



AICO INSURANCE PLC 2015 FULL YEAR AUDITED FINANCIALS

Group Statement of Comprehensive Income as at 31st December, 2015	Group		Parent	
	2015	2014	2015	2014
<i>In thousands of naira</i>				
Gross premium written	32,918,820	33,648,366	32,449,276	33,274,427
Gross premium income	10,410,650	20,927,888	9,941,106	20,553,949
Reinsurance expenses	(3,662,162)	(4,706,202)	(3,662,162)	(4,706,202)
Net premium income	6,748,488	16,221,686	6,278,944	15,847,747
Fees and commission income				
Insurance contract	744,069	739,661	744,069	739,661
Pension and other contracts	1,355,846	1,093,789	-	-
Net underwriting income	8,848,403	18,055,136	7,023,013	16,587,408
Claims expenses:				
Claims expenses (Gross)	13,045,452	10,467,388	13,045,452	10,467,388
Claims expenses recovered from reinsurer	(2,377,750)	(1,369,301)	(2,377,750)	(1,369,301)
Claims expenses (Net)	10,667,702	9,098,087	10,667,702	9,098,087
Underwriting expenses	3,679,535	3,734,076	3,293,569	3,465,604
Total underwriting expenses	14,347,237	12,832,163	13,961,271	12,563,691
Underwriting profit	(5,498,834)	5,222,973	(6,938,258)	4,023,717
Investment income	5,717,056	3,638,947	5,500,982	3,567,792
Investment income on deposit administration	147,772	319,816	147,772	319,816
Net realised gains	7,630,227	181,507	7,585,119	181,507
Net fair value (losses)/gains	(88,000)	13,000	(88,000)	13,000
Other operating income	569,965	104,624	532,103	104,129
Personnel expenses	(3,039,353)	(3,055,865)	(2,280,601)	(2,433,226)
Other operating expenses	(3,540,411)	(3,024,220)	(2,913,959)	(2,568,952)
Finance cost	(87,121)	(26,630)	(85,072)	-
Impairment loss on financial assets	(12,007)	(97,592)	(12,007)	(97,592)
Profit before taxation	1,799,294	3,276,560	1,448,079	3,110,191
Income taxes	(557,680)	(1,043,689)	(435,610)	(978,299)
Minimum tax	(46,008)	-	(46,008)	-
Profit after taxation	1,195,606	2,232,871	966,461	2,131,892
Attributable to shareholders	1,220,000	2,179,149	966,461	2,131,892
Attributable to non-controlling interest holders	(24,394)	53,722	-	-
	1,195,606	2,232,871	966,461	2,131,892
Other comprehensive income, net of tax				
Items within OCI that may be reclassified to profit or loss				
Net loss on available-for-sale financial assets	(3,305,507)	(1,332,024)	(3,304,936)	(1,332,024)
Revaluation gain on property and equipment	-	716,287	-	716,287
Exchange gains on available-for-sale financial assets	212,173	-	212,173	-
Income tax relating to other comprehensive income	(63,652)	(523,589)	(63,652)	(523,589)
Total other comprehensive loss	(3,156,986)	(1,139,326)	(3,156,415)	(1,139,326)
Total comprehensive (loss)/income for the year	(1,961,380)	1,093,545	(2,189,954)	992,566
Attributable to shareholders	(1,936,963)	1,039,823	(2,189,954)	992,566
Attributable to non-controlling interest	(24,417)	53,722	-	-
	(1,961,380)	1,093,545	(2,189,954)	992,566
Other comprehensive income, net of tax				
Basic earning per share (Kobo)	18	31	14	31
Diluted earning per share (Kobo)	14	31	11	31

Group Statement of Financial Position as at 31st December, 2015	Group		Parent	
	2015	2014	2015	2014
<i>In thousands of naira</i>				
Assets				
Cash and cash equivalents	8,451,795	7,954,370	6,437,403	6,577,102
Financial assets	58,269,318	38,172,893	57,903,833	37,322,663
Trade receivable	296,514	210,133	123,848	11,303
Reinsurance assets	2,479,069	1,699,319	2,479,069	1,699,319
Deferred acquisition cost	264,842	443,945	264,842	443,945
Other receivables and prepayments	447,467	321,989	282,805	529,581
Deferred tax asset	1,775,779	1,696,850	1,707,077	1,531,097
Investment in subsidiaries	-	-	2,308,690	2,133,417
Investment property	1,115,000	1,203,000	1,115,000	1,203,000
Goodwill and other intangible assets	1,142,720	922,524	1,120,871	886,766
Property and equipment	5,353,657	5,183,072	5,111,828	4,988,937
Statutory deposit	530,000	530,000	530,000	530,000
Total assets	80,126,161	58,338,095	79,385,266	57,857,130
Liabilities and equity				
Liabilities				
Insurance contract liabilities	55,548,154	35,071,301	55,379,977	35,029,115
Investment contract liabilities	8,295,046	6,608,125	8,295,046	6,608,125
Trade payables	1,547,548	643,762	1,547,548	643,762
Other payables and accruals	2,489,333	3,702,330	2,432,087	3,399,890
Fixed income liabilities	165,838	-	-	-
Current tax payable	592,961	558,874	518,443	492,279
Deferred tax liability	269,133	7,364	263,422	-
Finance lease obligation	49,854	49,230	49,854	49,230
Long term borrowing	1,134,840	-	1,134,840	-
Derivative liabilities	319,274	-	319,274	-
Total liabilities	70,411,981	46,640,986	69,940,491	46,222,401
Equity				
Issued share capital	3,465,102	3,465,102	3,465,102	3,465,102
Share premium	2,824,389	2,824,389	2,824,389	2,824,389
Revaluation reserves	1,221,707	1,221,707	1,221,707	1,221,707
Available-for-sale reserve	(2,723,536)	581,971	(2,723,536)	581,400
Exchange gains reserve	148,521	-	148,521	-
Statutory reserve	55,240	14,629	-	-
Contingency reserve	3,482,076	3,019,230	3,482,076	2,993,584
Retained earnings	898,089	275,503	1,026,516	548,547
Cumulative irredeemable convertible preference shares	-	50,000	-	-
Shareholders' funds	9,371,588	11,452,531	9,444,775	11,634,729
Non-controlling interest	342,592	244,578	-	-
Total equity of the group	9,714,180	11,697,109	9,444,775	11,634,729
Total liabilities and equity	80,126,161	58,338,095	79,385,266	57,857,130

These financial statements were approved by the Board on March 17, 2016 and signed on its behalf by:

 Chief Dele Fajemirokun Chairman FRC/2013/IODN/00000003604	 Mr. Edwin Igbiti Group MD/CEO FRC/2013/CIIN/00000005551	 Mr. Ayodele Bamidele CFO FRC/2013/ICAN/00000004332
--	--	---

MANAGEMENT'S COMMENTARY

Statement of Profit or Loss and Other Comprehensive Income:

- In line with AICO's business plan, Management's business strategy for 2015 was to achieve profitable growth and strong returns on Shareholder capital. To achieve this, we would only write new business where: a) there is a high probability of the business generating profits; and b) there is a high probability that returns, on a risk-adjusted basis, exceed cost of capital. Pursuing this strategy meant we had to turn away/turn down business that do not meet these criteria in 2015. This was executed in 2015.
- The Company wrote Gross Premiums of N32.9billion in 2015 – down N0.7billion (or 2%) from N33.6billion in 2014, largely as a result of:
 - Management's decision to reduce premiums written in businesses with significant solvency requirements such as annuity – gross premiums reduced by N1billion (down 7%) in 2015;
 - Management's decision to turn down some unprofitable and low-return Non-life insurance premiums – gross premiums reduced by N0.8billion (down 9%) in 2015 (we generated higher underwriting profits (up 21%) as a result of this discipline);
 - Management's decision to diversify the long term business to include protection and endowment products – this increased by N1billion in 2015.
- The Company recorded Gross Premium Income of N10.4billion in 2015 – down N10.5billion (or 50%) from N20.9billion in 2014. This drastic reduction is due to one singular factor: the nosedive of ca. 450-basis-points (4.5%) in yields on long-term government bonds in Q4 2015 – which led us to transfer ca. N16.2billion of annuity gross premium written to reserves in 2015 (up 99% to 32.7billion from N16.4billion in 2014).
- For clarity, in the Annuity business, the Company books the premiums in Gross Premiums Written, and deducts the transfer to reserves, and that gives the Gross Premium Income. The transfers to reserves are based on an increase/decrease in the valuation of our cumulative book. IFRS requires that we value the liabilities at market-consistent interest rates. Hence, when rates rise, the value of our liabilities fall, and when rates fall, the value of our liabilities rise. When value of liabilities fall, there is a release of profits, and when rates fall, there is a transfer from profits (premiums) to reserves.
- For every 1% fall in risk-free rates, total long term liabilities increase by ca. N3billion. Hence, in 2015, whilst premiums for Annuity were N13billion, we transferred ca. N16.2billion (124% of premiums) to reserves – giving a Gross Premium Income of –N3billion. As earlier stated, these are reserves and do not indicate a cash loss.
- Should there be a reversal in direction of real interest rates, these reserves would be released back to profits – hence these transfers to reserves are not losses and should not be considered as such.
- This 'negative' Gross Premium Income due to IFRS accounting requirements flows through the income and profit lines for 2015, and largely accounted for the underwriting loss of N5billion, and the significant drop in earnings vs. 2014.
- Management anticipated the monetary policy strategy in September, 2015 and adopted an active investment strategy with the objectives to: (a) increase total return (accrued + gains) (b) manage risk and (c) asset and liability management. This resulted in a 25% annualized return – generating a total of N13.4bn in 2015, up 240% from N4.1bn in 2014.
- Ultimately, this increase in reserves, reduced Gross Premium Income by 50%, impacted Net Premium Income, combined underwriting profit and therefore Profit after Tax.
- Return on Tangible Equity for 2015 was 15.1%, and Return on Equity was 12.72%.
- Management proposed 5kobo dividend per share – first time since 2012 – further to the Company's objectives of providing consistent cash returns to Shareholders.

Statement of Financial Position:

- Book value of equity/ Shareholders funds as at 31 December 2015 was N9.4billion – down N2billion (or 18%) in 2015 – largely as a result of a change in accounting policy – reclassifying ca. N60billion of fixed income investments from a cost-based valuation to a market-based one – thereby valuing at carrying values which are marked-to-market. This was to eliminate the identified accounting mismatch and align the risks and management of the assets and liabilities for annuity.
- Total assets as at 31 December 2015 was N80billion – up N22billion, which grew significantly as the Company reinvested policyholder's funds and ensured adequate matching of assets to the duration of the liabilities, in particular guaranteed annuities, with estimated life expectancy (longevity risk) of 20 years after retirement.

If you require further insights, please feel free to send your enquiries to ir@aicopl.com. You may also visit our website @ www.aicopl.com, to review our financial statements and detailed notes.

Note to editors:

Forward Looking Statement and Disclaimers

This commentary does not constitute or form part of any offer or invitation to purchase, otherwise acquire, issue, subscribe for, sell or otherwise dispose of any securities, nor any solicitation of any offer to purchase, otherwise acquire, issue, subscribe for, sell, or otherwise dispose of any securities.

The release, publication or distribution of this commentary in certain jurisdictions may be restricted by law and therefore persons in such jurisdictions into which this announcement is released, published or distributed should inform themselves about and observe such restrictions.