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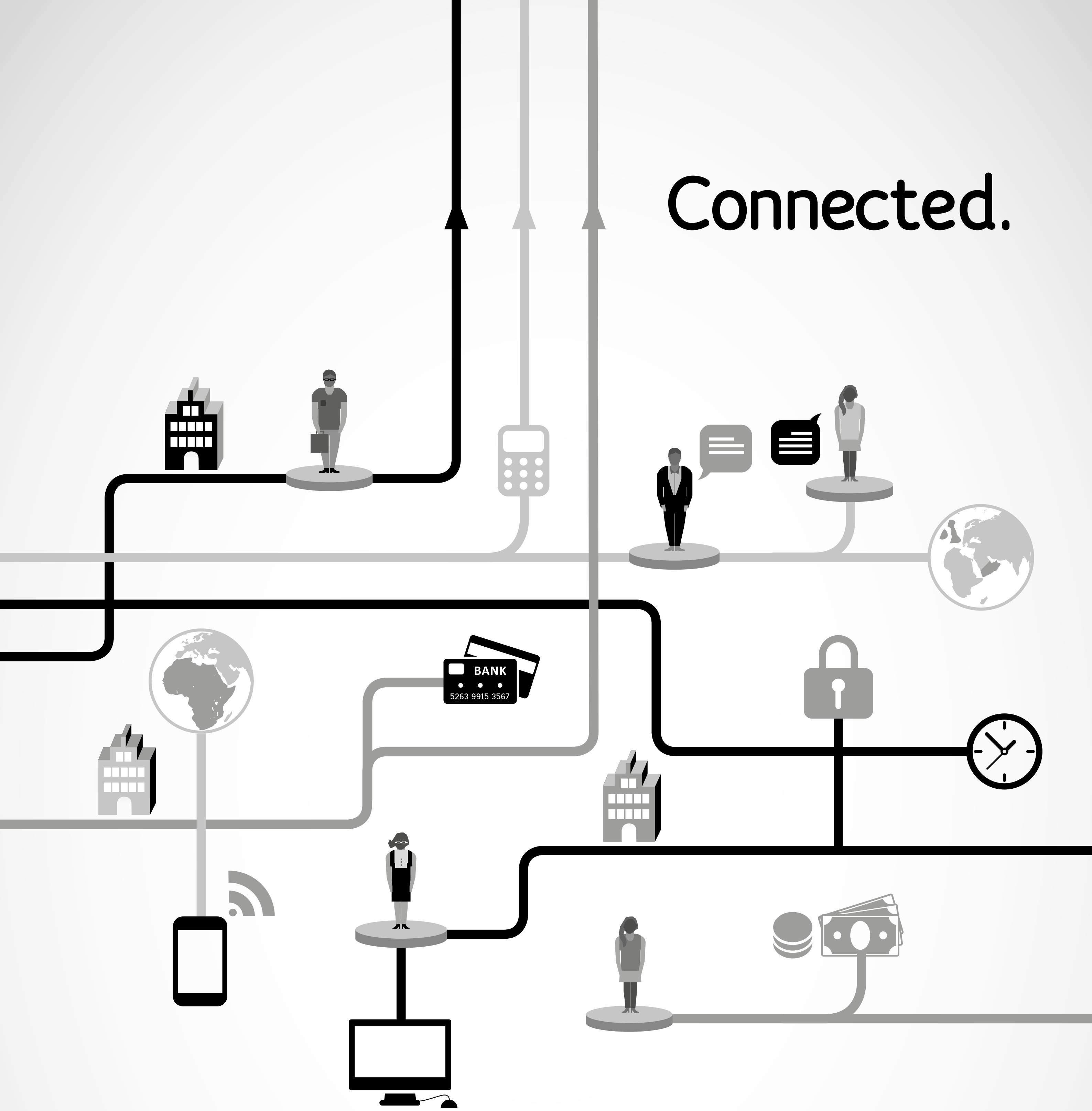

FBN Insurance Limited | Annual Report and Accounts 2013

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The term 'FBN Holdings Plc' or the 'Group' means FBN Holdings together with its subsidiaries, which include FBN Insurance Limited. FBN Holdings Plc is a financial holding company incorporated in Nigeria on 14 October 2010. The 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 32,632,084,345 ordinary shares of 50 kobo each (₦16,316,042,172.50). FBN Holdings Plc is the parent company of all companies in the FirstBank Group. In this report the abbreviations '₦'000', '₦mn' and '₦bn' represent thousands, millions and billions of naira respectively.

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

- The Commercial Banking business group comprises First Bank of Nigeria Limited, FBN Bank (UK) Limited, Banque Internationale de Crédit (BIC), First Pension Custodian Nigeria Limited and FBN Mortgages Limited. Others include the International Commercial Banks (ICB) in Ghana, Guinea, The Gambia and Sierra Leone. First Bank of Nigeria Limited is the lead entity of the Commercial Banking business group.
- Investment Banking and Asset Management business group consists of FBN Capital Limited, First Trustees Nigeria Limited, First Funds Limited and FBN Securities Limited. FBN Capital Limited is the lead entity of the Investment Banking and Asset Management business group.
- The Insurance business group comprises FBN Life Assurance Limited (now FBN Insurance Limited) and FBN Insurance Brokers Limited.
- Other Financial Services business group includes FBN Microfinance Bank Limited (FBN MFB).

This report encompasses FBN Insurance Limited. It is the second annual report prepared under the International Financial Reporting Standards, which the Company has adopted. Unless otherwise stated, the income statement analysis compares the 12 months to December 2013 to the corresponding 12 months of 2012, and the balance sheet comparison relates to the corresponding position at 31 December 2012. 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 International Financial Reporting Standards (IFRS) are explained in the abbreviation section of this report. This report is also available online at www.fbninsurance.com.

There will be an option to view a navigable PDF copy of the FBN Holdings report and the First Bank of Nigeria report as well as standard PDFs of other subsidiary reports at the download centre on ir.fbnholdings.com. A CD containing the annual report and accounts for FBN Holdings Plc and First Bank of Nigeria Limited, as well as information on outstanding dividend claims and a list of all our branch locations, is available on request by contacting FBN Holdings Plc Investor Relations department, Samuel Asabia House, 35 Marina Street, Lagos.

INTRODUCTION

As a specialist life insurance business, offering a range of investment and risk insurance products to our clientele, our operations are anchored on innovation, efficient service delivery and high standards of professionalism.

Overview

We are the youngest start-up insurer in Nigeria with presence in strategic geographical locations across the country, capitalising on our relationship with FBN Holdings Plc.

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Chairperson's statement

Our enduring commitment to our core values and international best practices, coupled with the overwhelming support of our esteemed investors and customers, propelled us to meeting tough performance targets and ultimately, our strategic goals.

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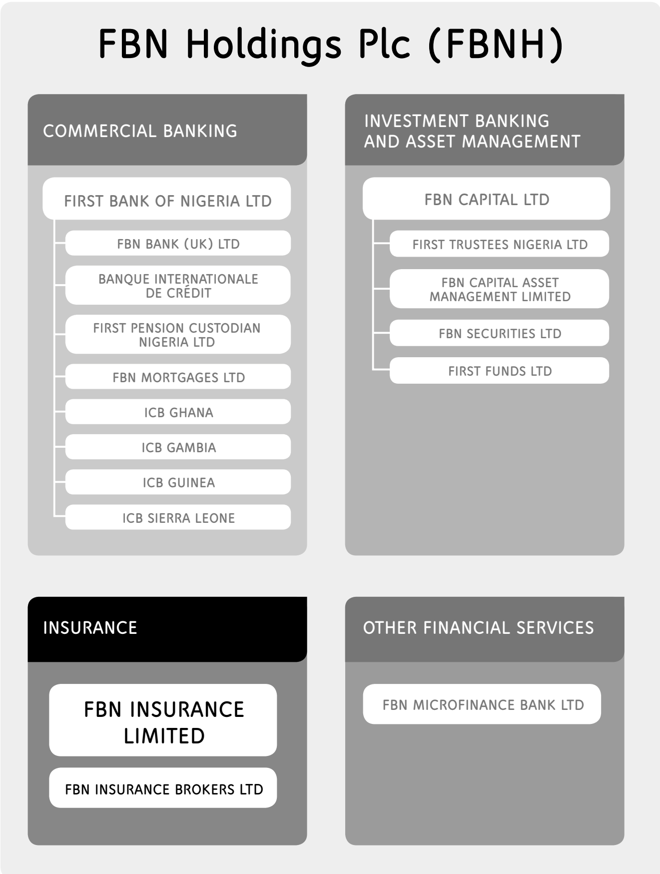
OVERVIEW

WHO WE ARE

FBN Insurance is a life insurance business providing coverage for individual and corporate clients. We are the youngest start-up insurer in Nigeria with presence in strategic geographical locations across the country, capitalising on our relationship with FBN Holdings Plc.

OUR GROUP STRUCTURE



Our products help our customers enjoy the peace of mind that comes from managing the risks of everyday life. With us, they can save for a comfortable future and protect the people that are most important to them. One of our primary objectives is to help people, businesses and communities get back on their feet when the unexpected happens. It is therefore our responsibility to make sure we are there for our customers both today and in the future. In this annual report you can read about how we are positioning ourselves to create a sustainable business.

Established in 2010, FBN Insurance is one of Nigeria's fastest growing insurance companies with license to transact in life insurance businesses. We are jointly owned by FBN Holdings (65%) and the Sanlam Group (35%) – one of the largest financial institutions in South Africa. With over 200 years of combined existence, we have the advantage of being able to draw from an extensive depth of financial services experience in Nigeria and across Africa. Specifically, we have the benefit of drawing on Sanlam Group's technical expertise and FirstBank's distribution network, thus delivering tangible value to our clients.

WHAT WE DO

Drawing from the knowledge and experience of our owners, we continuously play a significant role in the development of the insurance industry in Nigeria. As a specialist life insurance business, offering a range of investment and risk insurance products to our clientele, our operations are anchored on innovation, efficient service delivery and high standards of professionalism. As the pioneers of mobile insurance in Nigeria, we will continue to champion innovation and insurance penetration across the country. We are also committed to conducting our business within the framework of applicable professional standards and regulations, supported by our core values.

HOW WE ARE STRUCTURED

Our business is structured to promote operational excellence across all our business touch points.

OVERVIEW

BUSINESS MODEL

While the business of insurance can seem complex, the main elements of what we do are largely straightforward. At FBN Insurance, our business creates value for our shareholders, employees, customers and communities as follows:

1 **Providing life insurance products and services to individual and corporate clients**

We help customers manage risks by pooling and redistributing these risks for a stream of premium, helping them save for a more secure future. In addition, income is made from investing the premiums collected.

2 **Offering our products and services through structured distribution channels**

Channels include:

- direct sales force;
- agents and brokers;
- alternative distribution;
  a. mobile; and
  b. bancassurance.

3 **Leveraging the brand strength and expertise of our shareholders**

The brand strength of our shareholders endears us to our potential clients, thereby positioning us as the wise option for those who intend to protect the people they love on a sustainable basis.

STRATEGY

Our strategic aspiration over the strategic planning period of 2014–2016 remains clear: to be a top five insurance company in Nigeria by revenue and profitability. The key strategic focus areas for our business in 2014 are outlined below:

Serial number	Strategic priorities	Description
1	**Exploit the retail growth potential in Nigeria**	Strengthen retail insurance capabilities with a view to taking advantage of the low insurance penetration in Nigeria
2	**Expand our business focus**	Acquisition of a non-life insurance business in order to broaden our product and service offerings
3	**Enhance synergy within the Group**	Maximising the synergy and cross-selling opportunities across the Group with particular emphasis on bancassurance
4	**Build excellent service delivery capabilities**	Optimise the use of technology as a business enabler across the organisation
5	**Attract, retain and build a talented workforce**	Develop a talented and motivated workforce operating within a high-performance culture

See section on Strategy and performance (pages 16–18) for more details.

OUR VISION, OUR MISSION, OUR VALUES

OUR VISION

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

OUR MISSION

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

OUR VALUES

INTEGRITY

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

Our word is our bond.

INNOVATION

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

PROFESSIONALISM

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

RESPECT FOR THE INDIVIDUAL

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

QUALITY SERVICE

In every aspect of our business, excellence is our benchmark. 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.

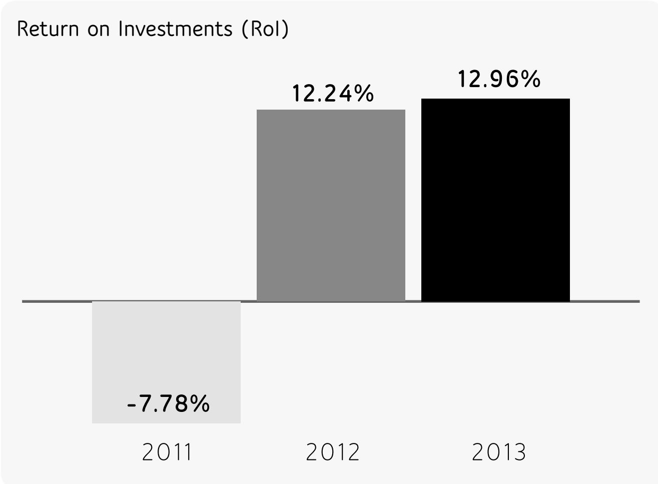
PERFORMANCE HIGHLIGHTS

The highlights of our recent business performance were achieved through a continued focus on profitability and supported by the sustained execution of our product, underwriting and pricing strategies.

PERFORMANCE SUMMARY

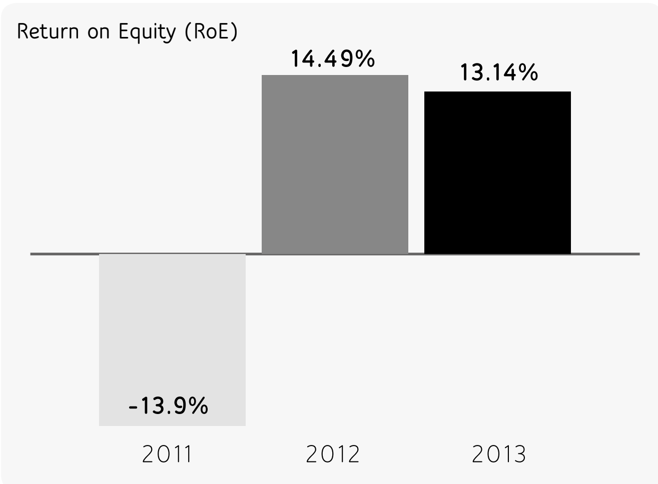
RESULTS AT A GLANCE

	2013 ₦'000	2012 ₦'000	Growth (%)
COMPREHENSIVE INCOME STATEMENT			
Gross premium written	**3,898,947**	2,897,019	35
Gross premium income	**3,894,647**	2,797,448	39
Net premium income	**3,668,882**	2,684,200	37
Investment and other income	**762,994**	512,832	49
Profit before tax	**520,451**	425,659	22
Profit after tax	**433,599**	393,543	10
STATEMENT OF FINANCIAL POSITION			
Total assets	**11,323,551**	5,680,967	99
Insurance liabilities	**3,650,573**	2,126,784	72
Total liabilities	**7,641,924**	2,513,490	204



KEY RATIOS

	2013 (%)	2012 (%)
Claims ratio	**21**	21
Claims ratio (net)	**21**	19
Underwriting ratio (gross)	**19**	14
Underwriting ratio (net)	**20**	15
Management expenses ratio (gross)	**28**	26
Management expenses ratio (net)	**30**	28
Combined ratio	**66**	57



CHAIRPERSON'S STATEMENT

Adenrele Kehinde
Chairperson of the Board of Directors

DEAR VALUED STAKEHOLDER,

In what is my first address to you as Chairperson of the Board, it is with great pleasure that I present to you a summary of your company's performance and achievements for the financial year ended December 2013, a review of the macro-economic environment during this period and our outlook for 2014. The year under review was unique in all ramifications and will be remembered for a very long time in the annals of the Nigerian insurance industry. The attendant effects of a significantly changed regulatory and economic environment and subsequent introductions of policies provided for a very interesting year indeed. While we have not been totally immune, we made modest progress as we were duly poised to translate challenges we faced into opportunities while keeping to our core values of professionalism, innovation and sound corporate governance.

Our enduring commitment to our core values and international best practices, coupled with the overwhelming support of our esteemed investors and customers, propelled us to meet tough performance targets and ultimately, our strategic goals. We are gradually emerging as a model of stability despite being one of the industry's youngest players.

OPERATING ENVIRONMENT

2013 was characterised by the continued steady recovery of the world economy; underlying dynamics are changing, and the risks to the forecast remain on the downside according to the IMF. This could pose risks for emerging market economies, where activity is slowing and asset quality weakening. As a result, new policy challenges are arising and policy spillovers may pose greater concern. Global growth remains in low gear, averaging only 2.5% during the first half of 2013, which is about the same pace as in the second half of 2012. However, global growth is expected to pick up in 2014 as estimates forecast growth at 3.6%. In a departure from previous developments since the Great Recession, the advanced economies have recently gained some speed, while the emerging market has slowed. In Nigeria, insecurity and a tough economic climate persisted in 2013. Despite efforts by the Government to diversify its revenue stream, oil receipts still accounted for a large part of government revenues.

The country still faced numerous infrastructural challenges even as the Government projected power effort to shore up power supply output saw the disbandment and subsequent sale of government-owned distribution and generation companies to private investors.

In the insurance sector, we witnessed more involvement by regulators with the introduction of new policies aimed at driving growth. Determined to grow premium income, deepen insurance growth in Nigeria and eliminate premium debts in the sector, which stood at a little more than ₦300 billion in 2012, the National Insurance Commission (NAICOM) on 1 January 2013 began the enforcement of the No Premium No Cover provision in the Section 50(1) Insurance Act, 2003 which advocates that there shall be no cover in respect of an insurance risk, unless the premium is paid in advance.

STRATEGY AND PERFORMANCE

Despite a general cautious customer approach and sustained apathy to the insurance business, our total premium grew by 35% to ₦3.89 billion at the end of 2013. Our effective cost containment strategies and focus on delivering superior service to all stakeholders ensured that we recorded 3% savings from our budgeted operating expenses despite cost-push inflationary pressure, increase in utility tariffs and reliance on alternative sources of power. This achievement further lends credence to our proactive treasury management, sound corporate governance and management policies, as well as improved performance by management and exceptional commitment to our goals by employees. We recorded modest top-line financial figures in the year under review, including a profit before tax of ₦520 billion. Gross premium income as at December 2013 stood at ₦3.89 billion, a significant 39% growth over the ₦2.79 billion recorded in the corresponding period in 2012.

FBN Insurance closed the year with a greatly increased on balance sheet size of ₦11 billion. This represents a growth of 99% over the opening position of ₦5.6 billion. Total liabilities grew by 204% from ₦2.5 billion in December 2012 to close at ₦7.6 billion in December 2013. Through this period, we experienced diversified growth enhanced by the ingenuity of the Board and management in successfully orchestrating a productive workforce whose work ethic has been distinctively laudable. We continued to consolidate on our strengths while increasing our focus on corporate governance, assets quality and service offerings. Our customer acquisition drive was aided by the continued investments and deployments in secure and efficient technologies and new products portfolios that have made it easier for customers to transact business with us.

BOARD OF DIRECTORS

The Board of FBN Insurance remains committed to the highest levels of corporate governance while weighing in to provide necessary support and oversight functions to the management team. Our eclectic mix of seasoned professionals and experience on the Board was brought to bear in the strides we made in the period under review. For this, we are most grateful.

We are convinced that a key responsibility of the Board is to fully understand the business of FBN Insurance and to use that knowledge to provide appropriate direction. With this belief in mind, we have been an engaged Board, with our sleeves rolled up, working both independently and alongside management to better guide FBN Insurance.

The set-up of our Board of Directors changed slightly in 2013. Over the course of the year, Ibukun Awosika retired from her role as the Chairperson of the Board. I would like to express our unreserved thanks for the quality and depth of experience she brought to the Board during her time here. Having assumed the responsibility as the Chairperson during the year, I remain fully committed to building on the foundations laid by my predecessor, thereby maintaining and improving upon the positive achievements recorded by the Company.

STAFF

In the period under review, our strategic recruitment initiatives attracted some of the best talents within and outside the industry. We put employee engagement at the forefront of our business and continue to strengthen capacity through various development and leadership programmes. This has doubtless had a positive impact on the overall performance of the organisation.

I am pleased to say the numerous achievements of FBN Insurance in the 2013 financial year would not have been possible without the devotion of employees across all levels. They have displayed remarkable effort and I wish to place on record the Board's commitment to the continued wellbeing of every member of the FBN Insurance family.

Our goal is to continue attracting and retaining the best talent in the industry to enable us to take advantage of opportunities in the insurance industry.

LOOKING AHEAD

Over the past 12 months, FBN Insurance has delivered improved and positive results, making us optimistic for both 2014 and the years thereafter. Going forward, the task for the Board and management remains clear – we must ensure we conduct business in a way that creates and sustains value for our shareholders, customers, employees and the communities where we do business.

On behalf of the Board of Directors, I would like to appreciate our customers for their patronage and shareholders for their unwavering support for FBN Insurance.

Thank you.

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

LEADERSHIP AND GOVERNANCE

FBN Insurance has a well-established governance structure providing strong leadership and direction. This enables the Company to create sustainable value for the benefit of its shareholders, customers, employees and other stakeholders.

At all times the Company maintains high standards of professionalism, accountability and integrity with due regard to the genuine interests of all our stakeholders. This is one of the founding principles of our history and culture as a company, building and sustaining an endurable institution that guarantees the enhancement of shareholder value.

Our partnership with Sanlam Emerging Markets, a leading South African insurance company, has further enhanced the improvement of our processes, procedures and operations. We take great care in aligning corporate governance with global best practice, thus ensuring the highest standards of accountability of our officers, the continuous transparency of the Board and the disclosure of information to all stakeholders.

FBN Insurance is committed to prudence in the management of its business operations by identifying and implementing key governance principles which aid sustainable development and guarantee shareholders an excellent return on their investment.

BOARD OF DIRECTORS

Adenrele Kehinde
Chairperson

Valentine Ojumah
Managing Director/Chief Executive Officer

Margaret Dawes
Non-Executive Director

Caleb Yaro
Non-Executive Director/Independent Director

Aderemi Ogunmefun
Non-Executive Director

Adebayo Adelabu
Non-Executive Director

LEADERSHIP AND GOVERNANCE

EXECUTIVE COMMITTEE

Valentine Ojumah
Managing Director/
Chief Executive Officer

Segun Balogun
General Manager

Ayodeji Bankole-Olusina
Deputy General Manager,
Business Development

Olasupo Sogelola
Assistant General Manager,
Business Development

Ngozi Onuora
Assistant General Manager,
Corporate Services

Shola Osho
Assistant General Manager,
Business Development

Olawale Bakir
Head, Financial Control and
Business Performance Monitoring

Blessing Onyeanuna
Head, Internal Audit and Control

Odinakachi Umekwe
Head, Retail Distribution

Olabanjo Oladipo
Head, Technical

Jackson Ikiebe
Head, Information Technology

Anne Osuorji
Assistant Company Secretary/
Head, Legal Services and
Compliance

BUSINESS REVIEW

Despite the sustained apathy and cautiousness of customers to the insurance industry in Nigeria, our gross premium grew by 35% to ₦3.9 billion in 2013 from ₦2.9 billion in 2012.

Operating environment

The level of competitiveness within the insurance industry is expected to increase, particularly as foreign insurers have caught wind of the gaps in the Nigerian insurance space, especially in the retail segment.

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Strategy and performance

FBN Insurance's strategy is designed to deliver sustainable, profitable growth in a dynamic and competitive business landscape.

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MANAGING DIRECTOR/CEO'S REVIEW

Valentine Ojumah
Managing Director/
Chief Executive Officer

Having achieved profitability in 2012, after just three years of operation, a key objective for us in 2013 was to stabilise and sustain our growth. Over the past year our resolve has been tested in this dynamic operating environment. However, our disciplined approach to underwriting and conservative investment strategy meant we maintained a strong position.

As uncertainty persists in global and local markets, it will be businesses with a clear vision and well-articulated strategy that will succeed. Consequently, our resolve is to ensure we maintain a focused approach in the execution of our long-term strategy, while positioning ourselves to exploit emerging opportunities in the insurance industry.

OUR PERFORMANCE

Despite the sustained apathy and cautiousness of customers to the insurance industry in Nigeria, our gross premium grew by 35% to ₦3.9 billion in 2013 from ₦2.9 billion in 2012. Our corporate, retail, credit life and alternative business lines contributed 19%, 59%, 20% and 1% respectively to our premium income for the year. Our profit before tax also grew by 22% from ₦426 million in 2012 to ₦520 million. This growth is attributable to our disciplined underwriting practices, cost optimisation initiatives and improved returns on strategic investments.

While it is acceptable practice for insurance companies to depend on investment income as the primary source for profit, at FBN Insurance we strongly believe in measuring our success based on the profitability of our core insurance business (excluding investment income). To this end, our combined ratio for the year stood at 66%, indicating efficient management of our core business.

We also closed the year with a greatly increased balance sheet size of ₦11.3 billion. This represents a growth of 99% over the closing position of ₦5.6 billion in 2012.

Key among our achievements in 2013 was the launch of our flagship mobile insurance product 'Padi-4-Life' – the first such product of its kind in the Nigerian insurance industry. Padi-4-Life gives our customers a convenient way to access affordable life protection plans through their mobile phones. The product, which is part of our long-term retail strategy, was born out of our commitment to championing innovation in the industry and the promotion of insurance penetration through efficient and low-cost channels. We are convinced this will gradually drive financial inclusion by granting access to formal financial services to customers in remote locations.

It is our customer centricity that influences our approach to innovative product development and drives the tailoring of our services to the key customer segments.

OUTLOOK

With the largest population in Africa and the eighth largest in the world, Nigeria has a large retail market with untapped potential. While insurance penetration remains low, the following factors continue to shape the attractiveness of the country's retail market:

1. **Population**

   Nigeria's population is growing rapidly and is forecast to reach 208.9 million in 2021. The population is also very young, with 62% younger than 25. This figure is expected to remain high for the foreseeable future.

2. **Income level**

   Economic growth has translated into rising disposable income for many Nigerians. However, many remain low-income earners. Income inequality strongly influences social classification and the behaviour of the members of different social classes.

3. **Customer behaviour**

   Improving economic conditions have led to increased purchasing power among Nigerians. In addition, Nigerian consumers are becoming increasingly sophisticated. Since 2000, real private consumption has grown by an average of 9.3% per year. The consumer market in Nigeria is large and yet still growing, while government efforts to improve the business environment and reduce inflation are expected to result in strong growth in the sector.

Based on this and other identified trends and opportunities in 2014, FBN Insurance's go-to-market strategy will be on the following key areas:

1. **Deepening our footprints in retail insurance**

   We are currently in the advanced stages of launching a new mobile insurance product with another telecommunications company in Nigeria. We also anticipate all necessary modalities for this product to go live in the first quarter of 2014. Through this and other innovative initiatives, we see ourselves deepening our footprints in the mobile insurance service offerings. Similarly, we will continue to leverage the extensive branch network of FirstBank to reach yet more retail customers.

2. **Expansion into the non-life insurance segment**

   In the 2012 FBNH annual report, we expressed our intentions to expand our range of services to include the non-life insurance services, such as motor, marine, oil and gas. In line with this expansion strategy, we have initiated the process of acquiring a non-life insurance company. This is to complement our existing life insurance business with a wide array of non-life insurance products. We are optimistic of concluding this acquisition in the second quarter of 2014, following which we will embark on a detailed process of integrating the life and non-life business segments.

CONCLUDING REMARKS

At this juncture, I would like to take the opportunity to express my appreciation of the outstanding quality of our Board, management and workforce. We have been blessed with a dynamic team that is alert to the unique demands of doing business in today's evolving economy, gradually making FBN Insurance a trendsetter in the industry.

While we continuously draw from the unrivalled experience of our owners, we also have within our staff members the best insurance professionals in the industry, combining a good mix of local and international experience. It is the solidity, competence and diversity of our owners and employees that gives me the utmost confidence that FBN Insurance will maintain its positive performance as we strive to become a first choice insurance company in Nigeria in the coming years.

Over the past three years we have made great strides, learned many lessons and survived many challenges but most importantly, we have drawn our inspiration from the immense trust and confidence our customers have in us. To maintain our momentum in an increasingly volatile economic and social environment, we must do more. We will therefore ensure that whatever the odds, our core values will continue to shape the way we do our business as we seek to scale new heights in the Nigerian insurance industry.

Thank you.

Valentine Ojumah
Managing Director/
Chief Executive Officer
FRC/2013/CIIN/00000002422

4 March 2014

OPERATING ENVIRONMENT

The perennial challenges of the Nigerian operating environment persisted in 2013 with notable concerns around security, infrastructural limitations and unemployment, among others. In spite of these challenges, the Nigerian economy remained resilient, delivering an estimated GDP growth of 6.8%. The Nigerian economy is expected to emerge as the largest in Africa and one of the top 30 in the world after the expected GDP rebasing in 2014.

We have reviewed the Nigerian operating environment with particular focus on the insurance industry along the following key areas:

DEMOGRAPHICS

- With a thriving middle class and a population of over 168 million growing at 2.5% per annum, Nigeria possesses one of the most exciting demographics. It boosts the confidence investors have that the Nigerian enterprise will continue to rise despite the obvious challenges that may exist.
- The huge population presents vast opportunities for insurers, particularly in the retail space.

INSURANCE INDUSTRY

REGULATION

- NAICOM has made notable progress in the restructuring and revamping of the Nigerian insurance industry following the financial market turbulence of 2008-2010. The commission has driven the implementation of key reforms such as the Market Development and Restructuring Initiative (MDRI), the introduction of risk-based supervision for insurance companies, and our compliance with IFRS. These reforms – along with several others – are geared towards increasing insurance penetration, promoting best practices, increasing solvency and cushioning the effects of incurred claims.
- Most recently, in 2013, the commission commenced the enforcement of the No Premium No Cover policy, which ensures insurance cover can only be provided when payments have been duly received. The implementation of this policy has helped to improve the quality of premiums, thereby reducing the until then prevalent window-dressing in written premiums and receivables of insurance companies.
- Similarly, in line with the commission's renewed drive for consumer protection, the NAICOM Complaints Bureau resolved 61 insurance-related disputes and facilitated the payment of claims to the tune of ₦2.2 billion in 2013 (₦1.2 billion in 2012). It is believed the intervention of NAICOM in the settlement of legitimate disputes will further help to foster customer trust and confidence in the Nigerian insurance industry.
- As the commission continues to seek viable means of improving insurance penetration – which remains below 1% – it released the guidelines for micro-insurance in 2013. Through the micro-insurance initiative, the commission seeks to grant low-income earners access to insurance products and services. Based on the micro-insurance guidelines, it is expected specialised micro-insurance underwriters will be licensed in the short- to medium-term by the commission. Likewise, conventional underwriters may begin to explore the potentials of micro-insurance by setting up dedicated departments to coordinate their micro-insurance operations.
- Similarly, as part of the commission's ongoing pursuit to increase insurance penetration and contribution to GDP, the commission released guidelines for Takaful insurance. This is aimed at overcoming the religious-based objections to the use of conventional insurance held by some religious groups in Nigeria.

COMPETITION

- The level of competitiveness within the insurance industry is expected to increase, particularly as foreign insurers have caught wind of the gaps in the Nigerian insurance space, particularly in the retail segment. Foreign groups such as Assur Africa Holding, SA Holdings and New India Assurance Company have bought major stakes in existing local firms Mansard, ADIC Insurance and Prestige Insurance. Similarly, in 2013, Old Mutual Group, a South African group, acquired a majority stake in Oceanic Life Assurance and is also in the final stages of acquiring Oceanic General Insurance. Other foreign companies – such as Liberty Holdings – have also expressed interest in and made strides to own investing stakes in the sector. The emergence of foreign companies in this sector is a testament to the vast potential of the Nigerian insurance market.

CHALLENGES

- Despite increased efforts to galvanise growth in the sector, insurance penetration has remained significantly low. The contribution of insurance to GDP has maintained an average of 0.16% for the past 11 quarters. However, such a gap suggests huge opportunities for growth.
- The industry continues to be characterised by the late submission of annual reports by its companies. This makes it difficult to carry out timely and comprehensive competitive analysis and market sizing.

GOVERNMENT/POLITICAL OVERVIEW

- Curbing terrorism and insurgency in the North remained a key priority of the Government in 2013. The security challenges, which have resulted in the destruction of key infrastructure, have the potential to disrupt business operations and reduce foreign direct investments, particularly in affected states. The Government is expected to continue in its efforts to explore all viable options in curtailing these security issues in 2014. The implication of the societal unrest for the insurers (in the medium to long term) is the creation of specialised products and services that can help governments and communities to minimise losses due to terrorism.

OUTLOOK

- Micro-insurance is expected to drive insurance penetration as well as financial inclusion. It is estimated that about 60% of Nigerians live on less than USD2 per day. This class of low-income earners presents a significant opportunity for micro-insurance in the medium to long term.
- An attractive yield environment, fixed income instruments and robust returns in the equities market since 2012 have had a positive impact on returns from investment assets in 2013. This trend is expected to persist in 2014 and as such investment in the equities market will remain attractive for insurers.
- Opportunities exist for insurance companies to provide service to power sector companies – GENCOs, DISCOs and the TCN – as the Government continues to champion key reforms in the sector. It is estimated that about USD8.7 billion of assets are to be acquired over the next five years in the power sector. It is therefore imperative for insurance companies to develop the requisite competencies and play a key role in this process.
- Pre-election activities may take their toll on the economy as partisan politics, increased political tension and heightened election spending provide a distraction.
- Notwithstanding, key macroeconomic indicators support optimism for Nigeria as a choice investment destination in 2014.

STRATEGY AND PERFORMANCE

OVERVIEW

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

WHAT DIFFERENTIATES US

In a highly competitive sector, such as the insurance industry, the tendency exists for key players to appear very similar in terms of product and service delivery. At FBN Insurance, we ensure that we focus on and exploit our competitive advantages in the industry. We are convinced the following key factors differentiate us from the rest:

- **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 the reliability we offer.
- **Access to FirstBank's retail network**
  Our status as a member of the FBNH Group affiliates us to FirstBank Nigeria – the biggest retail bank in Nigeria. This relationship grants us access to an extensive array of insurance opportunities particularly as it pertains to bancassurance and retail insurance. Our partnership with FirstBank positions us as a potential retail insurance leader.
- **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.

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, Corporate and Alternative distributions.

- The Retail distribution arm is primarily responsible for the sales of our products to different customer categories. These 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 categories of customers some of whom we engage via our robust agency network across the country.
- Our Corporate distribution division drives the sale of our group life scheme 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.
- The 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.

The business model's foundation of customer-centric products and retail-based channel management will continue to create and deliver value to the Company.

STRATEGY

Our strategic aspiration over the strategic planning period of 2014-2016 remains clear: to be a top five insurance company in Nigeria by revenue and profitability. As in 2013, the key strategic focus areas for our business in 2014 are outlined below:

Serial number	Strategic priorities	Description	Key Performance Indicators
1	**Exploit the retail growth potential in Nigeria**	Strengthen retail insurance capabilities with a view to taking advantage of the low insurance penetration in Nigeria	• Gross premium (life) • Customer acquisition and retention • Profit Before Tax (PBT) • Combine ratio • Investment income
2	**Expand our business focus**	Acquisition of a non-life insurance business in order to broaden our product and service offerings	• Gross premium (non-life) • Integration turnaround time • Customer acquisition and retention • PBT • Combine ratio • Investment income
3	**Enhance synergy within the Group**	Maximising the synergy and cross-selling opportunities across the Group with particular emphasis on bancassurance	• Revenue (bancassurance) • Customer acquisition and retention • PBT • Combine ratio • Investment income
4	**Build excellent service delivery capabilities**	Optimise the use of technology as a business enabler across the organisation	• Customer satisfaction • Claims processing
5	**Attract, retain and build a talented workforce**	Develop a talented and motivated workforce operating within a high-performance culture	• Retention rate top performers

STRATEGY AND PERFORMANCE

To achieve our aspiration of becoming a top five insurance company in Nigeria, FBN Insurance's approach remains focused on the business segments where we have a competitive edge, specifically by carving a niche in the retail insurance market through the provision of best-in-class, innovative and solution-driven products that create value for all stakeholders. Our strategy is aimed at delivering profitable results by making the most of our resources and building a reputation as a trusted brand.

Our strategic priorities for 2014 are herein summarised:

1 **Exploit the retail growth potential in Nigeria**

Our goal is simple. We intend to exploit the significantly low market penetration of retail insurance in Nigeria by leveraging FirstBank's extensive retail network and other distribution channels. As the pioneers of mobile insurance transactions in Nigeria, we aim to increase our impact on the retail market. In 2014, we hope to consolidate the positive results generated from this and other retail distribution channels. We will strengthen our agency distribution network accordingly, with a view to improving the productivity of our agents. We are convinced that in the medium to long term we will become the reference point in the Nigerian retail insurance market.

2 **Expand our business focus**

Our goal is to expand our service offering to feature general insurance products with the potential of producing attractive returns. To this end, we have initiated the process of acquiring a general insurance company to complement our existing life insurance business with a range of general insurance products. We envisage that within the second quarter of 2014, we would have obtained all requisite regulatory approvals to conclude the transaction and initiate a comprehensive integration process ensuring a seamless union of the life and general insurance businesses.

3 **Enhance synergy within the Group**

In line with the Group's strategic focus of harnessing the cross-selling potentials among its subsidiaries, we will continue to focus on identifying and exploring synergistic opportunities between FBN Insurance and other subsidiaries with particular focus on FirstBank. We will continue to strengthen our bancassurance capabilities by improving the existing model to drive sales of more insurance products via the Bank's extensive retail network. Similarly, our relationship with FBN Microfinance Bank also presents a viable platform for the distribution of our micro-insurance products.

4 **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.

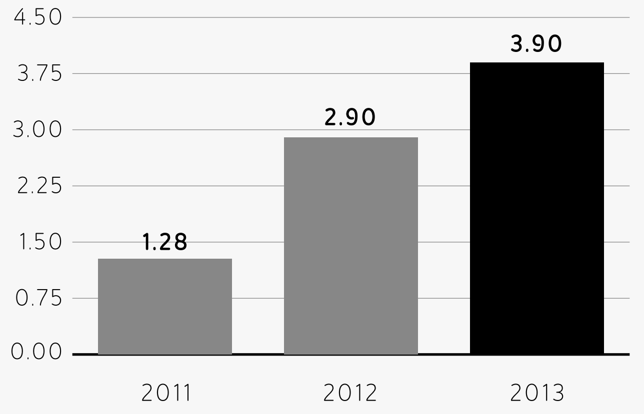
5 **Attract, retain and build a talented workforce**

As we continue to grow in line with our strategic priorities, the need to attract and retain the best insurance workforce continues to increase. As a result, we will continue to place a strategic importance on the quality of our people. In particular, in 2014 we will be embarking on an extensive review of our performance management system with a view to establishing a high-performance culture.

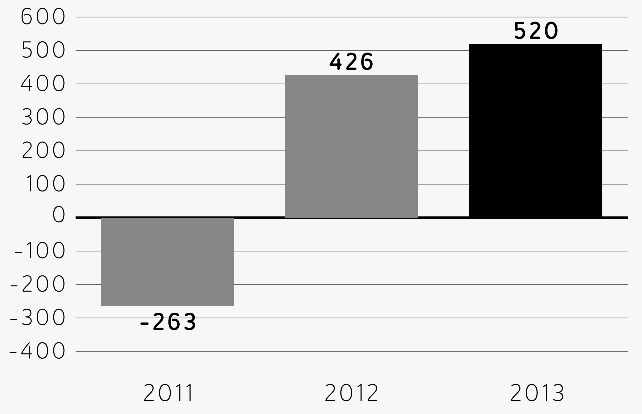
STRATEGY AND PERFORMANCE

FINANCIAL REVIEW

Gross premium (₦ bn)



Profit before tax (₦ mn)



- FBN Insurance maintained its steady growth with gross premium up 35% to ₦3.9 billion from ₦2.9 billion in 2012. This is a faster projected growth than the overall rate for the life insurance industry, which is estimated at between 25% and 30% within the same period. Our strategic focus on exploiting the opportunities in the Nigerian retail insurance market became apparent with the premium income generated from the retail business being approximately 60% of the total premium for the period.
- Investment and other income grew by 49% from ₦513 million in 2012 to ₦763 million. This can be attributed to our conservative investment strategy and the slightly favourable investment climate during the period.
- Similarly, profit before tax grew 22% from ₦426 million in 2012 to ₦520 million. This growth is the result of disciplined underwriting practices, cost optimisation initiatives and improved returns on strategic investments.
- Our combined ratio for the year stood at 66%, as management sustained its prudent administration of its core business. This echoes the importance we place on measuring our success based on the profitability of our core business (exclusive of investment income).
- Our total asset grew 99% from ₦5.68 billion to ₦11.3 billion.

CORPORATE GOVERNANCE

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

Governance structure

The governance of the Company resides with the Board of Directors, which is accountable to stakeholders for creating and delivering sustainable value through the management of the Company's business.

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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.

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INTRODUCTION

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

The Company 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 Company 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 company for building and sustaining an endurable institution that guarantees profitability and professionalism while enhancing shareholders' value.

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.

A key governance development during the period under review is the strengthening of Board Committees in compliance with the Code of Corporate Governance of NAICOM and good corporate governance with a defined charter on their functions, composition, structure and duties. The purpose of this is to ensure an effective Board accountable to its stakeholders.

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

GOVERNANCE STRUCTURE

The governance of the Company resides with the Board of Directors, which is accountable to shareholders for creating and delivering sustainable value through the management of the Company's business. The Board of Directors is responsible for the efficient operation of the Company and for ensuring the Company 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 Company's financial performance is reviewed at each Board meeting. The Board reviews all interim and 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 CEO.

The Company has a compliance programme. 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 has four committees to ensure the proper management and direction of the Company via interactive dialogue on a regular basis.

The Board comprises six members led by the Chairperson who is a Non-Executive Director, one Executive Director who is the Managing Director and Chief Executive Officer, one foreign Director who represents Sanlam Emerging Markets and four 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; it is responsible for the effective control and monitoring of the Company'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 Company. The Board is also responsible to shareholders for creating and delivering sustainable shareholder value through the management of the Company's business.

RESPONSIBILITIES OF THE BOARD

Strategy and planning

- Approve the Company's strategy and financial objectives and monitor the implementation of those strategies and objectives.
- Approve the Group investment policy and framework and monitor investments and strategic commitments that they may have a material effect on the assets, profits or operations of the Company (including acquisitions or disposals of any business in the Company joint ventures and alliances) and any material changes in the nature of the business of the Company.

Executive management and succession planning

- Review and approve the appointment, retention and removal of the Managing Director (MD) and other Executive Directors in the Company.
- Review on a regular and continuing basis the succession planning for the Board and senior management staff (especially the MD and other executive management members).
- Approve the criteria for assessing the performance of the MD and the Executive Directors as appropriate.

Human resources

- Review and approve the appointment, promotion and termination of the senior management staff on the recommendation of the Establishment Committee of the Board.
- Approve the Company's performance-based compensation policy.

Risk management

- Oversee the establishment, implementation and monitoring of the Company's risk management through the Audit Committee.
- Approve the Company's risk management strategies.

Audit and compliance

- Maintain a sound system of internal controls to safeguard shareholders' investment and the assets of the Company.
- Establish and maintain appropriate accounting policies for the Company.

Remuneration of Directors and senior management staff

- Review and approve the recommendations of the Establishment Committee in relation to remuneration of Directors.
- Approve the remuneration package for the MD and other senior staff of the Company on the recommendation of the Establishment Committee of the Company.

COMPOSITION OF THE BOARD

Adenrele Kehinde - Chairperson

Valentine Ojumah - Managing Director/Chief Executive Officer

Caleb Yaro - Non-Executive Director/Independent Director

Margaret Dawes - Non-Executive Director

Aderemi Ogunmefun - Non-Executive Director

Adebayo Adelabu - Non-Executive Director

The Chairperson of the Board

The Chairperson 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 relationships 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 Company 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 Company 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 committees, namely:

1 Board Audit, Compliance and Risk Committee;

2 Board Investment Committee; and

3 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 Board Audit, Compliance and Risk Committee provides oversight responsibility for the audit, regulatory, compliance and risk functions of the Company. 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 Company'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 reviews the external auditor's fee arrangements.

Core responsibilities of the Committee include:

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

Quorum

Two members will constitute a quorum, provided that one of the members is an Independent Director.

BOARD INVESTMENT COMMITTEE

The Board Investment Committee monitors and reviews the Company's investment policies. It ensures at all times that the Company'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 Company's investment management operations while also reviewing the Company's investment strategy with a view to sustaining medium- to long-term competitive edge. The value of the Company's marked-to-market portfolios is also evaluated by this Committee.

Core responsibilities of the Committee include:

- establishing, implementing and reviewing (from time to time) the investment strategy for the assets backing each type of policyholder liability, matching the term and nature of the liability and the needs of the policyholder, the assets backing the Company's statutory solvency requirements and the surplus assets;
- monitoring performance of the Company's investment against relevant benchmarks;

INTRODUCTION

- 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 Company's assets liability matching position;
- setting policy for and monitoring the use of risky assets such as derivatives and unlisted investments;
- governing the unit pricing process to ensure that prices are calculated accurately and customers are treated fairly;
- reviewing compliance with regulatory requirements; and
- monitoring the investment process from a governance point of view e.g., avoiding conflicts of interest, insider trading and other ethically suspect practices.

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

1 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 Company's risk tolerance should be in terms of credit risk, concentration risk and the use of speculative and usual investments e.g., derivatives and hedge funds; and
   - who within the Company is authorised to give instructions relating to investments.

2 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.

3 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).

4 An appropriate service level agreement (SLA) with any external investment managers to be used.

5 A document detailing the Company approach to unit pricing (if required).

6 Whenever a new product is designed:
   - an assessment of whether a new portfolio is required or whether the product can be incorporated into an existing portfolio; and
   - an update of the investment policy and guidelines for the new portfolio if required.

Quorum

Quorum will be formed when there are at least two non-executive members including one Sanlam and one executive member of the committee.

BOARD ESTABLISHMENT COMMITTEE

Core responsibilities of the Committee include:

- 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 actions proposed by the Board to be carried out against senior officers 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 recommendations to the Board for approval on the Company's policy on health and safety at work and any proposed amendments;
- review and make recommendations to the Board for approval on Company human resource strategies;
- review and make recommendations to the Board for approval of the succession plan for senior management staff and any proposed amendments; and
- 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.

COMPOSITION OF THE COMMITTEES

Audit, Compliance and Risk Committee

Caleb Yaro - Chairperson (with effect from (w.e.f.) 12 November 2013)

Margaret Dawes - Member (Chairperson from inception to 12 November 2013)

Adebayo Adelabu - Member

Valentine Ojumah - Member

Board Investment Committee

Aderemi Ogunmefun - Chairperson (w.e.f. 12 November 2013)

Caleb Yaro - Member (Chairperson from inception to 12 November 2013)

Adebayo Adelabu - Member

Valentine Ojumah - Member

Margaret Dawes - Sanlam representative - Member

Board Establishment Committee

Margaret Dawes - Chairperson (w.e.f. 12 November 2013)

Aderemi Ogunmefun - Member (Chairperson from inception to 12 November 2013)

Caleb Yaro - Member

Valentine Ojumah - Member

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ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Board meetings composition	Meetings attended	26 Feb 2013	27 Mar 2013	28 May 2013	23 Jul 2013	13 Nov 2013	13 Dec 2013
Adenrele Kehinde - Chairperson	5	✘	✔	✔	✔	✔	✔
Valentine Ojumah - MD Member	6	✔	✔	✔	✔	✔	✔
Caleb Yaro - Non-Executive Member	6	✔	✔	✔	✔	✔	✔
Margaret Dawes - Non-Executive Member	6	✔	✔	✔	✔	✔	✔
Aderemi Ogunmefun - Non-Executive Member	6	✔	✔	✔	✔	✔	✔
Adebayo Adelabu - Non-Executive Member	5	✔	✔	✔	✘	✔	✔

Board Audit, Compliance and Risk Committee	Meetings attended	26 Feb 2013	27 Mar 2013	28 May 2013	23 Jul 2013	13 Nov 2013
Caleb Yaro - Chairperson	5	✔	✔	✔	✔	✔
Margaret Dawes - Member	5	✔	✔	✔	✔	✔
Adebayo Adelabu - Member	3	✘	✔	✔	✘	✔
Valentine Ojumah - Member	5	✔	✔	✔	✔	✔

Board Investment Committee	Meetings attended	26 Feb 2013	23 Apr 2013	28 May 2013	24 Jul 2013	13 Nov 2013
Aderemi Ogunmefun - Chairperson	4	✔	✔	✔	✔	✘
Caleb Yaro - Member	5	✔	✔	✔	✔	✔
Adebayo Adelabu - Member	3	✘	✔	✔	✘	✔
Valentine Ojumah - Member	5	✔	✔	✔	✔	✔
Sanlam representative - Member	5	✔	✔	✔	✔	✔

Board Establishment Committee	Meetings attended	26 Feb 2013	28 May 2013	24 Jul 2013	13 Nov 2013
Margaret Dawes - Chairperson	4	✔	✔	✔	✔
Aderemi Ogunmefun - Member	3	✔	✔	✔	✘
Caleb Yaro - Member	4	✔	✔	✔	✔
Valentine Ojumah - Member	4	✔	✔	✔	✔

SUPPORT COMMITTEES

Executive Management Committee (ExCo)

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

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

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

Management Investment Committee (MIC)

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

Managing Director/Chief Executive Officer	Chairperson
Head, Alternative Distribution	Member
Head, Financial Control	Member
Financial Control Officer	Secretary

ACCOUNTING POLICIES

1 GENERAL INFORMATION

FBN Insurance Limited was incorporated in Nigeria under the Companies and Allied Matters Act (CAMA) as a private limited liability company on 6 September 2007. 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.

Details of the Company's authorised and issued share capital are set out in Note 19 on page 73. Subsequent to year end no shares were issued. The Company has its registered office on 34 Marina, Lagos, Nigeria.

These financial statements have been authorised for issue on behalf of the Board of Directors by Adenrele Kehinde and Valentine Ojumah on 4 March 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

These financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and effective or available as at 31 December 2013. Additional information required by national regulations, the Company and Allied Matters Act CAP C20 LFN 2004, the Insurance Act CAP II7 LFN 2003 and its interpretations issued by NAICOM in its insurance industry Policy Guidelines, is included to the extent that it is not in conflict with IFRS.

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit and loss. The financial statements are presented in Nigerian currency (naira) and rounded to the nearest thousand.

The financial statements comprise the income statement, statement of financial position, statement of changes in equity, cash flow statement and the related notes.

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 Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The management believe that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are disclosed in Note 4 on page 67.

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

3.1 A NUMBER OF NEW STANDARDS AND AMENDMENTS TO STANDARDS CAME INTO EFFECT FOR ANNUAL PERIODS BEGINNING AFTER 1 JANUARY 2013.

Below are the IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that would be expected to have an impact on the Company. The nature and the impact of each new standard/amendment is described below:

3.1.1 IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)

The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the financial statements for the Company, as there are no tax consequences attached to cash or non-cash distribution.

3.1.2 IAS 1 Clarification of the requirement for comparative information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements. An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

3.1.3 IAS 1 Presentation of items of other comprehensive income (Amendments)

The amendments to IAS 1 introduce a group of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Company's financial position or performance. The amendment did not remove the option to report the items in other comprehensive income before or net of tax. This standard is applicable for annual periods beginning on or after 1 July 2012. The application of IAS 1 (amended) has resulted in split of other comprehensive income into items that may be subsequently reclassified and items that will not (please see statement of comprehensive income for details). These changes did not result in any adjustments to other comprehensive income or comprehensive income.

3.1.4 IFRS 7 Financial instruments: Disclosures - offsetting financial instruments - Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Company is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Company.

ACCOUNTING POLICIES

3.1.5 IFRS 13 Fair value measurement

IFRS 13 measurement and disclosure requirements are applicable for the December 2013 year end. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company adopted IFRS 13 on 1 January 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at 1 January 2013.

Although many of the IFRS 13 disclosure requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 will require the Company to provide additional disclosures. These include fair value hierarchy disclosures for non-financial assets/liabilities and disclosures on fair value measurements that are categorised in Level 3. As at reporting date, the Company does not have any financial instruments categorised in Level 3.

3.2 STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS EARLY ADOPTED BY THE COMPANY

In 2013, the Company did not early adopt any new, revised or amended standards.

3.3 STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2013 BUT NOT RELEVANT TO THE COMPANY'S OPERATIONS

3.3.1 IFRS 10 'Consolidated financial statements' (effective for periods beginning on or after 1 January 2013)

The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

3.3.2 IFRS 11 'Joint arrangements' (effective for periods beginning on or after 1 January 2013)

IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures.

Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

3.3.3 IFRS 11 Joint arrangements and IAS 28 Investment in associates and joint ventures

IFRS 11 replaces IAS 31 Interests in joint ventures and SIC-13 Jointly controlled entities - non-monetary contributions by venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

3.3.4 IFRS 12 'Disclosures of interests in other entities' (effective for periods beginning on or after 1 January 2013)

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

3.3.5 IAS 27 (revised 2011) 'Separate financial statements' (effective for periods beginning on or after 1 January 2013)

IAS 27 (revised 2011) includes the requirements relating to separate financial statements.

3.3.6 IAS 28 (revised 2011) 'Associates and joint ventures' (effective for periods beginning on or after 1 January 2013)

IAS 28 (revised 2011) includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11.

3.3.7 IAS 19 Employee benefits (revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in OCI and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation; and unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as quantitative sensitivity disclosures. The amended IAS 19 is effective for periods beginning on or after 1 January 2013. The amendments have been applied retrospectively, therefore actuarial gains or losses previously recognised in the income statement should be reclassed to other comprehensive income. The application of the amendments does not have an impact on the financial statement.

3.3.8 Amendment to IAS 34, 'Interim financial reporting'

The amendment brings IAS 34 into line with the requirements of IFRS 8, 'Operating segments'. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the CODM (Chief Operating Decision Maker) and there has been a material change in those measures since the last annual financial statements.

3.3.9 Amendments to IFRS 1, 'First time adoption of IFRS'

The amendment clarifies that an entity may apply IFRS 1 more than once under certain circumstances and that an entity can choose to adopt IAS 23, 'Borrowing costs', either from its date of transition or from an earlier date. Lastly, the amendments clarifies that a first-time adopter should provide the supporting notes for all statements presented.

3.3.10 Amendment to IAS 16, 'Property, plant and equipment'

The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.

3.3.11 IFRIC 20 Stripping costs in the production phase of a surface mine

In surface mining operations, entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is known as 'stripping'. The Interpretation clarifies there can be two benefits accruing to an entity from stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The Interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently. All these standards are effective in 2013 but are not relevant to the operations of the Company.

3.4 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE COMPANY

As at 31 December 2013, a number of standards and interpretations, and amendments thereto, had been issued by the IASB which are not yet effective for these consolidated financial statements. None of these standards is expected to have a significant effect on the financial statement of the Company, except the following set out below.

3.4.1 Amendment to IAS 32, 'Financial instruments'

Presentation on asset and liability offsetting (effective for periods beginning on or after 1 January 2014). This amendment clarifies some of the requirements for offsetting financial assets and liabilities on the date of the statement of financial position. The Company is yet to assess the full effect of IAS 32 and intends to adopt IAS 32 no later than the accounting period beginning on or after 1 January 2014.

3.4.2 IFRS 9 'Financial instruments' (effective for periods on or after 1 January 2015)

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

The Company is yet to assess the full effect of IFRS 9 and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The directors will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

3.4.3 Amendments to IAS 36, Impairment of assets (effective 1 January 2014)

These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. It requires disclosure of the recoverable amount of an asset or CGU (Cash Generating Unit) when an impairment loss has been recognised or reversed and a detailed disclosure of how the fair value less cost of disposal has been measured when an impairment loss has been recognised or reversed.

3.4.4 IFRIC 21 'Levies' (effective 1 January 2014)

This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company is yet to assess the full effect of IFRIC 21 and intends to adopt this no later than the accounting period beginning on or after 1 January 2014.

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

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 'finance income or cost'.

All other foreign exchange gains and losses are presented in the income statement within 'Other operating income' or 'Other operating 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.

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.

6 FINANCIAL ASSETS

The Company 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. No financial assets were reclassified during the current year.

6.1 CLASSIFICATION

6.1.1 Financial assets at fair value through profit and loss are classified as follows:

- investment securities held for trading; and
- 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. No assets were held in this category at year end.

6.1.2 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 Company intends to sell in the short term or that it has designated as at fair value through profit and loss or available for sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

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

ACCOUNTING POLICIES

Trade receivables

Trade 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 are presented within other operating expenses.

Trade 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.

Other receivables

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.

Other receivables are short term. The carrying value of other receivables is considered a reasonable approximation of fair value. Other receivables are reviewed at every reporting period for impairment.

6.1.3 Held-to-maturity investment securities

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

- those that the Company upon initial recognition designates as at fair value through profit or loss;
- those that the Company designates as available for sale; and
- those that meet the definition of loans and receivables.

Interest on held-to-maturity investments are included in the income statement and are reported as 'Investment income'. In the case of an impairment, it has been 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 Federal 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.

6.1.4 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.

6.2 INITIAL 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 income statement. Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company 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 income statement as part of Investment income when the Company'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 Company's right to receive payments is established. Both are included in the investment income line.

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 Company is the current bid price.

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

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

The Company 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 instruments 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 Company 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.

6.4 DERECOGNITION OF FINANCIAL INSTRUMENTS

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

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 Company 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 Company 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.

6.6 IMPAIRMENT OF ASSET

6.6.1 Financial assets carried at amortised cost

The Company 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 Company about the following events:

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

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company 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 Company may measure impairment on the basis of an instrument's fair value using an observable market price.

6.6.2 Assets classified as available for sale

The Company 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.

6.6.3 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 (cash-generating units).

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 asset 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.

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.

7 REINSURANCE ASSET

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 is objective evidence that the insurance asset is impaired, the Company reduces the carrying amount of the insurance asset to its recoverable amount and recognises that impairment loss in the income statement. Evidence that the reinsurance asset is impaired is gathered where the reinsurance company has refused payment of any balance.

8 RECEIVABLES AND PAYABLES RELATED TO INSURANCE CONTRACTS

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement.

9 DEFERRED ACQUISITION COSTS (DAC)

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

10 STATUTORY DEPOSIT

The Company maintains a statutory deposit with the Central Bank of Nigeria 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 Company. Statutory deposit is measured at cost.

11 INTANGIBLE ASSETS

The Company recognises intangible assets if and only if:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company;
- it is feasible to complete the asset so that it will be available for use;
- there is ability to use or sell the asset; and
- the cost of the asset can be measured reliably.

11.1 COMPUTER SOFTWARE

The Company recognises computer software acquired as intangible asset.

Software acquired by the Company 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 income statement 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 usually amortised over its useful life most of which do not usually exceed five years. Amortisation methods, 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 differences between the carrying amounts at the date of derecognition and any disposal proceeds, as applicable, is recognised in the statement of comprehensive income.

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

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

12 PROPERTY AND EQUIPMENT

Property and equipment are reflected at historical cost less accumulated depreciation and any accumulated impairment losses in value, where appropriate. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of the assets as follows:

	Years
Motor vehicles	4
Computer equipment	5
Furniture and fittings	5
Office equipment	5

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 Company 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 derecognition and any disposal proceeds, as applicable, is recognised in the statement of comprehensive income.

13 INSURANCE CONTRACTS

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

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

13.1 CLASSIFICATION OF CONTRACTS

A contract is classified as an insurance contract where the Company 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.

13.2 RECOGNITION AND MEASUREMENT

13.2.1 Short-term insurance contracts

Short-duration life insurance contracts protect the Company'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 ranging between 12 to 24 months period of coverage. 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. There are no maturity or surrender benefits. 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 Company. The Company 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 Company and statistical analyses for the claims incurred but not reported (IBNR), and to estimate the expected ultimate cost of more complex claims that may be affected by external factors.

The liability reserve on short-term insurance contract is made up of an unexpired premium reserve (UPR) and reserve for 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 Company's books. The ratios differ by industry and have been determined following a historical analysis of portfolio claims experience. The 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 company-specific claims settlement patterns.

13.2.2 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 the following:

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).

Individual savings contracts

The reserve has been calculated as the amount standing to the credit of the policyholders (account balance) at the valuation date. The life cover element (and corresponding premiums) have been reported as part of the insurance contract liabilities and valued similar to other risk business as described above.

13.3 INSURANCE CONTRACT LIABILITIES

Life insurance policy claims received up to the last day of each financial period and claims IBNR 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 Company performs a liability adequacy test to determine the recognised insurance liabilities and an impairment test for reinsurance assets held at each reporting date.

14 REINSURANCE CONTRACTS

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

15 REINSURANCE LIABILITIES

Liabilities are valued gross before taking into account reinsurance. Where material, the difference between the gross and net (after reinsurance) value of liabilities is held as a reinsurance asset.

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued that meets the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Where the premium due to the reinsurer differs from the liability established by the Company for the related claim, the difference is amortised over the estimated remaining settlement period.

The Company assesses its reinsurance assets for impairment on a yearly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for the financial assets.

16 FINANCIAL LIABILITIES

The Company'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 statement. The carrying values of financial liabilities are considered to be a reasonable approximation of fair value.

Trade payables

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

17 OTHER LIABILITIES

Other financial liabilities 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.

18 TAXATION

18.1 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.

18.2 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 re-measurement 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.

19 SHARE CAPITAL

Share capital is classified as equity where the Company 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.

20 CONTINGENCY RESERVE

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

21 PROVISIONS

Provisions for restructuring costs and legal claims are recognised when: the Company 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.

22 REVENUE RECOGNITION

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

ACCOUNTING POLICIES

22.1 PREMIUM INCOME

Short-term insurance contract

Premium income 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.

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. Company and group life insurance, mortgage insurance and credit life premiums are accounted for when receivable. Where premiums are not determined in advance, they are accounted for upon actual receipt.

22.2 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 Company 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.

23 INSURANCE PREMIUM CEDED TO REINSURERS

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

24 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 Company.

The Company 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 Company 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 provision has been made for possible claims under contracts that are not in existence at the end of the reporting period.

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 Company as a constant percentage of estimated gross profit margins (including investment income) arising from these contracts. The resulting change to the carrying value of the DAC is charged to the income statement.

25 EMPLOYEE BENEFIT EXPENSE

25.1 DEFINED CONTRIBUTION PLAN

The Company operates a defined contributory pension scheme for eligible employees. Employees and the Company 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 Company pays contributions to the employee-nominated Pension Fund Administrator (PFA) on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due.

25.2 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 Company.

26 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 underwriting expenses. They include professional fee, depreciation expenses and other non-technical expenses. Other operating and administrative expenses are accounted for on an accrual basis and recognised in the income statement upon utilisation of the service or at the date of their origin.

27 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 income statement.

28 CONTINGENT LIABILITIES AND ASSETS

Possible obligations of the Company, 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 Company and present obligations of the Company 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 Company statement of financial position but are disclosed in the notes to the financial statements.

Possible assets of the Company, 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 Company, are not recognised in the Company statement of financial position and are only disclosed in the notes to the annual financial statements where an inflow of economic benefits is probable.

29 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.

30 EARNINGS PER SHARE

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

The directors submit their report together with the audited financial statements for the year ended 31 December 2013, which disclose the state of affairs of the Company.

(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 Deposit Administration. The Company commenced operations on 1 September 2010. The address of its registered office is 34 Marina, Lagos.

(B) PRINCIPAL ACTIVITIES

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

(C) RESULTS

The Company's results for the year are set out on pages 44 and 45. The profit for the year of ₦382 million (₦351 million: 2012) has been transferred to retained earnings.

	2013 ₦'000	2012 ₦'000
Gross premium income	3,894,647	2,797,448
Net underwriting income	3,668,882	2,684,200
Profit before tax	520,451	425,659
Taxation	(86,852)	(32,116)
Profit after tax	433,599	393,543
APPROPRIATIONS:		
Transfer to contingency reserves	52,045	42,566
Transfer to retained earnings	381,554	350,977
	433,599	393,543

(D) 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 - Non-Executive

Margaret Dawes - Non-Executive

Aderemi Ogunmefun - Non-Executive

Adebayo Adelabu - Non-Executive

APPOINTMENT OF DIRECTORS

Adenrele Kehinde was appointed as the Chairperson of the Board effective 1 January 2013.

RETIREMENT OF DIRECTORS

Ibukun Awosika retired from the Board on the 31 December 2012.

(E) DIRECTORS' SHAREHOLDING

The directors had no interest in or held shares in the Company.

(F) DIRECTORS' INTERESTS IN CONTRACTS

None of the directors has notified the Company 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 Company during the year.

(G) SHAREHOLDING

The shareholding structure of the Company is as follows:

Shareholder	Number of Shares ('000)	Percentage held
FBN Holdings Plc	2,262,000	65
Sanlam Emerging Markets (Pty) Ltd	1,218,000	35
	3,480,000	100

(H) DONATIONS AND GIFTS

The Company made donations of ₦580,000 (2012: ₦2,852,700) during the year.

2013	Amount ₦'000
Grange Foundation	300,000
National Association of Insurance	200,000
Nigerian Council of Registered Insurance Brokers	50,000
Port Harcourt City Council	30,000
	580,000

(I) 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 2013.

(J) HUMAN RESOURCES

Employment of disabled persons

The Company 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 Company's policy prohibits discrimination of 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 Company continues and appropriate training is arranged to ensure that they fit into the Company's working environment. As at 31 December 2013, the Company had no disabled persons in its employment.

Health, safety and welfare at work

The Company enforces strict health and safety rules and practices at the work environment, which are reviewed and tested regularly. The Company retains top-class private hospitals where medical facilities are provided for staff and their immediate families at the Company's expense. Fire prevention and fire-fighting equipment are installed in strategic locations within the Company's premises. The Company 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.

DIRECTORS' REPORT

Employee involvement and training

The Company 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 Company are nominated to attend both locally and internationally organised courses. These are complemented by on-the-job training. All officers of the Company attend meetings and retreats where members of staff critically discuss the Company's performance and recommend solutions to identified challenges.

GENDER ANALYSIS

The number and percentage of women employed during the financial year vis-a-vis total workforce is as follows:

	Male number	Female number	Male %	Female %
Employees	37	34	52%	48%
Gender analysis of the Board and top management is as follows:				
Board	4	2	67%	33%
Top management	6	3	67%	33%
Detailed analysis of the Board and top management is as follows:				
Principal Manager	3	0	100%	0%
Assistant General Manager	1	2	33%	67%
Deputy General Manager	1	0	100%	0%
General Manager	1	0	100%	0%
Chief Operating Officer	0	1	0%	100%
Chief Executive Officer	1	0	100%	0%
Non-Executive Director	3	2	60%	40%

(K) AUDITORS

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office in accordance with section 357(2) of the Companies and Allied Matters Act of Nigeria.

FBN Insurance Limited's financial statements have been authorised for issue by the Board of Directors on 4 March 2014.

By order of the Board

Adenrele Kehinde
Chairperson
FRC/2014/NBA/00000006842

4 March 2014

RISK FACTORS

The Company issues contracts that transfer insurance or financial risk or both. This section summarises the nature and management of these risks.

Insurance risk

The Company manages insurance risks through the activities of the Audit, Compliance and Risk Committee (ACRC), among others. The ACRC draws on the management's knowledge of the business and the experience of the contracted actuary.

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Financial risk

The Company 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.

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INSURANCE RISK

Long-term insurance risks can be classified into seven categories:

1. Operational risk
2. Reputation risk
3. Strategic risk
4. Persistency risk
5. Underwriting risk
6. Expense risk
7. Concentration risk.

The Company manages these risks through the activities of the Audit, Compliance and Risk Committee (ACRC), among others. The ACRC draws on the management's knowledge of the business and the experience of the contracted actuary. The principal aims of the ACRC are to advise and assist the Board in fulfilling its responsibilities with regard to:

- financial and auditing oversight;
- quality and integrity of financial and actuarial reporting;
- internal controls;
- enterprise risk management; and
- compliance.

1 OPERATIONAL RISK

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, inadequate internal controls, fraud or human error. The business mitigates these risks through its culture and values, internal controls, internal audit, forensic and compliance functions, and other measures such as back-up facilities, contingency planning and insurance.

The initiation of transactions and their administration is conducted on the basis of the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions.

The different types of operational risks are discussed below.

(a.) GOING CONCERN AND BUSINESS CONTINUITY RISK

The Board regularly considers and records the facts and assumptions on which it relies to conclude that the Company will continue as a going concern. Reflecting on the year under review, the Directors considered a number of facts and circumstances regarding the Company's future and are of the opinion that adequate resources exist to continue business into the foreseeable future. The directors also believe the Company will remain a going concern in the year ahead. The Board's statement to this effect is also contained in the statement on the responsibility of directors in the annual financial statements.

(b.) LEGAL RISK

Legal risks expose the Company to contractual obligations which have not been accounted for. There is a risk that practices established in the past may be unacceptable in the changing legislative environment. Legal risk arises from the uncertainty of the enforceability – through legal or juridical processes – of the obligations of FBN Insurance's clients and counterparties, including contractual provisions intended to reduce credit and product exposure by providing for the netting off of mutual obligations.

This type of risk is managed through clear contracting. The Company monitors and influences events to the extent possible by participation in discussions with legislators, directly and through industry representative groups.

The Company seeks to minimise uncertainty through continuous consultation with internal and external legal advisers. This way it can better understand the nature of the possible risks and can ensure transactions are appropriately structured and documented.

(c.) COMPLIANCE RISK

Laws and regulations

The Company considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group compliance function, together with the compliance functions of the Company, facilitates the management of compliance through the analysis of statutory and regulatory requirements, as well as monitoring the implementation and execution thereof.

(d.) FRAUD RISK

The Company recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the code of ethics, undermining the organisational integrity of the Company. The financial crime combating policy for the Company is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders are prosecuted. The Internal Audit and Control function oversees the prevention, detection and investigation of incidents of unlawful conduct that may impact the Company.

(e.) TAX RISK

Changes in tax legislation may result in financial loss because the actual tax expense relating to policyholder assets and activities may be higher than that assumed in the determination of premium rates and guaranteed policy benefits. The risk is addressed through clear contracting to ensure policy contracts entitle policyholders to after tax returns where applicable. The Company monitors the impact of changes in tax legislation and participates in discussions with the tax legislator to influence changes in legislation. External tax advice is obtained as required.

2 REPUTATION RISK

Reputation risk is the risk that the Company is prevented from applying mitigating risk management policies due to the potential reputation impact on the Company. Actions with a potential reputation impact are escalated to the appropriate level of senior management. The Audit Committee and Board of Directors are involved when required. Events with an industry-wide reputation impact are addressed through industry representative groups with relevant regulatory authorities.

3 STRATEGIC RISK

Strategic risk is the risk that the Company is unable to implement its strategy or that it is inappropriate. The Company's approach is addressed on a regular basis at various forums within the Company. Any significant events that potentially threaten the achievement of the Company's strategy are escalated and addressed at the earliest opportunity.

4 PERSISTENCY RISK

Persistency risk relates to the risk of financial loss due to higher than expected lapse, surrender and paid-up experience. The design of insurance products excludes surrender guarantees to limit financial loss.

Lapse experience is monitored at least twice a year to ensure poor experience is identified timeously and corrective action taken as required. Such corrective actions include:

- identification and prevention of fraudulent new business;
- follow-ups with agents and brokers who are selling business with low persistency;
- performance management of staff who fail to apply controls at new business stages that are designed to filter out business with expected low persistency; and
- the actual collection of new business premiums is compared to expected premiums on a monthly basis to maximise collections and give an early warning of future lapses.

INSURANCE RISK

The Company's valuation methodology is that no policy should be treated as an asset. Therefore, the immediate impact of higher lapses will be relatively small, although the profit expected in future years will be reduced.

The Company aims to achieve higher persistency by offering policyholders relevant products at reasonable cost. Many lapses are prevented by obtaining details of the policyholder's net income at a new business stage, thereby confirming the affordability of the premium to the policyholder.

Persistency may also be adversely affected by macro-economic conditions, affecting the affordability of the premium (e.g., employment levels).

Competition may encourage policyholders to lapse policies and move their business to other insurance providers. Unscrupulous advisers may also encourage policyholders to lapse and hence replace their policies.

5 UNDERWRITING RISK

Underwriting risk relates mainly to the uncertainty of the insured event occurring. 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 Company manages these risks through its underwriting strategy, reinsurance arrangements and claims-handling processes.

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

- All long-term insurance product additions and alterations, both within and outside agreed business definitions, are required to pass through the approvals framework that forms part of the governance process. The contracted actuary approves the financial security of new and revised products.
- The Company's underwriting strategy aims to ensure 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.
- Product pricing and reserving policies also include specific allowance for the risk of HIV/AIDS.
- 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.
- The right to re-rate premiums is retained as far as possible, although this is limited by competitive pressure.
- Investigations into mortality and morbidity experience are conducted at least half yearly to ensure corrective action is taken where necessary.

The Company's core funeral product offering is characterised by low sums which negate the need for underwriting at policy inception. The policy conditions enable the Company to repudiate death claims arising from non-accidental causes during an initial waiting period after policy inception.

The Company'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 Company's desire to maintain its relationship with the reinsurers and is based on the level of assistance received from them. Exceptions to this are reinsurance cessions intended to limit the Company's exposure to large assured sums.

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

6 EXPENSE RISK

Expense risk relates to future loss due to actual expense experience being worse than assumed in the valuation of insurance contract liabilities. Expense investigations are performed at least quarterly; expenses are monitored and managed through the Company's budgeting process. The risk of financial loss is further reduced by product design that allows for flexible charges. This, however, can be limited by competitive pressure.

Fixed costs are distributed over a variable number of contracts and so a decrease in business volumes may negatively influence the business. Fluctuations in variable acquisition costs are monitored to ensure consistency with new business volumes.

Unexpected once-off costs will reduce profit during the year. Experience has demonstrated that it is impossible to anticipate all expenses during the budget process. Therefore, negative impacts on future profit are reduced by making allowance for once-off costs in the projection of future expenses.

Staff bonus incentives are dependent on achieving profit targets and so this ensures staff are aware of the need to manage expenses.

7 CONCENTRATION RISK

Concentration risk is the risk of financial loss owing to having written large proportions of business with policyholders of the same or similar risk profile. The main concentration risk for the Company relates to geographic concentration.

Long-term insurance risks for individual business do not vary significantly in relation to the location of the risk insured. The Company is not exposed to a concentration by amounts insured because its funeral product range has relatively low sums secured.

The Company's group risk schemes do present a concentration risk. This is because employees working in close proximity to one another may be affected by the same claim event or risks specific to an industry.

FINANCIAL RISK

The Company 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 contribute to the key financial threat of proceeds from the Company's financial assets being insufficient in funding the obligations that arise from insurance and investment policy contracts.

The Company manages these risks through the activities of the Audit Committee and Investment Committee. Each committee meets at least four times a year to discuss financial risk issues. Management is responsible for implementing recommendations that have been agreed and for reporting back to the relevant committee.

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

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

Meanwhile, the Investment Committee is a management committee and is responsible for:

- ensuring insurance and investment contract liabilities are matched with appropriate supporting assets based on the type of benefits payable to the contract holders;
- ensuring 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 risks arising from trading positions are effectively managed within the pre-determined risk parameters.

MARKET RISK – INTEREST AND EQUITIES

The Company's business operations and processes are exposed to market risk. Market risk arises from the uncertain movement in fair value or net asset value of the investments. This stems principally from potential changes in sentiment towards the investment, the variability of future earnings reflected in the current perceived value of the investment and the fluctuations in interest rates and foreign currency exchange rates. Policyholders' and shareholders' investments in equities are fairly valued and are therefore susceptible to market fluctuations.

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 the potential risks inherent in an investment are reasonable for the future potential reward and exposure to investment risk is limited to acceptable levels. It also forecasts whether 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 for the Company's investments. The aim is to ensure appropriate assets are held where 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 with respect to the exposure to asset classes and individual counters. Where applicable, advice is sought from the asset manager on suitable amendments to the mandates. Senior management experience and judgement is applied to monitoring and controlling market risk.

The majority of interest rate risk is carried by the policyholder. The interest rate risks exposure to the shareholders is not material.

FINANCIAL STATEMENTS

Our financial statements and auditor's report for the year ended 31 December 2013.

Statement of financial position

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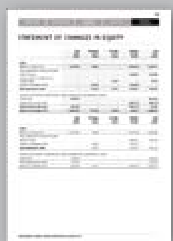
Statement of changes in equity



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Statement of cash flows

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GENERAL INFORMATION

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:	insuranceinfo1@fbninsurance.com
POSTAL ADDRESS:	PO Box 5216 Lagos Nigeria
COMPANY SECRETARY:	Adewale Arogundade
AUDITORS:	PricewaterhouseCoopers **Registered address:** 252E Muri Okunola Street Victoria Island Lagos Nigeria www.pwc.com/ng
SHAREHOLDERS:	FBN Holdings Plc Sanlam Emerging Markets (Pty) Ltd
BANKERS:	First Bank of Nigeria Limited Guaranty Trust Bank Plc Zenith Bank Plc Standard Chartered Bank Stanbic IBTC Plc Access Bank Plc Eco Bank Plc
REINSURERS:	African Reinsurance Corporation Continental Reinsurance Plc
ACTUARIES:	HR (Nigeria) Ltd

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2013

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

The responsibilities include ensuring that the Company:

(a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply 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;
- relevant guidelines and circulars issued by the National Insurance Commission (NAICOM); and
- the requirements of the Companies and Allied Matters Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profits and cash flows. 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 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 of the Board of Directors
FRC/2014/NBA/00000006842

Valentine Ojumah
Managing Director/Chief Executive Officer
FRC/2013/CIIN/00000002422

CERTIFICATION BY COMPANY SECRETARY

FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013, the Company has lodged all such returns as are required of a company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Adewale Arogundande
Company Secretary

FRC/2014/NBA/00000006810

Lagos, Nigeria

4 March 2014

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FBN INSURANCE LIMITED

pwc

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of FBN Insurance Limited ("the Company"). These financial statements comprise the statement of financial position as at 31 December 2013 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 the Nigerian Insurance Act for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an independent 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 procedure selected depends on the auditor's judgement, including the assessment of 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 at 31 December 2013 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.

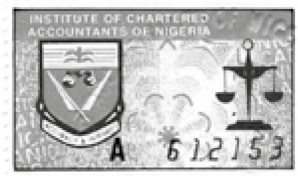
REPORT ON OTHER LEGAL REQUIREMENTS

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 purpose 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 statement of financial position and statement of comprehensive income are in agreement with the books of account.



PricewaterhouseCoopers
Chartered Accountants
Engagement partner: Samuel Abu
FRC/2013/ICAN/000000001495

Lagos, Nigeria
25 March 2014

STATEMENT OF FINANCIAL POSITION

	Note	2013 ₦'000	2012 ₦'000
ASSETS			
Cash and cash equivalent	5	4,244,376	3,461,547
Financial assets	6	6,398,082	1,223,297
Trade receivables	7	14,788	495,200
Reinsurance assets	8	76,613	38,847
Other receivables and prepayment	9	212,309	101,204
Deferred acquisition cost	10	1,032	864
Statutory deposit	11	200,000	200,000
Intangible assets	12	34,905	46,177
Property and equipment	13	141,446	113,831
Total assets		11,323,551	5,680,967
LIABILITIES			
Insurance contract liabilities	14	3,650,573	2,126,784
Trade payable	15	5,531	15,132
Other liabilities	16	3,894,009	323,516
Tax payable	17	63,990	48,058
Deferred tax liability	18	27,821	-
Total liabilities		7,641,924	2,513,490
EQUITY			
Share capital	19	3,480,000	3,218,000
Contingency reserve	20	107,566	55,521
Retained earnings	21	78,738	(106,044)
Fair value reserve	22	15,323	-
Shareholder's fund		3,681,627	3,167,477
Total equities and liabilities		11,323,551	5,680,967

Signed on behalf of the Board of Directors on 4 March 2014 by:

Olawale Bakir
Chief Financial Officer
FRC/2013/ICAN/00000002055

Valentine Ojumah
Managing Director/Chief Executive Officer
FRC/2013/CIIN/00000002422

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

INCOME STATEMENT

	Note	2013 ₦'000	2012 ₦'000
ASSETS			
Gross premium written	23	3,898,947	2,897,019
Unearned premium	14	(4,300)	(99,571)
Gross premium income		3,894,647	2,797,448
Insurance premium ceded to reinsurers	24	(225,765)	(113,248)
Net premium income		3,668,882	2,684,200
Fees and commission income:			
Commission received on reinsurance contracts		29,571	22,430
Net underwriting income		3,698,453	2,706,630
Insurance claims incurred and loss adjustments expenses	25	(618,456)	(765,426)
Insurance claims incurred recovered from reinsurers	25	119,665	123,881
Underwriting expenses	26	(703,379)	(405,509)
Changes in Life fund estimates	27	(1,633,066)	(996,330)
Net underwriting expenses		(2,835,236)	(2,043,384)
Net underwriting profit		863,217	663,246
Other income		2,017	-
Investment income	28	760,977	512,832
Employee benefit expense	29	(387,987)	(350,948)
Other operating and administrative expense	30	(717,773)	(399,471)
Profit before tax		520,451	425,659
Income tax expense	31	(86,852)	(32,116)
Profit after tax		433,599	393,543
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Change in value of available-for-sale financial assets net of tax		15,323	-
Total comprehensive income for the year		448,922	393,543

STATEMENT OF CHANGES IN EQUITY

	Share capital ₦'000	Contingency reserve ₦'000	Fair value reserve ₦'000	Retained earnings ₦'000	Total equity ₦'000
ASSETS					
Balance at 1 January 2013	3,218,000	55,521	-	(106,044)	3,167,477
Total comprehensive income for the period					
Profit for the year	-	-	-	433,599	433,599
Change in value of available-for-sale financial assets	-	-	15,323	-	15,323
Transfer to contingency reserve	-	52,045	-	(52,045)	-
Total comprehensive income	-	52,045	15,323	381,554	448,922
Transactions with owners, recorded directly in equity contributions by and distributions to owners:					
Shares issued	262,000	-	-	-	262,000
Dividend paid to equity holders	-	-	-	(196,772)	(196,772)
Total transactions with owners	262,000	-	-	(196,772)	65,228
Balance at 31 December 2013	3,480,000	107,566	15,323	78,738	3,681,627

	Share capital ₦'000	Contingency reserve ₦'000	Fair value reserve ₦'000	Retained earnings ₦'000	Total equity ₦'000
ASSETS					
Balance at 1 January 2012	2,700,000	12,956	-	(457,022)	2,255,934
Total comprehensive income for the period					
Profit for the year	-	-	-	393,543	393,543
Transfer to contingency reserve	-	42,565	-	(42,565)	-
Total comprehensive income	-	42,565	-	350,978	393,543
Transactions with owners, recorded directly in equity contributions by and distributions to owners:					
Shares issued	518,000	-	-	-	518,000
Total transactions with owners	518,000	-	-	-	518,000
Balance at 31 December 2012	3,218,000	55,521	-	(106,044)	3,167,477

STATEMENT OF CASH FLOWS

	Note	2013 ₦'000	2012 ₦'000
Reconciliation of profit before tax to cash generated from operations		520,451	425,659
Adjustment for non-cash items			
Impairment of premium receivables		143,000	6,639
Loss on disposal of property and equipment		1,957	-
Depreciation charge		56,018	37,059
Amortisation of intangible assets		11,622	10,824
Investment income		(760,978)	(512,832)
Changes in unearned premium		4,300	99,571
Changes in IBNR		(206,048)	144,024
Changes in long-term insurance contract (Life fund)		1,633,066	996,330
Operating profit before changes in operating assets and liabilities		1,403,388	1,207,274
Changes in working capital			
Trade receivables		337,412	(335,018)
Reinsurance assets		(37,765)	(37,524)
Other receivables and prepayment		(111,105)	(4,809)
Restricted cash in escrow account		(3,398,558)	-
Deferred acquisition cost		(168)	897
Outstanding claims		92,470	47,665
Trade payables		(9,601)	(9,218)
Other liabilities		3,501,623	70,474
Changes in working capital		1,777,696	939,741
Income tax paid		(43,099)	-
Net cash from operating activities		1,734,597	939,741
Cash flow from investing activities:			
Purchases of plant and equipments		(91,771)	(70,052)
Purchase of intangible assets		(350)	(7,811)
Proceeds from disposal of plants and equipment		6,181	-
Purchase of government bonds		(912,256)	-
Redemption of government bonds		47,897	-
Changes in investment securities		(4,239,835)	(1,155,506)
Interest received		705,710	445,040
Net cash used in investing activities		(4,484,424)	(788,329)
Cash flow from financing activities:			
Dividend paid		(127,902)	-
Increase in share capital		262,000	518,000
Net cash used in financing activities		134,098	518,000
Net increase/decrease in cash and cash equivalents		(2,615,729)	669,412
Cash and cash equivalent at end of period	5	845,818	3,461,547
Cash and cash equivalent at beginning of year		(3,461,547)	(2,792,135)
Net increase/decrease in cash and cash equivalents		(2,615,729)	669,412

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out on pages 24-32. These policies have been consistently applied to all years presented, unless otherwise stated.

2 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 Company 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 Company 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 Company issues contracts that transfer insurance and/or financial risk. This section summarises the nature and management of these risks.

2.1 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 Company manages these risks through its underwriting strategy, reinsurance arrangements and claims handling processes.

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

- All long-term insurance product additions and alterations, both within and outside 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.
- The Company'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 underwriting stage, the success or failure of the strategy may be measured by the historical stability of profits emerging from the book of business.
- Product pricing and reserving policies also include specific allowance for the risk of HIV/AIDS.
- 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.
- The right to re-rate premiums is retained as far as possible, although this is limited by competitive pressure.
- Investigations into mortality and morbidity experience are conducted at least half yearly to ensure that corrective action is taken where necessary.

The Company'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 Company to repudiate death claims arising from non-accidental causes during an initial waiting period after policy inception. The Company'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 Company'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 Company's exposure to large sums assured.

Claims risk is represented by the fact that the Company may incur unexpectedly high mortality and morbidity losses on any group of policies. Client service staff 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.

2.2 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 and job loss. Estimated inflation is also a significant factor due to the long period typically required to settle cases where information is not readily available. The Company 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 Company 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 - share. The effect of such reinsurance arrangements is that the Company should not suffer total net insurance losses of more than ₦10 million on any policy. In addition to the overall Company reinsurance programme, individual business units are permitted to purchase additional reinsurance protection. The Company 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 Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

NOTES TO THE FINANCIAL STATEMENTS

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 insurance contracts:

	2013			2012		
	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000
Individual traditional	**1,027,574**	**-**	**1,027,574**	345,713	(1,359)	344,353
Individual savings	**1,223,105**	**-**	**1,223,105**	404,181	-	404,181
Group Credit Life	**814,277**	**-**	**814,277**	690,187	-	690,187
Group Life - UPR incl AURR	**103,871**	**(19,068)**	**84,803**	99,571	(7,084)	92,486
Group Life - IBNR	**316,772**	**(23,559)**	**293,213**	522,819	-	522,819
Group School Fees	**8,189**	**-**	**8,189**	-	-	-
Outstanding claims (lapsed)	**156,785**	**-**	**156,785**	64,313	-	64,313
	3,650,573	**(42,627)**	**3,607,946**	2,126,784	(8,443)	2,118,341

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

	2013			2012		
	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000	Gross liability ₦'000	Reinsurance ₦'000	Net liability ₦'000
Group Life	**688,521**	**(69,855)**	**618,666**	536,924	(123,881)	413,043
Group Credit Life	**117,961**	**-**	**117,961**	81,306	-	81,306
Individual Life	**18,020**	**-**	**18,020**	3,173	-	3,173
	824,502	**(69,855)**	**754,647**	621,403	(123,881)	497,522

NOTES TO THE FINANCIAL STATEMENTS

2.3 SOURCES OF UNCERTAINTY IN THE ESTIMATION OF FUTURE CLAIM PAYMENTS

Claims on contracts are payable on a claims-occurrence basis. The Company 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 overall levels of mortality and the variability in policyholder behaviour.

The insurance liabilities have been made on the following principles:

Type of business	Valuation method
Individual risk business	Gross premium valuation approach
Individual deposit based business (FlexiSave)	Deposit reserve: account balance at val. date Risk reserve: gross premium
Group Life and Group School Fees	UPR + IBNR + expense reserve
Group Credit Life	UPR + IBNR + expense reserve
Daily term assurance	2 x daily premium

2.3.1 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. This implies that no further testing is required as a result of the implementation of IFRS; or in other words the Liability Adequacy Test has been met implicitly and a separate liability calculation will not be required for accounting purposes.

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 are payable in addition to the account balance on the occurrence of an accidental death. The cost of cover is met by explicit risk premiums, which are deducted from the contributions made by policyholders. The life cover element of the FlexiSave policies (and corresponding risk premiums) was unbundled from the deposit components and reserves calculated via a gross premium cash flow approach as described above. This reserve calculation also considers the expected future expense cash flows.

Interest is allocated to policyholder 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 Company from this product (and hence the reserves that should be held) the policyholder fund was projected; this enabled a comparison of the expected future income to the Company from the policy (the investment return not allocated to policyholder accounts and risk premiums) to the expected future outgo (death benefits and expenses). A reserve is then set up to meet any shortfalls.

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

2.3.2 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 basic chain ladder approach 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 couldn't be used for reserving. Instead reserves have been estimated via an unexpired premium reserve plus an allowance for IBNR where necessary, and unexpired future operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

The IBNR in respect of 2012 Head of Service (HoS) schemes has been reduced to reflect the proportion of premiums received. This is in accordance with the industry's stance of meeting claims in respect of the premiums received only. For FBN Insurance Limited this equates to holding 75% of the residual IBNR in respect of 2012 HoS business.

A similar approach was used to calculate reserves for Group Credit Life business (UPR plus IBNR) allowing for acquisition costs at a ratio of 10% of premium. An additional expense reserve was also calculated for future operating expenses.

FBN launched a new daily-renewable term assurance product in 2013 (PADI4LIFE) in partnership with a mobile network provider. The product operates on an automatic no-premium-no-cover basis, at a fixed premium and benefit level (unit rate). Allowance for IBNR claims was made by holding twice the daily premium at the valuation date as a reserve. This was subject to the minimum of twice the sum assured, such that the reserve is sufficient to cover IBNR claims for a minimum of two lives. This floor is expected to 'bite' until sufficient volumes of business are obtained.

2.4 PROCESS USED TO DECIDE ON ASSUMPTIONS

2.4.1 Valuation interest rate

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

Gross valuation interest rate of 12.5% 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 2013, Federal Government of Nigeria (FGN) bond yields of duration between 5 and 20 years were above 13% - the 20-year FGN bond yield was 13.25%. By comparison long-term bonds were yielding 12.3% at December 2012.

For the purpose of determining the valuation interest rate, a 5% risk adjustment has been applied, i.e., 95% of the long-term bond yield has been adopted as a risk-adjusted yield. This makes some allowance for the volatility of the 'risk free' yields. By adopting 95% of the closing yield, the valuation interest rate is in line with the average yields over 2013 (5 to 20-year bonds).

	Rate %
Long-term FGN bond yield	13.25
Less 5% risk adjustment	(0.66)
Gross valuation rate	12.59

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

	Current valuation %	Previous valuation %
Type of business		
Risk products	12.50	9
Risk reserves for deposit-based policies	12.50	9

2.4.2 Expenses

The Company makes provisions for expenses in its mathematical reserves of an amount which 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. Expenses for individual life business were reserved for explicitly at ₦3,500 per annum increasing with inflation at 8% per annum.

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:

1 per policy maintenance charges; and

2 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.

FBN Life conducted an expense analysis for individual business based on experience to 30 June 2013. Projecting this forward for a full year gave an estimated expense per policy of ₦3,846 on average for the individual business.

The Company adopted a valuation expense assumption for individual business (excluding Credit Life) of ₦3,500 per policy, being approximately 10% higher than a 'best estimate' assumption of ₦3,200 per policy. This is below the current experience, however a conservative view of the 2014 budget has been applied. The expenses will be reviewed at the next valuation in light of the 2014 actual experience.

NOTES TO THE FINANCIAL STATEMENTS

The Company adopted an expense assumption of ₦115 per policy for Credit Life business. This is based on the actual cost allocation to the Credit Life line of business as shown in the accounts.

The valuation expense assumptions are as follows:

	Current valuation ₦ per policy	Previous valuation ₦ per policy
Type of business		
Individual Life	3,500	3,875
Credit Life	115	660

2.4.3 Expense inflation

The above expenses are subject to inflation at 8% per annum. Consumer Price Inflation at 31 December 2013 was 7.9%. The difference makes some allowance for expected future expense efficiencies and economies of scale being achieved as the in-force book grows. 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.

2.4.4 Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into the Company'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 Company does not currently write annuity contracts, hence there is no business for which there is exposure to longevity risk.

2.4.5 Withdrawals

Withdrawals comprise both surrenders (voluntary) and lapses (involuntary). Surrenders are acceptable under the Cash Flow and FlexiSave Plans, after policies have been in force for a pre-defined length of time (at which policies become eligible to receive a surrender value payout). Where eligible the FlexiSave surrender values are based on the account balances.

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

2.4.6 Lapses

No allowance for lapses or surrenders is currently being made in the valuation as there were no lapses for business written within the year 2013 while lapses overall were on the low side for existing business. Further, many of the products in force have been written to provide no payout on surrender within the first two years, which may lead to a reduction in reserve on consideration of lapses/surrender.

(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 the same level of expenses as premium paying policies.

(v.) No allowance had been made for lapses or surrenders.

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

(vii.) Any policies subject to substandard terms were valued using the same basis as standard policies.

NOTES TO THE FINANCIAL STATEMENTS

2.4.7 Group and Credit Life businesses

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

Acquisition expense ratio of 15% of gross premium was adopted. Group Life commission was paid at 9% of premium and a NAICOM (regulatory) fee is payable of 1% of premium. 4% of premium has been allowed for other acquisition expenses.

The following assumptions were adopted for the Credit Life valuation:

(i.) where no effective (start) date has been provided, we assumed the credit date;

(ii.) where no end date or tenor has been provided we assumed a tenor of 30 months; 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; and

(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 was 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 has 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:

	Current valuation	Previous valuation
All business group		
Expense overrun	10%	10%
Worsening of mortality experience	10%	10%

2.4.8 Reinsurance agreements

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

2.4.9 Changes in assumptions

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

2.5 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.

NOTES TO THE FINANCIAL STATEMENTS

The sensitivity analysis was performed using the under-listed variables:

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

b. expenses +/- 10%

c. expense inflation +/-2%

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

2013 ₦'000	Base	VIR		Expenses		Expense Inflation		Mortality	
		1%	(1%)	0	(10%)	0	(2%)	5%	(5%)
Individual risk reserves	1,027,574	966,372	1,106,863	1,063,591	992,780	1,044,681	1,013,133	1,032,441	1,022,916
FlexiSave deposits	1,223,105	1,223,105	1,223,105	1,223,105	1,223,105	1,223,105	1,223,105	1,223,105	1,223,105
Group Life - UPR	103,871	103,871	103,871	103,871	103,871	103,871	103,871	103,871	103,871
Group Life - IBNR	316,772	316,772	316,772	316,772	316,772	316,772	316,772	316,772	316,772
Group Credit Life incl School Fees	1,021,878	1,021,708	1,022,054	1,025,929	1,017,830	1,022,085	1,021,673	1,022,345	1,021,413
Reinsurance	(42,627)	(42,627)	(42,627)	(42,627)	(42,627)	(42,627)	(42,627)	(42,627)	(42,627)
Net liability	3,650,573	3,589,201	3,730,038	3,690,641	3,611,731	3,667,887	3,635,927	3,655,907	3,645,450
% change in net liability	-	-	(8,383)	(83)	(81)	(82)	(8,162)	(8,309)	(83)
Assets	3,755,972	3,755,972	3,755,972	3,755,972	3,755,972	3,755,972	3,755,972	3,755,972	3,755,972
Surplus/(deficit)	62,737	166,737	25,901	65,297	144,207	88,051	120,011	57,403	67,861

2012 ₦'000	Base	VIR		Expenses		Expense Inflation		Mortality	
		1%	(1%)	0	(10%)	0	(2%)	5%	(5%)
Individual risk reserves	345,713	294,393	432,954	372,842	319,768	376,908	327,075	349,509	342,006
FlexiSave deposits	290,106	290,106	290,106	290,106	290,106	290,106	290,106	290,106	290,106
Group Life - UPR	99,571	99,571	99,571	99,571	99,571	99,571	99,571	99571	99,571
Group Life - IBNR	522,819	522,819	522,819	522,819	522,819	522,819	522,819	562,920	496,678
Group Credit Life incl School Fees	868,575	868,494	868,658	877,188	859,962	868,668	868,482	868,784	868,367
Reinsurance	(8,443)	(8,443)	(8,443)	(8,443)	(8,443)	(8,443)	(8,443)	(11,253)	(8,443)
Net liability	2,118,341	2,066,940	2,205,665	2,154,083	2,083,783	2,149,629	2,099,610	2,159,637	2,088,285
% change in net liability	-	20.0	(34.0)	-	13	-	7.0	(16.0)	12
Assets	2,385,151	2,385,151	2,385,151	2,385,151	2,385,151	2,385,151	2,385,151	2,385,151	2,385,151
Surplus/(deficit)	8,443	309,769	171,044	222,626	292,926	227,080	277,099	217,072	288,424

NOTES TO THE FINANCIAL STATEMENTS

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. Valuation interest rate sensitivity result shows the impact of reducing and increasing valuation interest rates to 99% and 101% respectively of the base rates.

2.6 SOLVENCY

The solvency level at the valuation date was 103.1% (112.6%: 2012). That is, assets representing Life Fund on the Company's balance sheet (₦3,755 million) were 103.1% of the value of the actuarially calculated net liabilities (₦3,651 million).

The assets backing the Life Fund are as follows:

	2013 ₦'000	2012 ₦'000
FGN Bonds	**498,908**	50,872
Treasury bills	**2,626,700**	1,060,464
Cash and bank balances	**630,364**	1,273,815
Total	**3,755,972**	2,385,151

The assets adequately match the liabilities. In particular asset admissibility requirements and localisation rules in section 25 of 2003 Insurance Act were met. The Life Fund shows a surplus of ₦105.4 million (₦258.3 million: 2012).

3 MANAGEMENT OF FINANCIAL RISK

The Company 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 Company's financial assets are insufficient to fund the obligations arising from insurance and investment policy contracts.

The Company manages these risks through the activities of the Audit 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 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 Company. 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 Company;
- monitoring the effectiveness of business risk management processes in the Company;
- 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 pre-determined risk parameters.

3.1 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.

NOTES TO THE FINANCIAL STATEMENTS

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 Company. 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, senior management experience and judgement is applied to monitoring and controlling market risk.

3.1.1 Foreign exchange risk

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

The Company manages its exposure to foreign exchange risk using sensitivity analysis to assess potential changes in the value of foreign exchange positions and impact of such changes on the Company'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 Company's foreign currency-denominated assets as at end of the year are as follows:

	Currency	2013 ₦'000	2012 ₦'000
Cash and bank balances	Dollars	**2,484**	2,538

The table below shows the effect on the profit as at 31 December 2013 from a ₦159.95/$ closing rate favourable/unfavourable change in US dollars against the naira with all other variables held constant.

Changes in exchange rate	Impact on PBT	
	2013	2012
Increase/(decrease) by 1% (+/-)	**25**	25
Increase/(decrease) by 5% (+/-)	**124**	127

3.1.2 Interest rate risk

The Company 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 Company'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.

NOTES TO THE FINANCIAL STATEMENTS

The table below shows the interest rate sensitivity analysis as at 31 December 2013 holding all other variables constant. A 100 and 500 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	1-3 months	3-6 months	6-12 months	>12 months
31 DECEMBER 2013 (₦'000)				
Interest bearing assets				
Cash and bank balances	504,038	-	-	-
Investment securities	2,531,502	2,889,910	287,442	787,996
Statutory deposit	-	-	-	200,000
	3,035,540	2,889,910	287,442	987,996
Interest bearing liabilities				
Insurance contracts liabilities - deposit administration	-	-	-	1,223,105
Total interest earning assets	-	-	-	1,223,105
Gap	3,035,540	2,889,910	287,442	(235,109)
Changes in interest rate	Impact on profit before tax			
Increase/(decrease) by 100bp (+/-)	3,909	3,551	462	7,544
Increase/(decrease) by 500bp (+/-)	19,546	17,753	2,308	(45,345)

	1-3 months	3-6 months	6-12 months	>12 months
31 DECEMBER 2012 (₦'000)				
Interest bearing assets				
Cash and bank balances	1,901,639	-	-	-
Investment securities	1,471,303	523,665	699,632	-
Statutory deposit	-	-	-	200,000
	3,372,942	523,665	699,632	200,000
Interest bearing liabilities				
Insurance contracts liabilities - deposit administration	-	-	-	290,106
Total interest earning assets	-	-	-	290,106
Gap	3,372,942	523,665	699,632	(90,106)
Changes in interest rate	Impact on profit before tax			
Increase/(decrease) by 100bp (+/-)	4,344	643	1,124	2,891
Increase/(decrease) by 500bp (+/-)	21,719	3,217	5,619	(17,379)

3.1.3 Equity price risk

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

Equity price sensitivity analysis

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

If equity prices had been 5% higher/lower, other comprehensive income would increase/decrease by ₦5.8 million as a result of the changes in fair value of investments in equity instruments.

NOTES TO THE FINANCIAL STATEMENTS

3.2 CREDIT RISK

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

Key areas where the Company 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 Company 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 Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company 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 Company'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 Company's investment portfolio is exposed to credit risk through its fixed income money market instruments and non-interest bearing bank balances. The contribution of the fixed income money market instruments to the Company's investment is as follows:

	2013 ₦'000	%	2012 ₦'000	%
Cash and bank balances	4,244,376	39	3,461,547	55
Investment securities	6,496,850	59	2,694,600	42
Statutory deposit	200,000	2	200,000	3
Total	10,941,226	100	6,356,147	100

The Company's exposure to credit risk is low as Government bonds and treasury bills accounted for largest part, over 95% of the investment as at 31 December 2013. The Company 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 amongst other factors. The investments portfolio are monitored on a monthly basis.

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

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

	2013 ₦'000	2012 ₦'000
Cash and bank balances	4,244,376	1,990,244
Investment securities	6,496,850	2,694,600
Trade receivables	14,788	495,200
Reinsurance assets	33,986	30,405
Other receivables	105,936	43,620
Statutory deposit	200,000	200,000
	11,095,936	5,454,069

NOTES TO THE FINANCIAL STATEMENTS

3.2.2 Credit quality of financial assets

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

	2013 ₦'000	2012 ₦'000
Neither past due nor impaired	14,789	486,585
Individually impaired	176,639	33,639
Gross	191,428	520,224
Less: allowance for impairment	(176,639)	(33,639)
Net	14,789	486,585
Aging analysis of trade receivables		
Individually impaired		
30-90 days	-	464,305
91-180 days	-	22,280
181-365 days	143,000	20,455
Over 365 days	33,639	13,184
	176,639	520,224

3.2.3 Credit quality quantitative notes

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%

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 2013 (₦'000)	AAA	AA	A	BB	CC	Total
Policyholder portfolio						
Cash and bank balances	-	-	630,364	-	-	630,364
Investment securities	3,125,608	-	-	-	-	3,125,608
Trade receivables	-	-	-	14,788	-	14,788
Reinsurance assets	-	-	33,986	-	-	33,986
Total	3,125,608	-	664,350	14,788	-	3,804,746
Shareholder portfolio						
Cash and bank balances	-	-	3,614,012	-	-	3,614,012
Investment securities	3,371,242	-	-	-	-	3,371,242
Other asset	-	105,936	-	-	-	105,936
Statutory deposit	200,000	-	-	-	-	200,000
Total	3,571,242	154,902	3,398,558	-	-	7,291,190

DECEMBER 2012 (₦'000)	AAA	AA	A	BB	CC	Total
Policyholder portfolio						
Cash and bank balances	-	-	1,273,815	-	-	1,273,815
Investment securities	1,111,336	-	-	-	-	1,111,336
Trade receivables	-	-	-	495,200	-	495,200
Reinsurance assets	-	-	30,405	-	-	30,405
Total	1,111,336	-	1,273,815	-	-	2,910,756
Shareholder portfolio						
Cash and bank balances	-	-	2,187,732	-	-	2,187,732
Investment securities	111,961	-	-	-	-	111,961
Other asset	-	43,620	-	-	-	43,620
Statutory deposit	200,000	-	-	-	-	200,000
Total	1,783,264	43,620	716,429	-	-	2,543,313

3.2.4 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 Company's credit exposure at carrying amounts, as categorised by the industry sectors of the Company's counterparties.

	31 Dec 2013				31 Dec 2012			
	Premium receivable ₦'000	Investment securities ₦'000	Other assets ₦'000	Total ₦'000	Premium receivable ₦'000	Investment securities ₦'000	Other assets ₦'000	Total ₦'000
Communication	-	-	-	-	3,408	-	-	3,408
Construction	-	-	-	-	4,550	-	-	4,550
Education	-	-	-	-	5,631	-	-	5,631
Finance and insurance	46,197	-	4,028,922	4,075,119	-	-	2,272,711	2,272,711
General commerce	-	-	-	-	323	-	-	323
Manufacturing	2,577	-	-	2,577	8,648	-	-	8,648
Oil and gas	-	-	-	-	1,993	-	-	1,993
Public sector	-	6,496,850	200,000	6,696,850	445,877	2,694,600	-	3,140,477
Retail services	-	-	154,902	154,902	12,853	-	-	12,853
Transportation	-	-	-	-	2,974	-	-	2,974
Utilities	-	-	-	-	501	-	-	501
	48,774	6,496,850	4,383,824	10,929,448	486,758	2,694,600	2,272,711	5,454,069

3.2.5 Offsetting financial assets and financial liabilities

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

Reinsurance payable and receivables create for the parties to the agreement a right of set-off on recognised amounts that is enforceable only following predetermined events as stipulated within the treaty agreements. Under the 'IFRS 4 - Insurance contract' requirements, 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.

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

31 DECEMBER 2012	Related amounts not offset in the statement of financial position					
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements	Gross amount of recognised financial asset	Gross amount of financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
Reinsurance receivables	30,405	-	30,405	(15,132)	-	15,273
Reinsurance payables	15,132	-	15,132	(15,132)	-	-

3.3 LIQUIDITY RISK

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of policyholder benefit payments, cash requirements from contractual commitments, or other cash outflows, such as debt maturities. Such outflows would deplete available cash resources for operational, trading and investments 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 Company 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 contractual 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 notes 6 and 7 on page 68 demonstrate that the Company has significant liquid resources. The value for policy liabilities and the assets backing them are as per the carrying amount in the statement of financial position.

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

	Carrying amount	0-3 months	3-9 months	9 months to 1 year	1-5 years	>5 years	Total
31 DECEMBER 2013							
Trade payables	5,531	5,531	-	-	-	-	5,531
Other liabilities	3,894,009	313,997	3,580,012	-	-	-	3,894,009
Insurance contracts liability - deposit administration	1,223,105	-	-	-	1,147,525	75,580	1,223,105
Total financial liabilities	5,122,645	319,528	3,580,012	-	1,147,525	75,580	5,122,645
31 DECEMBER 2013							
Cash and bank balances	4,244,376	4,037,144	-	-	-	-	4,037,144
Investment securities:							-
Held to maturity	6,496,850	2,594,332	3,012,139	466,598	770,365	228,600	7,072,034
Trade receivables	14,788	14,788	-	-	-	-	14,788
Reinsurance assets	33,986	33,986	-	-	-	-	33,986
Other receivables	105,936	105,936	-	-	-	-	105,936
Total financial assets	10,895,936	6,786,187	3,012,139	466,598	770,365	228,600	11,263,889
Net financial assets and liabilities	5,773,292	6,466,659	(567,873)	466,598	(377,160)	153,020	6,141,243
Insurance contract liabilities - Life contract	2,427,468	156,784	-	671,098	1,194,757	404,829	2,427,468
Net policyholders' assets and liabilities	3,345,823	6,309,875	(567,873)	(204,500)	(1,571,917)	(251,809)	3,713,775

NOTES TO THE FINANCIAL STATEMENTS

	Carrying amount	0-3 months	3-9 months	9 months to 1 year	1-5 years	>5 years	Total
31 DECEMBER 2012							
Trade payables	15,132	15,132	-	-	-	-	15,132
Other liabilities	323,516	323,516	-	-	-	-	323,516
Insurance contracts liability - deposit administration	290,106	-	-	-	270,556	19,550	290,106
Total financial liabilities	628,754	338,648	-	-	270,556	19,550	628,754
31 DECEMBER 2012							
Cash and bank balances	3,461,547	2,022,730	-	-	-	-	2,022,730
Investment securities:							
Held to maturity	2,694,600	2,479,716	269,681	-	-	-	2,749,397
Trade receivables	495,200	495,200	-	-	-	-	495,200
Reinsurance assets	30,405	30,405	-	-	-	-	30,405
Other receivables	43,620	43,620	-	-	-	-	43,620
Total financial assets	6,725,372	5,071,671	269,681	-	-	-	5,341,352
Net financial assets and liabilities	6,096,618	4,733,023	269,681	-	(270,556)	(19,550)	4,712,598
Insurance contract liabilities - Life contract	1,836,678	72,758	-	649,640	990,570	123,710	1,836,678
Net policyholders' assets and liabilities	4,259,940	4,660,265	269,681	(649,640)	(1,261,126)	(143,260)	2,875,920

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

3.4 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company 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 Company's overall strategy remains unchanged from inception of business in 2010.

The table below summarises the minimum required capital and the regulatory capital held against each of them. These figures are an aggregate number, being the sum of the statutory capital and surplus. The capital structure of the Company consists of equity (comprising issued capital, reserves and retained earnings) as detailed in note 19.

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

The Company's risk management committee reviews the capital structure of the Company 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 Company 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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares.

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

The Company's share capital as at 31 December 2013 is ₦3,480,000,000 (2012: ₦3,218,000,000). The Company is in full compliance with the minimum capital requirement of ₦2 billion as stipulated by the Insurance Act 2004 (amended 2009).

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

	2013 ₦'000	2012 ₦'000
Paid-up share capital	**3,480,000**	3,218,000
Contingency reserve	**107,566**	55,521
Retained earnings	**91,259**	(106,044)
	3,678,825	3,167,477

NOTES TO THE FINANCIAL STATEMENTS

3.5 MEASUREMENT BASIS OF FINANCIAL ASSETS AND LIABILITIES

	31 Dec 2013			31 Dec 2012		
	Fair value ₦'000	Amortised cost ₦'000	Total ₦'000	Fair value ₦'000	Amortised cost ₦'000	Total ₦'000
31 DECEMBER 2013						
Cash and bank balances	-	4,244,376	-	-	3,461,547	-
Investment securities	116,686	6,496,850	4,244,377	-	1,223,297	3,461,547
Trade receivables	-	14,788	6,613,535	-	495,200	1,223,297
Reinsurance assets	-	33,986	14,788	-	30,405	495,200
Other assets	-	105,936	33,986	-	43,620	30,405
Statutory deposits	-	200,000	105,936	-	200,000	43,620
Total financial assets	116,686	11,095,936	11,012,622	-	5,454,069	5,254,069
Financial liabilities						
Bank overdraft	-	-	-	-	15,132	15,132
Other liabilities	-	3,894,009	3,894,009	-	323,516	323,516
Insurance contract liabilities - deposit administration	-	1,223,105	1,223,105	-	290,106	290,106
Total financial liabilities	-	5,117,114	5,117,114	-	628,754	628,754

The Company 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. None of the Company's fair value was derived using the level 3 hierarchy during the year.

There were transfers from Level 1 to Level 2 or between Level 2 and Level 3 of the fair value hierarchy during the year.

3.5.1 Fair value of financial assets and liabilities

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

	31 Dec 2013		31 Dec 2012	
	Carrying value ₦'000	Fair value ₦'000	Carrying value ₦'000	Fair value ₦'000
Financial assets				
Statutory deposits	200,000	200,000	200,000	200,000
Cash and bank balances	4,244,376	4,244,376	1,990,244	1,990,244
Investment securities:				
Held to maturities	6,496,850	6,465,812	1,223,297	2,694,173
Available-for-sale investment	116,686	116,686	-	-
Trade receivables	14,788	14,788	495,200	495,200
Reinsurance assets	33,986	33,986	30,405	30,405
Other receivables	105,936	154,902	43,620	43,620
Total	11,212,622	11,230,550	3,982,766	5,453,642

NOTES TO THE FINANCIAL STATEMENTS

	31 Dec 2013		31 Dec 2012	
	Carrying value ₦'000	Fair value ₦'000	Carrying value ₦'000	Fair value ₦'000
Financial liabilities				
Trade payables	5,531	5,531	15,132	15,132
Other liabilities	3,894,009	3,894,009	323,516	323,516
Insurance contract liabilities - deposit administration	1,223,105	1,223,105	290,106	290,106
Total	5,122,645	5,122,645	628,754	628,754

3.5.2 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. No financial instrument was measured at fair value in 2012.

	Level 1	Level 2	Level 3	Total fair value
31 DECEMBER 2013				
Financial assets				
Investment securities:				
Available-for-sale investment	116,686	-	-	116,686
	116,686	-	-	116,686

3.5.3 Financial instruments not measured at fair value

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

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31 DECEMBER 2013					
Financial assets					
Cash and bank balances	-	4,244,376	-	4,244,376	4,244,376
Investment securities:					
Held to maturity	5,622,007	843,805	-	6,465,812	6,496,850
Statutory deposit	-	200,000	-	200,000	200,000
	5,622,007	5,288,181	-	10,910,188	10,941,226
Financial liabilities					
Insurance contract liabilities - deposit administration	-	1,223,105	-	1,223,105	1,223,105
	-	1,223,105	-	1,223,105	1,223,105

NOTES TO THE FINANCIAL STATEMENTS

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31 DECEMBER 2012					
Financial assets					
Cash and bank balances	-	3,461,547	-	3,461,547	3,461,547
Investment securities:					
Held to maturity	2,694,173	-	-	2,694,173	1,223,297
Statutory deposit	-	200,000	-	200,000	200,000
	2,694,173	3,661,547	-	6,355,720	4,884,844
Financial liabilities					
Insurance contract liabilities - deposit administration	-	290,106	-	290,106	290,106
	-	290,106	-	290,106	290,106

3.5.4 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 cost.

(ii.) **Investment securities**

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

(iii.) **Other receivables**

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

(iv.) **Statutory deposit**

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

(v.) **Trade payables**

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

(vi.) **Other liabilities**

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

(vii.) **Insurance contract liabilities - deposit administration**

These are amounts payable to policyholders in the event of a claim. The carrying amounts have been calculated by the actuary and the carrying amount represents the fair value as at 31 December 2013.

4 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 below.

4.1 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 Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

4.2 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 Company. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk.

The Company bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company'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 Company 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 Company is 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 ₦5.3 million or decrease by ₦5.1 million (2012: ₦41.2 million and ₦30 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 10%. If the average future investment returns differed by -/+ 1% from management's estimates, the insurance liability would increase by ₦79.5 million or decrease by ₦61.4 million (2012: ₦87.2 million and ₦51.4 million respectively).

4.3 IMPAIRMENT OF TRADE RECEIVABLES

The Company reviews its trade receivables to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of trade receivable before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of customer, or national or local economic conditions that correlate with defaults on assets in the Company. The directors use estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Were the net present value of estimated cash flows to differs by +/-10%, the impairment loss is to be estimated ₦1.5 million higher/lower (2012 ₦50 million).

4.4 AVAILABLE-FOR-SALE EQUITY FINANCIAL ASSETS

The Company 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 Company 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 fair value of investment securities during the year.

The Company classifies available-for-sale equities at fair value through other comprehensive income (OCI). This classification requires significant judgement. In making this judgement, the Company evaluates its intention and its needs to hold such investment for short-term financial gains. If the Company 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 Company will recognise a fair value gain of ₦15 million in the comprehensive income (2012: Nil).

4.5 HELD-TO-MATURITY INVESTMENT SECURITIES

In accordance with IAS 39 guidance, the Company 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 Company evaluates its intention and ability to hold such investment to maturity. If the Company 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 Company is required to reclassify the entire category as available for sale. Accordingly, the investments would be measured at fair value instead of amortised cost. If the basis of measurement and recognition changes, the Company will recognise a fair value loss of ₦31 million (2012: a gain of ₦427,000) in the comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

5 CASH AND CASH EQUIVALENT

	2013 ₦'000	2012 ₦'000
Cash in bank	126,326	88,605
Short-term bank deposits	504,038	1,901,639
Treasury bills with original maturity <90 days	215,454	1,471,303
Restricted cash held in escrow account	3,398,558	-
	4,244,376	3,461,547

Restricted cash held in escrow account represents amount held for the purchase of Oasis General inclusive of NSE and SEC regulatory fees. This amount was transferred to FBN Life by FBNH and it was held in trust by First Trustees in a dedicated account. The purchase of 71.2% of Oasis General was concluded after the balance sheet date. Further details would be purchased in the subsequent financial statement.

5.1 CASH AND CASH EQUIVALENT FOR THE PURPOSE OF CASH FLOW

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

	2013 ₦'000	2012 ₦'000
Cash in bank	126,326	88,605
Short-term bank deposits	504,038	1,901,639
Treasury bills with original maturity <90 days	215,454	1,471,303
	845,818	3,461,547

6 FINANCIAL ASSETS

	2013 ₦'000	2012 ₦'000
Available-for-sale investment securities	116,686	-
Held to maturity		
Treasury bills with original maturity >90 days	5,403,872	1,223,297
Government bonds	877,524	-
	6,398,082	1,223,297
Current	5,520,558	1,223,297
Non-current	877,524	-

7 TRADE RECEIVABLES

	2013 ₦'000	2012 ₦'000
Gross premium receivables	191,428	528,839
Less impairments	(176,639)	(33,639)
Trade receivables (receivable within 30 days)	14,788	495,200
Movement in impairments of trade receivables		
Opening balance	33,639	29,115
Additional charge during the year	143,000	6,639
Write offs	-	(2,115)
Closing balance	176,639	33,639

The Company participated in the Head of service scheme in 2013 particularly the Nigerian Police Force (NPF). FBN Life's portion of the unremitted premium amounted to ₦143 million. The regulatory body (NAICOM) policy of 'No premium no cover' became effective 1 January 2014 and the Company took a decision to impair all outstandings as at 1 January 2014 that was not paid.

NOTES TO THE FINANCIAL STATEMENTS

8 REINSURANCE ASSETS

	2013 ₦'000	2012 ₦'000
Claims recoverable	33,986	30,405
Reinsurance share of claims incurred but not reported (IBNR)	23,559	-
Prepaid reinsurance	19,068	8,442
Insurance receivables within (0 to 90 days)	76,613	38,847

9 OTHER RECEIVABLES AND PREPAYMENTS

	2013 ₦'000	2012 ₦'000
Prepayments	57,407	57,584
Coupon receivable on bonds	42,352	-
Cash advance	6,614	-
Other receivables	105,936	43,620
	212,309	101,204
Current	212,309	101,204

10 DEFERRED ACQUISITION COST

	2013 ₦'000	2012 ₦'000
Deferred acquisition cost - Group Life	75	864
Deferred acquisition cost - Credit Life	173	-
Deferred acquisition cost - Individual Life	736	-
Deferred acquisition cost - Mortgage	48	-
	1,032	864
Current	1,032	864

11 STATUTORY DEPOSIT

The deposit represents 10% of the regulatory minimum share capital deposited with the Central Bank of Nigeria in accordance with Section 10(3) of the Insurance Act 2004. This translates to a balance of ₦200 million (2012: ₦200 million). This balance is not available for the day-to-day operations of the Company and does not qualify as cash and cash equivalent.

12 INTANGIBLE ASSETS

	2013 ₦'000	2012 ₦'000
Cost		
At 1 January	57,001	49,190
Additions	350	7,811
At 31 December	57,351	57,001
Depreciation		
At 1 January	10,824	-
Charge for the year	11,622	10,824
At 31 December	22,446	10,824
Net book amount		
At 31 December	34,905	46,177

13 PROPERTY AND EQUIPMENT

	Motor vehicles ₦'000	Office equipment ₦'000	Furniture and fittings ₦'000	Computer equipment ₦'000	Total ₦'000
COST					
At 1 January 2013	118,986	7,055	19,652	28,852	174,545
Additions	39,597	-	28,567	23,607	91,771
Disposal	(9,238)	-	(4,120)	(433)	(13,791)
At 31 December 2013	149,345	7,055	44,099	52,026	252,525
DEPRECIATION					
At 1 January 2013	41,204	2,107	5,166	12,237	60,714
Charge for the year	33,038	1,392	7,961	13,627	56,018
Disposal	(3,464)	-	(2,043)	(146)	(5,653)
At 31 December 2013	70,778	3,499	11,084	25,718	111,079
Net book amount					
At 31 December 2013	78,567	3,556	33,015	26,308	141,446
At 31 December 2012	77,782	4,947	14,486	16,615	113,831

	Motor vehicles ₦'000	Office equipment ₦'000	Furniture and fittings ₦'000	Computer equipment ₦'000	Total ₦'000
COST					
At 1 January 2012	72,838	4,632	12,111	14,912	104,493
Additions	46,148	2,423	7,541	13,940	70,052
At 31 December 2012	118,986	7,055	19,652	28,852	174,545
DEPRECIATION					
At 1 January 2012	16,358	801	1,955	4,541	23,655
Charge for the year	24,846	1,306	3,211	7,696	37,059
At 31 December 2012	41,204	2,107	5,166	12,237	60,714
Net book amount					
At 31 December 2012	77,782	4,947	14,486	16,615	113,831
At 31 December 2011	56,480	3,831	10,156	10,371	80,838

14 INSURANCE CONTRACT LIABILITIES

	2013 ₦'000	2012 ₦'000
GROSS		
Outstanding claims (see note (i))	156,784	64,314
Unearned premiums (see note (ii))	103,871	99,571
Short-term insurance contract – claims IBNR (see note (iii))	316,772	522,819
Liability on long-term insurance contract – Life fund (see note (iv))	3,073,146	1,440,080
Total insurance liabilities (gross)	3,650,573	2,126,784
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	29,730	-
Unearned premiums	19,068	8,443
IBNR on short-term insurance contract	23,559	-
Total reinsurers' share of insurance liabilities	72,357	8,443
NET		
Claims reported and loss adjustment expenses	127,054	64,314
Unearned premiums	84,803	91,128
Claims incurred but not reported on short-term insurance contract	293,213	522,819
Liability on long-term insurance contract (Life fund)	3,073,146	1,440,080
Total insurance liabilities (net)	3,578,216	2,118,341

(i.) The movement in outstanding claims during the year was as follows:

	2013 ₦'000	2012 ₦'000
Balance, beginning of year	64,314	16,650
Additional claims incurred during the year	824,503	621,402
Claims paid during the year	(732,032)	(573,738)
Closing balance	156,785	64,314

(ii.) The movement in unearned premium during the year was as follows:

	2013 ₦'000	2012 ₦'000
Balance, beginning of year	99,571	-
Increase in the year	4,300	99,571
Closing balance	103,871	99,571

(iii.) The movement in IBNR claims on short-term insurance during the year was as follows:

	2013 ₦'000	2012 ₦'000
Balance, beginning of year	522,819	378,795
Increase/(decrease) in IBNR and Life fund	(206,047)	144,024
Closing balance	316,772	522,819

NOTES TO THE FINANCIAL STATEMENTS

(iv.) The movement in Life fund contract during the year was as follows:

	2013 ₦'000	2012 ₦'000
Balance, beginning of year	1,440,080	443,750
Increase/(decrease) in IBNR and Life fund	1,633,066	996,330

15 TRADE PAYABLE

	2013 ₦'000	2012 ₦'000
Payable to co-insurers	5,531	15,132
	5,531	15,132

16 OTHER LIABILITIES

	2013 ₦'000	2012 ₦'000
Accruals	137,011	265,825
Other creditors	176,986	-
Dividend payable	68,870	-
Due to related party	963,178	57,691
Intercompany payables	2,547,964	-
Current (payable within one year)	3,894,009	323,516

17 TAX PAYABLE

	2013 ₦'000	2012 ₦'000
Company income tax payable:		
At start of the year	48,058	15,942
Charge to profit and loss (see note 31)	59,031	32,116
Tax paid in the year	(43,099)	-
At end of period	63,990	48,058

18 DEFERRED TAX LIABILITY

	2013 ₦'000	2012 ₦'000
Deferred tax charge	27,821	-
The deferred tax liability arose from property and equipments		
Movement in deferred tax liability		
Opening balance	-	-
Charge during the year	27,821	-
Closing balance	27,821	-
Non-current	27,821	-
Closing balance	11,115,515	1,440,080

NOTES TO THE FINANCIAL STATEMENTS

19 SHARE CAPITAL

Ordinary shares

	2013 ₦'000	2012 ₦'000
Authorised, issued and fully paid	3,480,000	3,218,000
3.4 billion ordinary shares of ₦1 each	3,480,000	3,218,000
Number of shares		
Shares at the beginning of the year	3,218,000	2,700,000
Paid up during the period:		-
FBNH	262,000	-
Sanlam	-	518,000
End of year	3,480,000	3,218,000

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

20 CONTINGENCY RESERVES

	2013 ₦'000	2012 ₦'000
Brought forward	55,521	12,956
Transfer from retained earnings	52,045	42,565
Closing balance	107,566	55,521

21 REVENUE RESERVES ACCOUNT

	2013 ₦'000	2012 ₦'000
Balance brought forward	(106,044)	(457,022)
Dividend paid	(196,772)	-
Transfer to contingency reserves	(52,045)	(42,565)
Profit for the period	433,599	393,543
At end of the year	78,738	(106,044)

22 FAIR VALUE RESERVES

	2013 ₦'000	2012 ₦'000
Opening balance	-	-
Fair value changes on available-for-sale securities	15,323	-
Impact of deferred tax	-	-
Closing balance (net of tax)	15,323	-

NOTES TO THE FINANCIAL STATEMENTS

23 GROSS PREMIUM INCOME

	2013 ₦'000	2012 ₦'000
Individual Life	2,302,724	1,009,375
Credit Life	729,123	608,093
Group Life	752,756	1,279,551
Others	114,344	-
Gross premium written	3,898,947	2,897,019
Unearned premium	(4,300)	(99,571)
Gross premium income	3,894,647	2,797,448

24 INSURANCE PREMIUM CEDED TO REINSURERS

	2013 ₦'000	2012 ₦'000
Gross reinsurance outwards	236,390	120,366
Changes in prepaid reinsurance	(10,625)	(7,118)
	225,765	113,248

25 INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

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

	2012		
	₦'000 Gross	₦'000 Reinsurance	₦'000 Net
Current year claims and loss adjustment expenses	573,738	(123,881)	449,857
Increase in the expected cost of claims for unexpired risks	47,664	-	47,664
Claims incurred during the year	621,402	(123,881)	497,521
IBNR on short-term insurance contract	144,024	-	144,024
	765,426	(123,881)	641,545

26 UNDERWRITING EXPENSES

	2013 ₦'000	2012 ₦'000
Acquisition cost	657,561	307,995
Maintenance cost	45,819	97,514
	703,379	405,509

NOTES TO THE FINANCIAL STATEMENTS

27 CHANGES IN LIFE FUND ESTIMATES

	2013 ₦'000	2012 ₦'000
Liability on long-term insurance contract - Life fund	1,633,066	996,330

28 INVESTMENT INCOME

This relates to interest income on financial assets carried at amortised cost. Investment income attributable to shareholders includes interest income of ₦24,750,014 (2012: ₦22,702,000) earned on statutory deposit with the Central Bank of Nigeria (CBN) highlighted in note 11.

	2013 ₦'000	2012 ₦'000
Investment income attributable to policyholders	385,655	189,320
Investment income attributable to shareholders	375,322	323,512
	760,977	512,832

29 EMPLOYEE BENEFIT EXPENSE

The number of persons employed excluding directors in the Company during the year and at the end of the year ended 31 December 2013 was 72.

The staff cost for the above persons was:

	2013 ₦'000	2012 ₦'000
Wages and salaries	362,914	332,529
Pension costs	25,073	18,419
	387,987	350,948

30 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2013 ₦'000	2012 ₦'000
Directors' emoluments	118,351	114,401
Auditors' remuneration	8,626	7,635
Depreciation	56,018	37,059
Amortisation	11,622	10,824
Impairment	143,000	6,639
Other expenses	380,156	222,913
	717,773	399,471

NOTES TO THE FINANCIAL STATEMENTS

31 INCOME TAX EXPENSE

	2013 ₦'000	2012 ₦'000
Current income tax charge:		
Company income tax	59,031	32,116
Deferred tax charge	27,821	-
Tax charge	86,852	32,116

Reconciliation of effective tax rate

	2013 ₦'000	2012 ₦'000
Profit before tax	520,451	425,659

	2013	2012	2013 ₦'000	2012 ₦'000
Tax calculated using the domestic corporate tax rate of 30%	30%	30%	156,135	127,698
Effect of applying:				
Income not subject to tax	(39%)	(45%)	(203,091)	(192,310)
Non-deductible expenses	14%	15%	74,777	64,612
Minimum tax	11%	8%	59,031	32,116
Tax charge	17%	8%	86,852	32,116

32 HYPOTHECATION OF POLICYHOLDERS FUND

	2013 ₦'000	2012 ₦'000
Assets		
Cash and placements	630,364	1,273,815
Held to maturity - debt securities		
Treasury bills with original maturity <90 days	105,863	987,709
Treasury bills with original maturity >90 days	2,520,837	72,755
Government bonds	498,908	50,872
Total policyholders' assets	3,755,972	2,385,151
Liabilities		
Life fund	3,650,573	2,126,784
Total policyholders' liabilities	3,650,573	2,126,784
Surplus	105,399	258,367

33 OTHER INCOME STATEMENT INFORMATION: STAFF AND DIRECTORS COST

(i.) Employee costs excluding executive directors during the year amounted to:

	2013 ₦'000	2012 ₦'000
Wages and salaries	362,914	332,529
Pension cost	25,073	18,419
	387,987	350,948

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

	Number	Number
₦200,001-₦500,000	-	-
₦500,001-₦1,000,000	-	-
₦1,000,001-₦1,500,000	15	11
₦1,500,001-₦2,000,000	8	8
₦2,000,001-₦2,500,000	8	8
₦2,500,001-₦3,000,000	4	4
₦3,000,001-₦3,500,000	9	9
₦3,500,001-₦4,000,000	18	15
₦4,000,000 and above	10	9
	72	64

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

	Number	Number
Executive Director (MD)	1	1
Management staff	10	8
Non-management staff	61	55

(iv.) Directors' remuneration

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

	2013 ₦'000	2012 ₦'000
Executive management emolument and Directors' fees	59,622	49,857
Directors' sitting allowances	29,469	35,441
Directors' travel allowances	29,260	29,103
	118,351	114,401

Fees and other emoluments disclosed above include amounts paid to:

	2013 ₦'000	2012 ₦'000
The Chairperson	8,162	20,110
The highest paid director	24,085	43,926

NOTES TO THE FINANCIAL STATEMENTS

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

	Number	Number
Below ₦5,000,000	-	-
₦5,000,000-₦10,000,000	5	5
₦10,000,000 and above	2	2
	7	7

34 RELATED PARTIES

Transactions and agreements entered into between the Company and FBN Group include the provision of banking services, premises, 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).

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

	2013	2012
Shareholders		
First Bank of Nigeria Plc	65%	65%
Sanlam Developing Markets Ltd	35%	35%

Nature of the transaction	Related party	2013 ₦'000	2012 ₦'000
Gross premium income	FBN Group	228,265	807,258
Claims incurred	FBN Group	10,315	211,664
Maintenance fees paid	Sanlam	-	13,976
Technical fees paid	FBN Capital	8,893	850
Rental expenses	FBN Group	54,000	-
Fees paid	FirstBank	277,169	60,730
Commission paid	FBN Insurance Brokers	22,697	18,371

Nature of the balance	Related party	2013 ₦'000	2012 ₦'000
Intercompany receivable	FBNH	105,611	-
Cash deposit and bank balance	FirstBank	112,792	60,327
Investment securities (asset under management)	FBN Capital	7,117,574	4,596,239
Rent payable	FBN Group	54,000	-
Cash balance (ESCROW)	FBN Securities and Trustees	3,398,558	-
Intercompany payable	FBNH	2,547,964	-
Intercompany payable to Sanlam	Sanlam	963,178	57,691

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 Company have been disclosed in note 33.

NOTES TO THE FINANCIAL STATEMENTS

35 CONTINGENT LIABILITIES AND COMMITMENTS

(a.) Legal proceedings

There were no legal proceedings outstanding against the Company at 31 December 2013 (2012: Nil).

(b.) Capital commitments

At 31 December 2013, the Company had no capital commitments in respect of buildings and equipment purchases.

(c.) Operating lease commitments

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

	2013 ₦'000	2012 ₦'000
No later than one year	83,044	-
Later than one year and no later than five years	415,220	-
Later than five years	166,088	-
	664,352	-

36 EARNINGS PER SHARE

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of FBN Life as the numerator. The weighted average number of outstanding shares used for basic earnings per share amounted to 3,349,000,000 (2012: 2,959,000,000).

	2013 ₦'000	2012 ₦'000
Profit for the period	433,599	393,543
Number of shares at the beginning of the period	3,218,000	2,700,000
Number of shares at the end of the period	3,480,000	3,218,000
Weighted number of shares at the end of the period	3,349,000	2,959,000
Basic/diluted EPS (in kobo)	12.9k	13.3k

37 PROPOSED DIVIDEND

These financial statements do not reflect dividend payable for 2013. Such dividend would be proposed in the next Annual General Meeting and would be paid in subsequent financial statements.

38 CONTRAVENTIONS

During the year, the Company did not contravene any regulation.

39 POST BALANCE SHEET EVENTS

Subsequent to the financial statement date, FBN Life successfully obtained approval to acquire 71.2% stake in Oasis Insurance Plc. With this investment, FBN Life will become the majority shareholder in Oasis Insurance Plc. The acquisition is geared towards FBN Life's objective of ultimately obtaining a composite insurance licence. There were no post balance sheet events which could have a material effect on the financial position of the Company as at 31 December 2013 or the profit for the year ended 31 December 2013.

	2013 ₦'000	%	2012 ₦'000	%
Net premium	3,668,882		2,684,200	
Investment income	760,977		512,832	
Claims expenses, commission paid and operating expenses	(3,192,430)		(2,251,502)	
	1,237,429	100	945,530	100
Distribution:				
Employees (staff cost)	387,987	31	350,948	37
Directors	118,351	10	114,401	12
Government (taxes)	86,852	7	32,116	3
The future				
Depreciation of fixed assets	56,018	5	37,059	4
Amortisation of intangible assets	11,622	1	10,824	1
Provision for losses	143,000	12	6,639	1
Transfers to reserves	433,599	35	393,543	42
	1,237,429	100	945,530	100

FIVE YEAR FINANCIAL SUMMARY

	31 Dec 2013 ₦'000	31 Dec 2012 ₦'000	31 Dec 2011 ₦'000	31 Dec 2010 ₦'000
Cash and bank balances	**4,244,376**	3,461,547	35,803	63,748
Investment securities	**6,398,082**	1,223,297	2,756,331	-
Trade receivable	**14,788**	495,200	166,822	3,480
Reinsurance asset	**76,613**	38,847	1,323	-
Other receivables and prepayment	**212,309**	101,204	96,395	828,687
Deferred acquisition cost	**1,032**	864	1,761	-
Property and equipment	**141,446**	113,831	80,837	48,879
Statutory deposit	**200,000**	200,000	200,000	200,000
Intangible asset	**34,905**	46,177	49,190	-
Total asset	**11,323,551**	5,680,967	3,388,463	1,144,794
Financed by:				
Share capital	**3,480,000**	3,218,000	2,700,000	1,000,000
Contingency reserve	**107,566**	55,521	12,956	205
Retained earnings	**78,738**	(106,044)	(457,022)	(233,982)
Fair value reserve	**15,323**	-	-	-
Other liabilities	**3,899,540**	338,648	277,392	365,767
Tax payable	**91,811**	48,058	15,942	-
Insurance contract liabilities	**3,650,573**	2,126,784	839,195	12,804
Shareholder's fund	**11,323,551**	5,680,967	3,388,463	1,144,794
Gross premium written	**3,898,947**	2,897,019	1,275,070	20,473
Total income	**3,698,453**	2,830,511	1,214,706	19,296
Underwriting expense	**(2,835,236)**	(2,167,265)	(1,038,351)	(14,404)
Underwriting profit	**863,217**	663,245	176,355	4,892
Investment income	**762,994**	512,832	152,899	-
Operating expenses	**(1,105,760)**	(750,419)	(523,601)	(238,874)
Profit/(loss) before tax	**520,451**	425,659	(194,347)	(233,982)
Income tax expense	**(86,852)**	(32,116)	(15,942)	-
Profit/(loss) for the year	**433,599**	393,543	(210,289)	(233,982)

BRANCHES AND SALES OUTLETS

Branch/customer meeting points (CMPs)	Telephone numbers	Address
Head Office	+234 1 905 4351 (Contact Centre) +234 1 905 4444 +234 1 905 4364 +234 8080 479 319	34 Marina Street, Lagos
Branches		
Abuja	+234 7013 990 115	1 Zambezi Crescent, Off Aguiyi Ironsi Street Maitama - Abuja
Port Harcourt	+234 8023 454 548	80 Aba Road, Opposite Government Craft Centre, Port Harcourt
Other business locations		
Aba	+234 1 905 4351 (Contact Centre)	99 Ikot Ekpene Road, Agbor Hill, Aba, Abia State
Ajah	+234 1 905 4351	Ikota International Market Branch, Landmark Building, Ikota Shopping Complex
Akure	+234 1 905 4351	1 Oba Adesida Road, Alagbaka Quarters, Akure, Ondo State
Asaba	+234 1 905 4351	232 Nnebisi Road, Asaba, Delta State
Aspamda	+234 1 905 4351	FBN, Progressive Market Branch, Tradefair, Lagos
Benin	+234 1 905 4351	FBN Insurance Ltd, 67 Akpakpava Road, Benin City, Edo State
Calabar	+234 1 905 4351	FBN Branch, NNPC Depot Rd, IPMAN House, Calabar
Enugu	+234 1 905 4351	FBN Insurance Ltd, FBN Main Branch, 21 Okpara Avenue, Enugu, Enugu State
Ibadan	+234 1 905 4351	FBN Insurance Limited, 2nd Floor, FBN Building, 48 Challenge/ Molete Road, Ibadan, Oyo State
Ikeja	+234 1 905 4351	B&B Plaza, 5 Asabi Cole Street, Agidingbi Ikeja - Lagos
Kaduna	+234 1 905 4351	FBN Branch, 14 Bank Road, Kaduna
Kano	+234 1 905 4351	FBN Main Branch, No 2 Bank Road, Kano
Onitsha	+234 1 905 4351	FBN Insurance Limited, 13 City Biscuit Road, Ugwuagba Obosi, Onitsha, Anambra State
Owerri	+234 1 905 4351	79 Douglas Road, Owerri, Imo State
Uyo	+234 1 905 4351	Branch – FBN Uyo CBD Udoudoama Banking Layout, Uyo, Akwa Ibom State
Warri	+234 1 905 4351	FBN Udu Road Branch, Ovwian, Warri – Delta State, First Airport Road Branch, Warri, Delta State

ABBREVIATIONS

AGM	Annual General Meeting
ACRC	Audit, Compliance and Risk Committee
AURR	Additional Unexpired Risk Reserve
BIC	Banque Internationale de Crédit SARL
CBN	Central Bank of Nigeria
CEO	Chief Executive Officer
CITA	Company Income Tax Act
CMP	Customer meeting points
CODM	Chief Operating Decision Maker
DAC	Deferred acquisition costs
EPS	Earnings per share
ExCo	Executive Management Committee
FBNH	FBN Holdings Plc
FBN MFB	FBN Microfinance Bank Limited
FBN UK	FBN Bank (UK) Limited
FGN	Federal Government of Nigeria
HNIs	High net worth individuals
HoS	Head of Service
IASB	International Accounting Standards Board
IBNR	Incurred but not reported
ICB	International Commercial Banks
ICAN	Institute of Chartered Accountants of Nigeria
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IASB	International Accounting Standards Board
JCEs	Jointly controlled entities
MD	Managing Director
MDRI	Market Development and Restructuring Initiative
MIC	Management Investment Committee
MPR	Monetary Policy Rate
₦	Naira
NAICOM	National Insurance Commission
NPF	Nigerian Police Force
OCI	Other comprehensive income
PBT	Profit before tax
PFA	Pension Fund Administrator
SEC	Securities and Exchange Commission
SLA	Service level agreement
UPR	Unexpired premium reserve

FBNInsurance

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