Net financial assets and liabilities	18,794,968	11,706,659	3,260,334	1,214,339	1,631,138	982,500	18,794,968
Insurance contract liabilities – life fund	11,837,414	556,686	-	902,406	6,480,407	3,897,915	11,837,414
Net policyholders' assets and liabilities	6,957,554	11,149,973	3,260,334	311,933	(4,849,269)	(2,915,415)	6,957,554
Group 2014							
Cash and bank balances	720,605	720,605	-	-	-	-	720,605
Investment securities	11,910,690	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 liabilities	13,344,502	7,496,799	4,849,079	580,990	168,564	249,070	13,344,502
Net financial assets and liabilities	10,055,679	7,083,310	4,849,079	580,990	(2,706,770)	249,070	10,055,679
Insurance contract liabilities – life fund	7,939,499	556,686	-	902,406	3,605,073	2,875,334	7,939,499
Net policyholders' assets and liabilities	2,116,180	6,526,624	4,849,079	(321,416)	(6,311,843)	(2,626,264)	2,116,180

Company 2015	Carrying amount	0–3 months	3–9 months	9 months to 1 year	1–5 years	>5 years	Total
Cash and bank balances	**1,678,073**	**1,678,073**	**-**	**-**	**-**	**-**	**1,678,073**
Investment securities	**13,801,686**	**8,402,499**	**2,084,946**	**2,714,989**	**130,488**	**468,764**	**13,801,686**
Trade receivables	**25,316**	**25,316**	**-**	**-**	**-**	**-**	**25,316**
Reinsurance assets	**38,331**	**38,331**	**-**	**-**	**-**	**-**	**38,331**
Other receivables	**332,776**	**332,776**	**-**	**-**	**-**	**-**	**332,776**
Total financial liabilities	**15,876,182**	**10,476,995**	**2,084,946**	**2,714,989**	**130,488**	**468,764**	**15,876,182**
Net financial assets and liabilities	**15,406,042**	**10,006,855**	**2,084,946**	**1,214,339**	**1,631,139**	**468,764**	**15,406,042**
Insurance contract liabilities – life fund	**10,694,965**	**381,506**	**-**	**970,586**	**5,853,940**	**3,488,933**	**10,694,965**
Net policyholders' assets and liabilities	**4,711,077**	**9,625,349**	**2,084,946**	**243,753**	**(4,222,800)**	**(3,020,169)**	**4,711,077**
Company 2014							
Cash and bank balances	407,094	407,094	-	-	-	-	407,094
Investment securities:							
Held to maturity	11,357,145	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	11,825,689	6,529,071	4,392,452	580,990	118,875	204,300	11,825,689
Net financial assets and liabilities	4,851,855	2,430,571	4,392,452	580,990	(2,756,459)	204,300	4,851,855
Insurance contract liabilities – life fund	6,909,773	231,430	-	197,936	3,605,073	2,875,334	6,909,773
Net policyholders' assets and liabilities	(2,057,918)	2,199,141	4,392,452	383,054	(6,361,532)	(2,671,034)	(2,057,918)

The maturity of non-derivative financial liabilities and financial assets have 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 from inception of business in 2010.

The table on page 85 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 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 the light of 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 authorised share capital as at 31 December 2015 was ₦7,500,000,000 (2014: ₦7,500,000,000). The Company is in compliance with the minimum capital requirement of ₦2 billion as stipulated by the Insurance Act.

Paid-up capital for the reporting periods under review is summarised as follows:

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Paid-up share capital	5,336,450	3,480,000	5,336,450	3,480,000
Share premium	1,930,708	-	1,930,708	-
Contingency reserves	437,917	216,462	370,006	202,885
Fair value reserves	163,564	(72,608)	245,243	(68,645)
Retained earnings	1,739,780	623,440	1,613,451	631,361
	9,608,418	4,247,294	9,495,858	4,245,601

4.5 MEASUREMENT BASIS OF FINANCIAL ASSETS AND LIABILITIES

Group	2015			2014		
	Fair value ₦'000	Amortised cost ₦'000	Total ₦'000	Fair value ₦'000	Amortised cost ₦'000	Total ₦'000
Cash and bank balances	-	1,970,829	1,970,829	-	720,605	720,605
Investment securities	12,065,068	4,229,809	16,294,877	11,603,305	348,326	11,951,631
Trade receivables	-	55,504	55,504	-	135,767	135,767
Reinsurance assets	-	662,590	662,590	-	145,719	145,719
Other assets	-	446,787	446,787	-	19,606	19,606
Statutory deposit	-	500,000	500,000	-	500,000	500,000
Total financial assets	12,065,068	7,865,519	19,930,587	11,603,305	1,870,023	13,473,328
Financial liabilities						
Trade payable	-	42,852	42,852	-	28,118	28,118
Other payables and accruals	-	592,767	592,767	-	4,125,423	4,125,423
Total financial liabilities	-	635,619	635,619	-	4,153,541	4,153,541

Company	2015			2014		
	Fair value ₦'000	Amortised cost ₦'000	Total ₦'000	Fair value ₦'000	Amortised cost ₦'000	Total ₦'000
Cash and bank balances	-	1,678,073	1,678,073	-	407,094	407,094
Investment securities	9,571,877	4,229,809	13,801,687	9,646,366	324,475	9,970,841
Trade receivables	-	25,316	25,316	-	8,406	8,406
Reinsurance assets	-	38,331	38,331	-	33,951	33,951
Other assets	-	332,776	332,776	-	7,498	7,498
Statutory deposit	-	200,000	200,000	-	200,000	200,000
Total financial assets	9,571,877	6,504,305	16,076,183	9,646,366	981,424	10,627,790
Financial liabilities						
Trade payable	-	26,859	26,859	-	28,118	28,118
Other payables and accruals	-	443,281	443,281	-	4,070,381	4,070,381
Total financial liabilities	-	470,140	470,140	-	4,098,499	4,098,499

4.6 MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

The Group measures fair values 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			
	2015		2014		2015		2014	
	Carrying value ₦'000	Fair value ₦'000	Carrying value ₦'000	Fair value ₦'000	Carrying value ₦'000	Fair value ₦'000	Carrying value ₦'000	Fair value ₦'000
Financial assets								
Statutory deposits	**500,000**	**500,000**	500,000	500,000	**200,000**	**200,000**	200,000	200,000
Cash and bank balances	**1,970,829**	**1,970,829**	720,605	720,605	**1,678,073**	**1,678,073**	407,094	407,094
Investment securities:								
Held to maturity	**274,924**	**295,040**	348,326	318,890	**274,924**	**295,040**	324,475	295,040
Available for sale	**9,908,183**	**9,908,183**	11,554,897	11,554,897	**9,394,449**	**9,394,449**	9,646,366	9,646,366
Financial assets designated at fair value	**2,156,885**	**2,156,885**	48,408	48,408	**177,428**	**177,428**	-	-
Loans and receivables	**3,954,885**	**3,954,885**	-	-	**3,954,885**	**3,954,885**	-	-
Trade receivables	**55,504**	**55,504**	135,767	135,767	**25,316**	**25,316**	8,406	8,406
Reinsurance assets	**662,590**	**662,590**	145,719	145,719	**38,331**	**38,331**	33,951	33,951
Other receivables	**190,143**	**190,143**	19,606	19,606	**186,585**	**186,585**	7,498	7,498
Total	**19,673,943**	**19,694,059**	13,473,328	13,443,892	**15,929,991**	**15,950,107**	10,627,790	10,598,354
Financial liabilities								
Trade payables	**42,852**	**42,852**	28,118	28,118	**26,859**	**26,859**	28,118	28,118
Other liabilities	**592,767**	**592,767**	4,125,423	4,125,423	**443,281**	**443,281**	4,070,381	330,330
Total	**635,619**	**635,620**	4,153,541	4,153,542	**470,140**	**470,140**	4,098,499	358,449

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 2015	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Investment securities:				
Financial assets designated at fair value	2,156,885	-	-	2,156,885
Available-for-sale investment	9,394,449	-	513,733	9,908,182
	11,551,334	-	513,733	12,065,067
Group 2014				
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 2015	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Investment securities:				
Financial assets designated at fair value	177,428	-	-	177,428
Available-for-sale investment	9,394,449	-	-	9,394,449
	9,571,877	-	-	9,571,877
Company 2014				
Financial assets				
Investment securities:				
Available-for-sale investment	9,646,366	-	-	9,646,366
	9,646,366	-	-	9,646,366

4.6.3 Financial instruments not measured at fair value

The following tables set 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 2015	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets					
Cash and bank balances	392,271	1,578,558	-	1,970,829	1,970,829
Investment securities:					
Held to maturity	274,924	-	-	274,924	274,924
Loans and receivables	3,954,885	-	-	3,954,885	3,954,885
Trade receivables	-	55,504	-	55,504	55,504
Reinsurance assets	-	662,590	-	662,590	662,590
Other receivables	-	(252,723)	-	(252,723)	190,143
Statutory deposit	-	500,000	-	500,000	500,000
	4,622,080	2,543,929	-	7,166,009	7,608,875
Financial liabilities					
Trade payables	-	42,852	-	42,852	42,852
Other liabilities	-	592,767	-	592,767	592,767
	-	635,619	-	635,619	635,619

Group 2014					
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	982,779	-	1,870,023	1,870,023
Financial liabilities					
Trade payables	-	28,118	-	28,118	28,118
Other liabilities	-	4,125,423	-	4,125,423	4,125,423
	-	4,153,541	-	4,153,541	4,153,541

Company 2015	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets					
Cash and bank balances	215,018	1,463,055	-	1,678,073	1,678,073
Investment securities:					
Held to maturity	274,924	-	-	274,924	274,924
Loans and receivables	3,954,885	-	-	3,954,885	3,954,885
Trade receivables	-	25,316	-	25,316	25,316
Reinsurance assets	-	38,331	-	38,331	38,331
Other receivables	-	186,585	-	186,585	186,585
Statutory deposit	-	200,000	-	200,000	200,000
	4,444,827	1,913,287	-	6,358,114	6,358,114
Financial liabilities					
Trade payables	-	26,859	-	26,859	26,859
Other liabilities	-	443,281	-	443,281	443,281
	-	470,140	-	470,140	470,140
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	-	28,118	-	28,118	28,118
Other liabilities	-	4,070,381	-	4,070,381	4,070,381
	-	4,098,499	-	4,098,499	4,098,499

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

Financial instruments in Level 3

The financial instruments in Level 3 in the tables on pages 88 to 89 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	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Balance at 1 January	610,675	-	-	-
Acquisitions	-	610,675		
Impairment	(96,942)	-	-	-
Balance at 31 December	513,733	610,675	-	-

The unquoted equity instruments are carried at fair value (2014: carried at cost) using market approach. 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. Held to maturity

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. Loans and receivables

Loans and receivables relate to commercial papers that have less than six months recycle period and as such the fair values approximate their carrying amount.

iv. Other receivables

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

v. Statutory deposit

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

vi. Trade payables

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

vii. Other liabilities

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

viii. Insurance contract liabilities

These are amounts payable to policyholders in the event of a claim. The carrying amount has been calculated by the actuary and the carrying amount represents the fair value as at 31 December 2015.

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 are discussed on pages 91 to 92.

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 ₦10.4 million or decrease by ₦10.3 million (2014: ₦10.1 million and ₦9.7 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 11%. If the average future investment returns differed by -/+ 1% from management's estimates, the contract liability would increase by ₦71.7 million or decrease by ₦71.7 million (2014: ₦43.5 million and ₦43.5 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 6.1. The recoverable amounts of cash-generating units (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 CGU had been 10% lower than management's estimates at 31 December 2015 (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 CGU had been 1% higher than management's estimates (for example, 10.25%), the goodwill allocated to the CGU 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 need 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 gains of ₦148 million and ₦245 million respectively in the income statement (2014: losses of ₦73 million and ₦68 million for the Group and Company respectively).

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 would be 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	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Cash in bank	392,271	538,918	215,018	377,085
Short-term bank deposits	1,578,558	181,687	1,463,055	30,009
	1,970,829	720,605	1,678,073	407,094

6.1 CASH AND CASH EQUIVALENTS 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	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Cash in bank	392,271	538,918	215,018	377,085
Short-term bank deposits	1,578,558	181,687	1,463,055	30,009
Treasury bills with original maturity <90 days	7,123,221	5,627,075	6,931,459	4,784,657
	9,094,050	6,347,680	8,609,533	5,191,751

7 FINANCIAL ASSETS

7.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Quoted equity securities	216,794	48,408	177,428	-
Treasury bills with original maturity <90 days	191,762	-	-	-
Treasury bills with original maturity > 90 days	1,533,306	-	-	-
Government bonds	215,023	-	-	-
	2,156,885	48,408	177,428	-

7.2 AVAILABLE FOR SALE

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Equity securities – unquoted	513,734	610,675	-	-
Treasury bills with original maturity <90 days	6,931,459	5,627,075	6,931,459	4,784,657
Treasury bills with original maturity >90 days	1,537,243	4,831,626	1,537,243	4,376,188
Government bonds	925,747	485,521	925,747	485,521
	9,908,183	11,554,897	9,394,449	9,646,366

i Movement in AFS – unquoted equities

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Opening balance	610,675	-	-	-
Impairment	(96,941)	-	-	-
Closing balance	513,734			

ii Impairment of AFS – unquoted equities

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
At 1 January	-	-	-	-
Additional impairment	96,941	-	-	-
At 31 December	96,941	-	-	-

The unquoted equity carried as available-for-sale financial assets were fair valued using the market approach in the current period. The fair value of unquoted stocks (carried at cost in 2014) indicated an impairment of ₦96,941,164. The Company has engaged the services of an investment manager for the purpose of disposing of these investments.

7.3 HELD TO MATURITY

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Government bonds	274,924	348,326	274,924	324,475
	274,924	348,326	274,924	324,475

7.4 LOANS AND RECEIVABLES

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Commercial papers	3,954,885	-	3,954,885	-
	3,954,885	-	3,954,885	-
All commercial papers mature in less than one year.				
Total investment securities	16,294,877	11,951,631	13,801,686	9,970,841
Current	16,019,953	11,603,305	13,526,762	9,646,366
Non-current	274,924	348,326	274,924	324,475

8 TRADE RECEIVABLES

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Gross premium receivables	55,504	139,259	25,316	8,406
Less impairments	-	(3,492)	-	-
	55,504	135,767	25,316	8,406
Movement in impairments of trade receivables				
Opening balance	3,492	-	-	-
Additional charge during the year	-	3,492	-	-
Write-offs	(3,492)	-	-	-
Closing balance	-	3,492	-	-

9 REINSURANCE ASSETS

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Claims recoverable	385,860	145,719	36,210	33,951
Reinsurance share of claims incurred but not reported (IBNR)	1,029	3,813	1,029	3,813
Prepaid reinsurance	275,701	408,303	1,092	7,782
	662,590	557,835	38,331	45,546
i. Movement in claims recoverable				
Opening balance	145,719	-	33,951	33,986
Reinsurance recoveries from claims	472,332	361,007	108,467	71,293
Receipt from reinsurers during the year	(232,191)	(215,288)	(106,208)	(71,328)
Closing balance	385,860	145,719	36,210	33,951
ii. Movement in reinsurance share of claims Incurred IBNR				
Opening balance	3,813	-	3,813	23,559
Changes during the year	(2,784)	3,813	(2,784)	(19,746)
Closing balance	1,029	3,813	1,029	3,813
iii. Movement in prepaid reinsurance				
Opening balance	408,303	-	7,782	19,068
Additions in the year	974,739	1,023,899	357,758	262,111
Amortised in the year - reinsurance expense	(1,107,341)	(615,596)	(364,448)	(273,397)
Closing balance	275,701	408,303	1,092	7,782

10 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Prepayments	256,644	174,895	146,191	143,433
Due from related parties	-	197,760	-	197,760
Intercompany receivables	-	-	-	179,145
Staff loans	159,241	-	159,241	-
Due from agents	8,180	-	8,180	-
Due from policyholders	14,211	-	14,211	-
Receivables from disposal of property and equipment	3,412	-	3,412	-
Other receivables	5,099	19,608	1,541	7,498
	446,787	392,263	332,776	527,836
Current	245,629	350,350	131,618	485,921
Non-current	201,158	41,913	201,158	41,915

Due from related parties in 2014 comprises ₦34 million held with FBN Capital Limited in its capacity as the financial adviser for the acquisition of FBN General Insurance Limited, and ₦163 million receivable from the Sanlam Emerging Market in respect of the acquisition. These funds were received during the year.

11 DEFERRED ACQUISITION COST

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
i. Analysis by product class				
Group life	64,806	342	64,806	342
Credit life	-	302	-	302
Individual life	-	1,194	-	1,194
Mortgage	-	75	-	75
Engineering	9,757	6,340	-	-
Aviation	5	1,834	-	-
Oil and gas	26,715	54,282	-	-
Motor	18,219	17,740	-	-
Fire	17,148	14,370	-	-
Accident	10,794	9,127	-	-
Marine	2,669	5,572	-	-
Bond	491	192	-	-
	150,604	111,370	64,806	1,913
Current	150,604	111,370	64,806	1,913
ii. Movement in deferred acquisition cost				
Balance at the beginning of the year	111,370	-	1,913	1,032
Acquisition cost during the year	1,694,258	1,527,585	1,359,847	1,170,668
Amortised in the year - acquisition expenses	(1,655,025)	(1,416,215)	(1,296,954)	(1,169,787)
Closing balance	150,604	111,370	64,806	1,913

12 INVESTMENT PROPERTIES

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Balance at 1 January	322,000	-	-	-
Acquisition	-	342,888	-	-
Addition and capital improvement	960	13,348	-	-
Fair value loss on revaluation	(2,735)	(34,236)	-	-
Balance at 31 December	320,225	322,000	-	-
Of the investment properties, the following relates to insurance funds:				
Insurance funds	82,553	82,553	-	-
Shareholders' funds	237,672	239,447	-	-
	320,225	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 2015 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 was no rental income arising from a property owned by the Company in 2015 (2014: ₦3,422,500). There was no administrative charge in 2015 (2014 administrative charges of ₦342,250 were included in the investment management fee).

13 INVESTMENT IN SUBSIDIARIES

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

	Company	
	2015 ₦'000	2014 ₦'000
Investment in FBN General Insurance limited	**4,100,873**	3,600,873
	4,100,873	3,600,873

(b) Principal subsidiary undertakings:

The Group had the following subsidiary as at 31 December 2015:

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

FBN General Insurance Limited (formerly Oasis Insurance Company Limited) was incorporated on 9 November 1992 to carry on insurance business. It changed its name to FBN General Insurance Limited on 26 November 2014.

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

	Company	
	2015 ₦'000	2014 ₦'000
1 January	**3,600,873**	-
Additions, during the year	**500,000**	3,600,873
31 December 2015	**4,100,873**	3,600,873

FBN General Insurance Limited has been included in the consolidation.

FBN Insurance Limited acquired controlling interest of 71.2% in FBN General Insurance Limited in February 2014. With subsequent acquisitions of Oasis Insurance shares, the Company attained a 100% controlling share of the acquiree at 31 December 2014. In 2015, additional capital of ₦500,000,000 was injected into the subsidiary company.

14 INTANGIBLE ASSETS

	Group			Company	
	Goodwill ₦'000	Computer software ₦'000	Total ₦'000	Computer software ₦'000	Total ₦'000
Cost					
At 1 January 2015	262,440	85,542	347,982	70,183	70,183
Additions	-	1,140	1,140	1,140	1,140
At 31 December 2015	262,440	86,682	349,122	71,323	71,323
Amortisation					
At 1 January 2015	-	46,541	46,541	35,623	35,623
Charge for the year	-	18,687	18,687	14,246	14,246
At 31 December 2015	-	65,228	65,228	49,869	49,869
Net book amount					
At 31 December 2015	262,440	21,456	283,894	21,454	21,454

	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	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
Amortisation					
At 1 January 2014	-	22,446	22,446	22,446	22,446
Impairment charge	-	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

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

On 19 February 2014, FBN Insurance Limited acquired 71.2% of the ordinary share capital of FBN General Insurance Limited for ₦3.6 billion. The acquiree became a wholly owned subsidiary of the FBNInsurance Group in December 2014. The principal activity of FBN General Insurance Limited is the provision of non-life insurance services.

Impairment tests for goodwill

The Group has goodwill arising from acquisitions done in the prior year. Management reviews the business performance based on the type of business, which is a non-life business. Goodwill is monitored by the management at the operating segment level and has been completely allocated to the non-life business. There was no goodwill impairment identified during the year (2014: nil).

Goodwill	2015 ₦'000	2014 ₦'000
Non-life business	262,440	262,440
Impairment	-	-

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 calculation. 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 five-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 on 31 December 2015.

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:

	2015	2014
Gross premium income (% annual growth rate)	**20%**	40%
Net claims incurred (% gross premium written)	**25%**	40%
Underwriting expenses (% gross premium written)	**18%**	18%
Operating expenses (% gross premium written)	**25%**	13%–13.5%
Long-term growth rate	**9%**	6%
Pre-tax discount rate	**10.5%**	14.75%
Recoverable amount of the CGU ('000)	**₦8,595,629**	₦35,088,519

Gross premium income is the average annual growth rate over the five-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 a percentage of gross premium written over the five-year forecast period. It is higher than past result, 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 expenses is a percentage of the gross premium written over the five-year forecast period. It is higher than past result, 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 expenses is a percentage of gross premium written over the five-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 restructurings 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 2015	1,475,972	222,239	14,062	70,566	79,049	1,861,888
Additions	38,461	48,473	59,513	22,313	15,814	184,574
Disposal	-	(43,109)		-	-	(43,09)
At 31 December 2015	1,514,433	227,603	73,575	92,879	94,863	2,003,353
Depreciation						
At 1 January 2015	11,358	84,876	7,918	25,929	45,007	175,089
Charge for the year	12,867	64,608	9,044	17,995	20,725	125,239
Disposal	-	(37,714)	(12)	-	-	(37,726)
At 31 December 2015	24,225	111,770	16,950	43,924	65,732	262,602
Net book amount						
At 31 December 2015	1,490,208	115,833	56,625	48,955	29,131	(262,602)
At 31 December 2014	1,464,614	137,363	6,144	44,637	34,042	1,686,800

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	987,875	40,598	5,810	12,428	5,517	1,052,228
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	71,670	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
At 31 December 2013	-	78,567	3,557	33,015	26,308	141,447

Company	Land and buildings ₦'000	Motor vehicles ₦'000	Office equipment ₦'000	Furniture and fittings ₦'000	Computer equipment ₦'000	Head office WIP ₦'000	Total ₦'000
Cost							
At 1 January 2015	470,000	216,929	8,003	58,139	73,430	-	826,502
Additions	9,450	48,473	6,809	4,768	15,569	8,370	93,439
Disposal	-	(6,300)	-	-	-	-	(6,300)
At 31 December 2015	479,450	259,102	14,812	62,907	88,999	8,370	913,641
Depreciation							
At 1 January 2015	-	99,671	4,958	20,995	43,117	-	168,741
Charge for the year	-	51,425	2,169	11,584	19,377	-	84,555
Disposal	-	(2,888)	-	-	-	-	(2,888)
At 31 December 2015	-	148,208	7,127	32,579	62,494	-	250,408
Net book amount							
At 31 December 2015	479,450	110,894	7,685	30,328	26,505	8,370	663,233
At 31 December 2014	470,000	117,258	3,045	37,144	30,313	-	657,759

Company	Land and buildings ₦'000	Motor vehicles ₦'000	Office equipment ₦'000	Furniture and fittings ₦'000	Computer equipment ₦'000	Head office WIP ₦'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	-	605,687
Disposal	-	(31,455)	-	-	(255)	-	(31,710)
At 31 December 2014	470,000	216,929	8,003	58,139	73,430	-	826,502
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

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	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Statutory deposit	500,000	500,000	200,000	200,000
	500,000	500,000	200,000	200,000
Non-current	500,000	500,000	200,000	200,000

17 INSURANCE CONTRACT LIABILITIES

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Gross				
Outstanding claims (see note i)	757,403	556,686	381,506	231,430
Unearned premiums (see note iii)	1,235,101	697,198	720,070	123,983
Short-term insurance contract – claims incurred but not reported (IBNR) (see note iv)	502,037	205,208	250,516	73,953
Liability on annuity fund (see note v)	1,885		1,885	
Liability on long-term insurance contract – life fund (see note vi)	9,340,988	6,480,407	9,340,988	6,480,407
Total insurance liabilities (gross)	11,837,414	7,939,499	10,694,965	6,909,773
Current	2,494,541	1,459,092	1,352,092	429,366
Non-current	9,342,873	6,480,407	9,342,873	6,480,407
Recoverable from reinsurers				
Claims reported and loss adjustment expenses	-	-	-	-
Unearned premiums	1,092	7,782	1,092	7,782
IBNR claims on short-term insurance contracts	1,029	3,813	1,029	3,813
Total reinsurers' share of insurance liabilities	2,121	11,595	2,121	11,595
Net				
Claims reported and loss adjustment expenses	757,403	556,686	381,506	231,430
Unearned premiums	1,234,010	689,416	718,979	116,201
IBNR claims on short-term insurance contracts	501,007	201,395	249,486	70,140
Liability on long-term insurance contracts (life fund)	9,340,988	6,480,407	9,340,988	6,480,407
Total insurance liabilities (net)	11,833,407	7,927,904	10,690,958	6,898,178
i. The movement in outstanding claims during the year was as follows:				
Balance, beginning of year	556,686	156,784	231,429	156,784
Acquisition	-	252,845	-	-
Additions claims incurred during the year (see note 29)	3,522,283	1,587,710	3,073,413	1,121,735
Claims paid during the year (see note 29)	(3,321,567)	(1,440,654)	(2,923,338)	(1,047,090)
Closing balance	757,403	556,686	381,506	231,429

ii. Claims development tables for non-life business

The claims development tables provide 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 2015 for the five classes of non-life businesses where triangulation methods were used.

17.1 CLAIMS PAID TRIANGULATIONS AS AT 31 DECEMBER 2015 INCLUDING LARGE LOSSES

Engineering

Accident year	Development year										
	0	1	2	3	4	5	6	7	8	9	10
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	**1,159,827**
2006	-	-	48,378	213,205	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	**2,314,651**			
2009	1,492,101	2,825,355	2,977,939	3,139,221	5,389,221	5,389,221	**5,389,221**				
2010	184,533	1,864,955	19,090,974	19,090,974	19,090,974	**19,605,453**					
2011	3,484,739	14,194,029	15,151,241	15,181,684	**16,662,793**						
2012	1,278,626	2,479,314	2,484,903	**3,054,465**							
2013	3,476,451	3,660,839	**3,717,020**								
2014	2,471,897	**3,250,849**									
2015	**24,205,330**										

Fire

Accident year	Development year										
	0	1	2	3	4	5	6	7	8	9	10
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	**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	**6,904,341**	
2007	-	160,763	299,611	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	**4,729,662**			
2009	615,535	13,062,008	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	**5,787,010**					
2011	13,854,830	52,294,913	54,925,981	54,925,981	**54,930,236**						
2012	97,266,126	116,370,732	143,887,868	**144,965,818**							
2013	4,982,694	10,248,372	**17,167,823**								
2014	2,204,263	**23,480,696**									
2015	**22,499,101**										

General accident

Accident year	Development year										
	0	1	2	3	4	5	6	7	8	9	10
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	**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	**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	**6,534,741**		
2008	10,879,759	40,731,595	43,296,984	47,181,657	49,981,061	50,070,393	50,159,714	**50,265,585**			
2009	9,456,179	52,301,352	57,183,040	60,632,662	61,612,051	61,918,689	**62,401,233**				
2010	68,851,633	140,793,913	149,157,164	161,440,067	168,142,302	**168,420,399**					
2011	29,970,159	120,135,842	137,569,016	138,821,262	**139,807,767**						
2012	49,357,058	105,310,439	154,299,836	**162,504,461**							
2013	38,240,186	70,014,316	**103,617,510**								
2014	96,121,597	**137,620,048**									
2015	**33,977,507**										

Marine cargo

Accident year	Development year										
	0	1	2	3	4	5	6	7	8	9	10
2005	-	610,753	610,753	624,569	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	**243,652**	
2007	-	1,359,508	2,346,503	2,346,503	2,346,503	5,681,851	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	**8,492,853**			
2009	-	1,090,912	5,330,897	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	**2,015,200**					
2011	353,097	1,684,025	2,684,025	3,871,525	**3,871,525**						
2012	826,416	1,342,736	3,393,654	**3,393,654**							
2013	457,351	916,236	**957,885**								
2014	90,714	**246,072**									
2015	**441,285**										

Motor

Accident year	Development year										
	0	1	2	3	4	5	6	7	8	9	10
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	**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	**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	**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	**55,331,832**			
2009	46,818,708	87,336,233	88,028,286	88,350,910	88,421,660	89,177,660	**89,177,660**				
2010	74,692,635	110,251,301	111,944,711	119,123,375	119,144,513	**119,144,513**					
2011	63,119,744	121,145,189	128,786,628	130,366,614	**130,904,793**						
2012	48,825,250	89,302,481	96,864,771	**99,006,135**							
2013	71,227,426	108,973,778	**112,018,279**								
2014	66,632,382	**112,652,283**									
2015	**117,394,839**										

17.2 CLAIMS PAID TRIANGULATIONS AS AT 31 DECEMBER 2015 EXCLUDING LARGE LOSSES

Engineering

Accident year	Development year										
	0	1	2	3	4	5	6	7	8	9	10
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	**1,159,827**
2006	-	-	48,378	213,205	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	**2,314,651**			
2009	1,492,101	2,825,355	2,977,939	3,139,221	5,389,221	5,389,221	**5,389,221**				
2010	184,533	1,864,955	2,232,043	2,232,043	2,232,043	**2,746,521**					
2011	3,484,739	14,194,029	15,151,241	15,181,684	**16,662,793**						
2012	1,278,626	2,479,314	2,484,903	**3,054,465**							
2013	3,476,451	3,660,839	**3,717,020**								
2014	2,471,897	**3,250,849**									
2015	**862,178**										

Fire

Accident year	Development year										
	0	1	2	3	4	5	6	7	8	9	10
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	**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	**6,904,341**	
2007	-	160,763	299,611	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	**4,729,662**			
2009	615,535	13,062,008	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	**5,787,010**					
2011	13,854,830	28,607,975	31,239,043	31,239,043	**31,243,298**						
2012	3,002,662	17,907,228	19,174,575	**20,252,526**							
2013	4,982,694	10,248,372	**17,167,823**								
2014	2,204,263	**23,480,696**									
2015	**22,499,101**										

General accident

Accident year	Development year 0	1	2	3	4	5	6	7	8	9	10
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	**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	**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	**6,534,741**		
2008	10,879,759	40,731,595	43,296,984	47,181,657	49,981,061	50,070,393	50,159,714	**50,265,585**			
2009	9,456,179	52,301,352	57,183,040	60,632,662	61,612,051	61,918,689	**62,401,233**				
2010	68,851,633	140,793,913	149,157,164	161,440,067	168,142,302	**168,420,399**					
2011	29,970,159	120,135,842	137,569,016	138,821,262	**139,807,767**						
2012	49,357,058	105,310,439	117,341,036	**125,545,661**							
2013	38,240,186	70,014,316	**103,617,510**								
2014	42,755,338	**84,253,790**									
2015	**33,977,507**										

Marine cargo

Accident year	Development year 0	1	2	3	4	5	6	7	8	9	10
2005	-	610,753	610,753	624,569	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	**243,652**	
2007	-	1,359,508	2,346,503	2,346,503	2,346,503	5,681,851	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	**8,492,853**			
2009	-	1,090,912	5,330,897	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	**2,015,200**					
2011	353,097	1,684,025	2,684,025	3,871,525	**3,871,525**						
2012	826,416	1,342,736	3,393,654	**3,393,654**							
2013	457,351	916,236	**957,885**								
2014	90,714	**246,072**									
2015	**441,285**										

Motor

Accident year	Development year 0	1	2	3	4	5	6	7	8	9	10
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	**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	**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	**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	**55,331,832**			
2009	46,818,708	87,336,233	88,028,286	88,350,910	88,421,660	89,177,660	**89,177,660**				
2010	74,692,635	110,251,301	111,944,711	119,123,375	119,144,513	**119,144,513**					
2011	63,119,744	121,145,189	128,786,628	130,366,614	**130,904,793**						
2012	48,825,250	89,302,481	96,864,771	**99,006,135**							
2013	71,227,426	108,973,778	**112,018,279**								
2014	66,632,382	**112,652,283**									
2015	**117,394,839**										

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
iii. The movement in unearned premium during the year was as follows:				
Balance, beginning of year	**697,198**	103,871	**123,983**	103,871
Acquisition	**-**	469,238	**-**	-
Change in the year	**537,904**	124,089	**596,087**	20,112
Closing balance	**1,235,102**	697,198	**720,070**	123,983
iv. The movement in IBNR claims on short-term insurance during the year was as follows:				
Balance, beginning of year	**205,208**	316,772	**73,953**	316,772
Acquisition	**-**	112,148	**-**	-
Increase/(decrease) in IBNR	**296,829**	(223,712)	**176,563**	(242,819)
Closing balance	**502,037**	205,208	**250,516**	73,953
v. The movement in annuity fund during the year was as follows:				
Balance, beginning of year	**-**	-	**-**	-
Increase in the year	**1,885**	-	**1,885**	-
Closing balance	**1,885**	-	**1,885**	-

During the year, the Company commenced sale of annuity products (after obtaining the relevant regulatory approval) and sold one policy amounting to ₦2 million. In line with the Company's risk management strategy, the Company set aside ₦400 million of its existing shareholders' fund for the purpose of the annuity business. As at 31 December 2015, assets representing annuity fund stood at ₦475 million (₦470 million in FGN bonds and ₦5 million in FGN treasury bills respectively), while the annuity liabilities were ₦1.8 million.

	Group 2015 ₦'000	Group 2014 ₦'000	Company 2015 ₦'000	Company 2014 ₦'000
vi. The movement in life fund contract (excluding annuity) during the year was as follows:				
Balance, beginning of year	**6,480,407**	3,073,146	**6,480,407**	3,073,146
Increase/(decrease) during the year	**2,860,581**	3,407,261	**2,860,581**	3,407,261
Closing balance	**9,340,988**	6,480,407	**9,340,988**	6,480,407

The life fund contract includes FlexiSave, which is an embedded product having significant element of insurance risk. The investment element was not unbundled as it could not be measured separately.

	Group 2015 ₦'000	Group 2014 ₦'000	Company 2015 ₦'000	Company 2014 ₦'000
vii. Insurance contract liabilities at the end of the year were as follows:				
Outstanding claims	**757,403**	556,686	**381,506**	231,430
Unearned premiums	**1,235,101**	697,198	**720,070**	123,983
Short-term insurance contract – IBNR	**502,037**	205,208	**250,516**	73,953
Liability on long-term insurance contract – life fund	**9,340,988**	6,480,407	**9,340,988**	6,480,407
Liability on annuity fund	**1,885**	-	**1,885**	-
	11,837,414	7,939,499	**10,694,965**	**6,909,773**

18 TRADE PAYABLE

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Premium on treaty payable to reinsurers	**42,852**	28,118	**26,859**	28,118
	42,852	28,118	**26,859**	28,118
Current	**42,852**	28,118	**26,859**	28,118

19 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Accruals	418,077	108,406	303,476	67,982
Other creditors	165,723	276,965	130,838	262,347
Due to related party	8,967	-	8,967	-
Deposit for shares	-	3,740,052	-	3,740,052
Current (payable within one year)	592,767	4,125,423	443,281	4,070,381

20 TAX PAYABLE

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Company income tax payable:				
At 1 January	271,433	98,665	167,459	63,990
Charge to profit and loss (see note 38)	200,925	235,915	174,623	166,616
Tax paid in the year	(213,785)	(63,147)	(108,181)	(63,147)
At 31 December	258,573	271,433	233,901	167,459
Current	258,573	271,433	233,901	167,459

21 DEFERRED TAX LIABILITY

The analysis of deferred tax liabilities is as follows:

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Deferred tax liability to be recovered after more than 12 months	86,036	67,945	31,684	33,497
	86,036	67,945	31,684	33,497
The movement on the deferred income tax account is as follows:				
At 1 January	67,945	62,269	33,497	27,821
Income statement charge (note 38)	18,091	5,676	(1,813)	5,676
At 31 December	86,036	67,945	31,684	33,497
Non-current	86,036	67,945	31,684	33,497

The deferred tax liability arose mainly from property and equipment.

22a SHARE CAPITAL

	Group		Company	
Ordinary shares	2015 Number	2014 Number	2015 Number	2014 Number
Authorised share capital ('000)	**7,500,000**	7,500,000	**7,500,000**	7,500,000

	₦'000	₦'000	₦'000	₦'000
5.3 billion ordinary shares of ₦1 each	**5,336,450**	3,480,000	**5,336,450**	7,500,000

Number of shares	2015	2014	2015	2014
Shares at the beginning of the year ('000)	**3,480,000**	3,480,000	**3,480,000**	3,480,000
Paid up during the period ('000)	**1,856,450**	-	**1,856,450**	-
End of year ('000)	**5,336,450**	3,480,000	**5,336,450**	3,480,000

During the year, additional shares of 1,856,450,390 were allocated to FBN Holdings Plc (65%) and Sanlam Emerging Market (35%).

22b SHARE PREMIUM

	Group		Company	
Number of shares	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Share premium at the beginning of the year	**-**	-	**-**	-
Proceeds from new shares issued	**1,930,708**	-	**1,930,708**	-
End of year ('000)	**1,930,708**	-	**1,930,708**	-

23 CONTINGENCY RESERVES

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Brought forward	**216,462**	107,566	**202,885**	107,566
Transfer from retained earnings	**221,455**	108,896	**167,121**	95,319
Closing balance	**437,917**	216,462	**370,006**	202,885

24 RETAINED EARNINGS

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Balance brought forward	**623,440**	78,738	**631,361**	78,738
Dividend paid	**(522,000)**	(305,244)	**(522,000)**	(305,245)
Transfer to contingency reserves	**(221,455)**	(108,896)	**(167,121)**	(95,319)
Transaction with owners of equity	**-**	(82,513)	**-**	-
Profit for the period	**1,859,795**	1,041,355	**1,671,213**	953,186
At end of the year	**1,739,779**	623,440	**1,613,451**	631,361

25 FAIR VALUE RESERVES

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Opening balance	**(72,608)**	15,323	**(68,645)**	15,323
Change in value of available-for-sale financial assets	**242,083**	(77,797)	**343,732**	(73,834)
Realised gains to income statement	**(33,805)**	(10,134)	**(29,843)**	(10,134)
Deferred tax	**27,894**	-	**-**	-
Closing balance	**163,564**	(72,608)	**245,244**	(68,645)

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Fair value reserves - statement of comprehensive income				
Change in value of available-for-sale financial assets	**242,083**	(77,797)	**343,732**	(73,834)
Realised gains to income statement	**(33,805)**	(10,134)	**(29,843)**	(10,134)
Deferred tax	**27,894**	-	**-**	-
	236,172	(87,931)	**313,889**	(83,968)

26 GROSS PREMIUM INCOME

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Individual life	7,234,401	4,602,758	7,234,401	4,602,758
Credit life	361,412	1,030,537	361,412	1,030,537
Group life	2,352,632	797,718	2,352,632	797,718
Annuity	2,000	-	2,000	-
General insurance	1,811,112	1,283,435	-	-
Others	356,938	698,461	356,938	698,461
Gross premium written	12,118,495	8,412,909	10,307,383	7,129,474
Unearned premium	(537,904)	(124,089)	(596,087)	(20,112)
Gross premium income	11,580,591	8,288,820	9,711,296	7,109,362

27 INSURANCE PREMIUM CEDED TO REINSURERS

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Gross reinsurance expense	1,383,042	627,191	365,540	284,992
Changes in prepaid reinsurance	(275,701)	(11,595)	(1,092)	(11,595)
	1,107,341	615,596	364,448	273,397

28 FEES AND COMMISSION INCOME

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Group life	20,313	990	20,313	990
Credit life	4,656	16,854	4,656	16,854
Mortgage	6,528	20,107	6,528	20,107
Individual life	22,450	7,175	22,450	7,175
Term life	979	6,262	979	6,262
Facultative outward	21,838	-	21,838	-
General insurance	115,402	87,572	-	-
	192,166	138,960	76,764	51,388

29 INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	2015		
	Gross ₦'000	Reinsurance ₦'000	Net ₦'000
Group			
Current year claims and loss adjustment expenses	**3,321,567**	**(471,303)**	**2,850,264**
Increase in the expected cost of claims for unexpired risks	**200,718**	**-**	**200,718**
Claims incurred during the year	**3,522,285**	**(471,303)**	**3,050,982**
IBNR on short-term insurance contract	**296,829**	**(1,029)**	**295,800**
	3,819,114	**(472,332)**	**3,346,781**

	2014		
	Gross ₦'000	Reinsurance ₦'000	Net ₦'000
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 contract	(242,819)	(19,746)	(262,565)
	1,344,891	(361,007)	983,884

	2015		
	Gross ₦'000	Reinsurance ₦'000	Net ₦'000
Company			
Current year claims and loss adjustment expenses	**2,923,338**	**(107,438)**	**2,815,900**
Increase in the expected cost of claims for unexpired risks	**150,076**	**-**	**150,076**
Claims incurred during the year	**3,073,413**	**(107,438)**	**2,965,976**
IBNR on short-term insurance contract	**176,563**	**(1,029)**	**175,533**
	3,249,976	**(108,467)**	**3,141,510**

	2014		
	Gross ₦'000	Reinsurance ₦'000	Net ₦'000
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 contract	(242,819)	(19,746)	(262,565)
	878,916	(71,293)	807,623

30 UNDERWRITING EXPENSES

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Acquisition cost	**1,655,025**	1,416,215	**1,296,954**	1,169,787
Maintenance cost	**37,720**	33,589	**16,433**	33,589
	1,692,745	1,449,804	**1,313,387**	1,203,376

31 CHANGES IN LONG-TERM INSURANCE CONTRACTS

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Changes in individual life fund excluding annuity (note 17 vi.)	**2,860,581**	3,407,261	**2,860,581**	3,407,261
Changes in annuity fund (note 17 v.)	**1,885**	-	**1,885**	-
	2,862,466	3,407,261	**2,862,466**	3,407,261

32 OTHER INCOME

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Policy charges	**17,889**	15,623	**17,889**	15,623
Interest income staff loans	**21,742**	-	**21,742**	-
Foreign exchange gain	**7,410**	22,751	**7,410**	4,413
Gain on disposal of PPE	**4,773**	677	**-**	-
Sundry income	**10,234**	7,716	**3,030**	7,092
	62,048	46,767	**50,071**	27,128

Policy charges relate to charges on termination of policies before maturity.

33 INVESTMENT INCOME

This relates to interest income on debt securities. Investment income attributable to shareholders includes interest income of ₦23,118,318 (2014: ₦23,885,690) earned on statutory deposit with the CBN highlighted in note 16. The details of the investment income is as shown below:

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Interest income on cash and bank balances	**39,116**	55,472	**39,116**	55,472
Income on investment securities	**1,917,566**	1,157,480	**1,632,989**	1,041,100
Interest income on statutory deposit	**23,118**	23,886	**23,118**	23,886
	1,979,801	1,236,838	**1,695,224**	1,120,458

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

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Investment income attributable to policyholders	**1,609,250**	698,812	**1,434,208**	676,023
Investment income attributable to shareholders	**370,550**	538,026	**261,016**	444,435
	1,979,801	1,236,838	**1,695,224**	1,120,458

34 EMPLOYEE BENEFIT EXPENSES

The number of persons employed excluding directors in the Group and in the Company during the year and at the year end 31 December 2015 were 146 and 116 respectively. The staff cost for the above persons was:

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Wages and salaries	**1,238,054**	898,462	**853,810**	633,951
Pension costs	**60,300**	40,433	**40,077**	28,480
	1,298,354	938,895	**893,887**	662,431

35 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Directors' emoluments	**108,636**	77,663	**90,471**	77,663
Auditors' remuneration	**20,550**	18,788	**15,825**	13,290
Depreciation	**125,239**	121,655	**84,555**	80,629
Amortisation	**18,687**	24,095	**14,246**	13,177
Consultancy expenses	**318,733**	191,918	**267,306**	191,918
Back duty tax expenses	**69,890**	-	**69,890**	-
Rent and rates	**152,341**	127,368	**130,797**	118,481
Electricity and energy	**29,258**	19,964	**23,038**	13,480
Repairs and maintenance expenses	**97,178**	52,066	**57,607**	40,893
Adverts and publicity	**96,068**	65,588	**73,848**	62,009
Telecommunications	**43,691**	34,036	**32,491**	19,350
Dues and subscription	**14,477**	16,396	**7,848**	11,209
Travel and accommodation	**54,557**	40,686	**46,591**	36,456
Recruitment and training	**37,557**	41,693	**28,917**	39,073
Insurance expenses	**14,500**	15,848	**11,903**	14,727
Printing and stationery	**33,765**	19,771	**20,569**	17,565
Board expenses	**13,841**	10,184	**9,947**	6,963

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Entertainment	**14,409**	9,204	**11,848**	7,074
Bank charges	**13,379**	6,712	**5,375**	3,909
Supervisory levies	**120,855**	78,850	**97,067**	55,048
Impairment on trade receivables	**-**	3,492	**-**	-
Foreign exchange loss	**11,153**	-	**-**	-
Other administrative expenses	**19,342**	9,377	**13,496**	5,812
	1,428,106	985,353	**1,113,635**	828,725

36 INCOME TAX EXPENSE

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Current tax on profits for the year (note 21)	**200,925**	235,915	**174,623**	166,616
Deferred tax charge for the year (note 22)	**18,091**	5,676	**(1,813)**	5,676
Income tax expense	**219,016**	241,591	**172,810**	172,292
Reconciliation of effective tax rate				
Profit before tax	**2,078,811**	1,330,591	**1,844,023**	1,125,524
Tax calculated using the domestic rate of corporate tax rate of 30%	**623,643**	399,177	**553,207**	337,657
Effect of applying:				
Income not subject to tax	**(2,368,720)**	(1,222,257)	**(1,701,659)**	(299,173)
Non-deductible expenses	**1,783,539**	973,111	**1,164,662**	74,777
Education tax	**1,417**	-	**-**	-
Minimum tax	**22,537**	-	**-**	-
Dividend tax	**156,600**	91,573	**156,600**	59,031
Tax charge	**219,016**	241,605	**172,810**	172,292
Tax calculated using the domestic rate of corporate tax rate of 30%	**30%**	30%	**30%**	30%
Effect of applying:				
Income not subject to tax	**(114%)**	(92%)	**(92%)**	(27%)
Non-deductible expenses	**86%**	73%	**63%**	7%
Education tax	**0%**	-	**-**	-
Minimum tax	**1%**	-	**-**	-
Dividend tax	**8%**	7%	**8%**	5%
Effective tax rate	**11%**	18%	**9%**	14%

Effective interest rate

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

	Group 2015			Company 2015		
	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	236,172	-	236,172	313,889	-	313,889

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 tax impact for the Company.

	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 gain: available-for-sale financial assets	(87,931)	-	(87,931)	(83,968)	-	(83,968)
Other comprehensive income	(87,931)	-	(87,931)	(83,968)	-	(83,968)

37 HYPOTHECATION

	Group 2015			Group 2014		
Group	Policyholders' fund ₦'000	Shareholders' fund ₦'000	Total ₦'000	Policyholders' fund ₦'000	Shareholders' fund ₦'000	Total ₦'000
Assets						
Cash and placements	1,970,442	387	1,970,829	691,848	28,757	720,605
Treasury bills with original maturity <90 days	6,840,931	282,290	7,123,221	2,409,791	3,217,284	5,627,075
Treasury bills with original maturity >90 days	2,213,625	856,925	3,070,550	4,797,781	33,845	4,831,626
Commercial papers	1,074,868	2,880,018	3,954,886	-	-	-
Government bonds	1,386,261	29,431	1,415,692	669,761	164,085	833,846
Investment properties	80,000	240,225	320,225	80,000	242,000	322,000
Trade receivables	-	55,504	55,504	-	135,767	135,767
Reinsurance assets	-	662,590	662,590	-	557,835	557,835
Intangible assets	-	283,894	283,894	-	301,441	301,441
Deferred acquisition cost	-	150,604	150,604	-	111,370	111,370
Property and equipment	-	1,740,751	1,740,751	-	1,686,800	1,686,800
Statutory deposit	-	500,000	500,000	-	500,000	500,000
Other receivables and prepayments	-	446,787	446,787	-	392,263	392,263
Investment in quoted equity	216,794	-	216,794	24,204	24,205	48,409
Investment in unquoted equity	-	513,734	513,734	61,068	549,608	610,676
Total assets	13,782,921	8,643,140	22,426,061	8,734,453	7,945,259	16,679,712
Liabilities						
Insurance contracts liabilities	11,837,414	-	11,837,414	7,939,499	-	7,939,499
Trade payable	-	42,852	42,852	-	28,118	28,118

	Group 2015			Group 2014		
Group	Policyholders' fund ₦'000	Shareholders' fund ₦'000	Total ₦'000	Policyholders' fund ₦'000	Shareholders' fund ₦'000	Total ₦'000
Other payables and accruals	-	592,767	592,767	-	4,125,423	4,125,423
Tax payable	-	258,573	258,573	-	271,433	271,433
Deferred tax liability	-	86,036	86,036	-	67,945	67,945
Total liabilities	11,837,414	980,228	12,817,642	7,939,499	4,492,919	12,432,418
Surplus	1,945,507	7,662,912	9,608,419	794,954	3,452,340	4,247,294

	Company 2015			Company 2014		
Company	Policyholders' fund ₦'000	Shareholders' fund ₦'000	Total ₦'000	Policyholders' fund ₦'000	Shareholders' fund ₦'000	Total ₦'000
Assets						
Cash and placements	1,677,687	386	1,678,073	407,094	-	407,094
Treasury bills with original maturity <90 days	6,726,992	204,467	6,931,459	2,202,528	2,582,129	4,784,657
Treasury bills with original maturity >90 days	1,479,271	57,973	1,537,244	4,146,523	229,665	4,376,188
Commercial papers	1,074,868	2,880,018	3,954,886	-	-	-
Government bonds	1,171,238	29,432	1,200,670	643,711	166,285	809,996
Investment properties	-	-	-	-	-	-
Trade receivables	-	25,316	25,316	-	8,406	8,406
Reinsurance assets	-	38,331	38,331	-	45,546	45,546
Investment in subsidiary	-	4,100,873	4,100,873	-	3,600,873	3,600,873
Intangible assets	-	21,454	21,454	-	34,560	34,560
Deferred acquisition cost	-	64,806	64,806	-	1,913	1,913
Property and equipment	-	663,233	663,233	-	657,760	657,760
Statutory deposit	-	200,000	200,000	-	200,000	200,000
Other receivables and prepayments	-	332,776	332,776	-	527,836	527,836
Investment in quoted equity	177,428	-	177,428	-	-	-
Total shareholders' assets	12,307,484	8,619,065	20,926,548	7,399,856	8,054,973	15,454,829
Liabilities						
Insurance contract liabilities	10,694,965	-	10,694,965	6,909,773	-	6,909,773
Trade payable	-	26,859	26,859	-	28,118	28,118
Other payables and accruals	-	443,281	443,281	-	4,070,381	4,070,381
Tax payable	-	233,901	233,901	-	167,459	167,459
Deferred tax liability	-	31,684	31,684	-	33,497	33,497
Total shareholders' liabilities	10,694,965	735,725	11,430,690	6,909,773	4,299,455	11,209,228
Surplus	1,612,519	7,883,340	9,495,858	490,083	3,755,518	4,245,601

38 OTHER INCOME STATEMENT INFORMATION: STAFF AND DIRECTORS' COST

Employee costs excluding executive directors during the year amounted to:

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Wages and salaries	**1,238,054**	898,462	**853,810**	633,951
Pension cost	**60,300**	40,433	**40,077**	28,480
	1,298,355	938,895	**893,887**	662,431

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

	Group		Company	
	2015 Number	2014 Number	2015 Number	2014 Number
₦1,000,001–₦1,500,000	**3**	17	**2**	15
₦1,500,001–₦2,000,000	**22**	12	**20**	8
₦2,000,001–₦2,500,000	**9**	11	**6**	8
₦2,500,001–₦3,000,000	**18**	6	**14**	4
₦3,000,001–₦3,500,000	**7**	12	**5**	9
₦3,500,001–₦4,000,000	**4**	35	**2**	22
Above ₦4,000,000	**83**	35	**67**	28
	146	128	**116**	94

The average number of full-time persons employed by the Company during the year per level was as follows:

	Group		Company	
	2015 Number	2014 Number	2015 Number	2014 Number
Executive director (MD)	**1**	1	**1**	1
Management staff	**8**	10	**8**	10
Non-management staff	**137**	117	**107**	83
	146	128	**116**	94

Directors' remuneration

Remuneration paid to the directors of the Company was as follows:

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Short-term benefits:				
Directors fees	**104,236**	73,763	**86,071**	73,763
Directors' sitting allowances	**4,400**	3,900	**4,400**	3,900
	108,636	77,663	**90,471**	77,663

Fees and other emoluments disclosed above include amounts paid to:

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
The Chairman	**3,100**	3,100	**3,100**	3,100
The highest paid director	**50,000**	34,000	**50,000**	34,000

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

	Group		Company	
	2015 Number	2014 Number	2015 Number	2014 Number
Below ₦5,000,000	**-**	1	**-**	-
₦5,000,000–₦10,000,000	**6**	6	**6**	6
₦10,000,000 and above	**1**	1	**1**	1
	7	8	**7**	7

39 RELATED PARTIES

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

Sanlam Developing Markets provides technical implementation assistance and ongoing support. It also provides key managerial staff to the Company.

	2015	2014
Shareholders		
First Bank of Nigeria Plc	**65%**	65%
Sanlam Developing Markets Ltd	**35%**	35%

		2015 ₦'000	2014 ₦'000
Nature of the transaction	**Related party**		
Gross premium income	FBN Ltd	**227,813**	1,620,497
Claims incurred	FBN Ltd	**34,497**	83,524
Maintenance expenses	Sanlam	**6,208**	89,000
Professional fees paid	FBN Capital	**26,899**	98,000
Gross premium income	First Pension Custodian	**2,447**	-
Gross premium income	FBN Holdings Plc	**8,371**	-
Gross premium income	FBN Capital	**16,097**	-
Gross premium income	FBN Trustees	**1,551**	-
Gross premium income	FBN Securities Ltd	**3,701**	-
Gross premium income	FBN Merchant Ltd	**8,518**	-
Gross premium income	FBN Mortgages Ltd	**1,943**	-
Claims incurred	FBN Mortgages Ltd	**5,857**	-
Gross premium income	FBN Microfinance Bank	**2,460**	-
Rental/premises lease	FBN Ltd	**101,274**	50,000
Fees paid	FBN Ltd	**230,357**	411,339
Commission paid	FBN Insurance Brokers Ltd	**69,771**	35,674
Intercompany receivable	FBN General Insurance Limited	**-**	179,145
Due from related party	Sanlam	**-**	163,586
Cash deposit and bank balance	FirstBank	**-**	261,810
Investment securities (asset under management)	FBN Capital	**-**	10,038,904
Premium receivable	FBN Ltd	**7,236**	-
Premium receivable	FBN Mortgages	**1,943**	-
Due to related party	Sanlam	**8,967**	1,192,088
Intercompany payable	FBNHoldings	**-**	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 notified 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 40.

40 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Legal proceedings

There were no legal proceedings outstanding against the company at 31 December 2015 (2014: nil).

(b) Capital commitments

At 31 December 2015, the Group had no capital commitments in respect of buildings and equipment purchases.

41 EARNINGS PER SHARE

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of FBNInsurance as the numerator. The weighted average number of outstanding shares used for earnings per share amounted to 4,068,378,000 (2014: 3,480,000,000) after considering the period in which the additional shares were in issue.

	Group		Company	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Profit for the period	**1,859,795**	1,089,001	**1,671,213**	953,232
Number of shares at the beginning of the period	**3,480,000**	3,480,000	**3,480,000**	3,480,000
Number of shares at the end of the period	**5,336,450**	3,480,000	**5,336,450**	3,480,000
Weighted number of shares at the end of the period	**4,068,378**	3,480,000	**4,068,378**	3,480,000
Earnings per share (basic) - in kobo	**46**	31	**41**	27

42 PROPOSED DIVIDEND

These financial statements do not reflect dividend payable for 2015. The directors proposed a dividend of 19 kobo per share. This will be reflected when paid.

43 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 2015 or the profit for the year ended 31 December 2015.

ABBREVIATIONS

AFS	Available For Sale
AGM	Annual General Meeting
AURR	Additional Unexpired Risk Reserve
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
CFO	Chief Financial Officer
COO	Chief Operating Officer
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRO	Chief Risk Officer
DAC	Deferred Acquisition Costs
ECL	Expected Credit Loss
EPS	Earnings Per Share
ExCo	Executive Management Committee
FGN	Federal Government of Nigeria
FRC	Financial Reporting Council
FVOCI	Fair Value through Other Comprehensive Income
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
KPI	Key Performance Indicator
KRI	Key Risk Indicator
KYC	Know Your Customer
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

CONTACT INFORMATION

LOCATION	BUSINESS ADDRESS	DESIGNATION	PHONE NUMBER
Head Office			
Lagos	FBN Insurance Ltd, 34 Marina, Lagos.	Corporate Head Office	01-9054810
Branches/Sales Offices			
Benin	67 Akpakpava Road, Benin City, Edo State, Nigeria	Retail Outlet	07014970755
Port Harcourt	80 Aba Road, Opposite Government Craft Centre, Port Harcourt, Nigeria	Branch	08023454548
Warri	FirstBank Nigeria Udu Road Branch, Ovwian, Warri, Delta State, Nigeria	Retail Outlet	09022530412
Enugu	FirstBank Nigeria Main Branch, 21 Okpara Avenue, Enugu, Enugu State, Nigeria	Retail Outlet	09022426753
Ibadan	2nd Floor, FirstBank Nigeria Building, 48 Challenge/Molete Road, Ibadan, Oyo State, Nigeria	Retail Outlet	07014970753
Onitsha	13 City Biscuit Road, Ugwogba Obosi, Onitsha, Anambra State, Nigeria	Retail Outlet	09022265291
Aba	FirstBank Nigeria Branch, 99 Ikot Ekpene Road, Ogbor Hill, Aba, Abia State	Retail Outlet	09026031216
Calabar	Ipman House, NNPC Depot By Zone 6, Nigerian Police Station, Calabar, Cross River State	Retail Outlet	09022795224
Uyo	91 Oron Road, Uyo, Akwa Ibom State, Nigeria	Retail Outlet	09022798788
Abuja	1 Zambeze Crescent, Off Aguiyi Ironsi Street, Maitama, Abuja, Nigeria	Branch	07013990115
Akure	FirstBank Nigeria Main Branch, 1 Oba Adesida Road, Alagbaka Quarters, Akure Ondo State, Nigeria	Retail Outlet	01-9054810
Ajah, Lagos	FirstBank Nigeria, Ikota Shopping Complex, Ajah	Retail Outlet	08035959453
Aspanda, Lagos	FirstBank Nigeria, Tradefair Complex, Aspanda	Retail Outlet	01-9054810
Ikeja, Lagos	5 Ashabi Cole Street, Agidingdbi-Ikeja, Lagos	Branch	08028546006 08028546009
Kaduna	FirstBank Nigeria Branch,14 Bank Road Kaduna	Retail Outlet	09026061489
Kano	1 Sani Abacha Way, Kano	Retail Outlet	09023871372
Asaba	FirstBank Nigeria Branch, 232 Nnebisi Road, Asaba, Delta State	Retail Outlet	09095328844
Owerri	FirstBank Nigeria Branch, 164 Whetheral Road, Owerri, Imo State	Retail Outlet	09022668458
Ilorin	FirstBank Nigeria University of Ilorin, Permanent Site, Tanke Road, Ilorin, Kwara State	Retail Outlet	08136123264
Oshogbo	No. 1 Olorun Osebi Street, Sabo Junction, Oshogbo, Osun State	Retail Outlet	08033131655
Auchi	FirstBank Nigeria Building, 26 Otaro Road, Auchi, Edo State	Outlet	07039539978
Sapele	Sapele Main Branch, Ponpu, Sapele	Outlet	01-9054810
Nnewi	FirstBank Nigeria Building Material Branch, Nnewi, Anambra State	Outlet	08022068847
Anbakaliki	FirstBank Nigeria Afikpo Branch, Ebonyi State	Outlet	08177312783
Subsidiary			
FBN General Insurance Ltd	298 Ikorodu Road, Anthony, Lagos	-	01-9054810 01-9054832

Registered address

34 Marina, Lagos
Nigeria