



PRESS RELEASE

Regulated Information

AIICO Reports Gross Written Premiums of ₦19.7 billion, up 12.2% y-o-y

Lagos, 30 April 2021 – AIICO Insurance Plc (“AIICO”, or “the Group”) announced its results for the first quarter ended 31 March 2021.

Key Financial Highlights

<i>In thousands of naira</i>	Group			Company		
	Q1 2021	Q1 2020	Δ	Q1 2021	Q1 2020	Δ
Gross premium written	19,690,579	17,550,885	12.2%	19,396,246	17,264,762	12.3%
Gross premium income	17,349,920	15,193,853	14.2%	17,169,322	15,047,570	14.1%
Net premium income	14,185,838	13,307,620	6.6%	14,005,240	13,161,337	6.4%
Fee and commission income	873,339	728,297	19.9%	483,073	469,997	2.8%
Net underwriting income	15,059,177	14,035,916	7.3%	14,488,313	13,631,334	6.3%
Claims expenses (Net)	-10,976,472	-7,718,777	42.2%	-10,955,583	-7,680,308	42.6%
Other Underwriting expenses*	23,614,722	-6,448,165	466.2%	23,634,726	-6,441,194	466.9%
Underwriting Profit (Loss)	27,697,427	-131,026	21238.9%	27,167,456	-490,168	5642.5%
Total Investment income**	-24,111,354	4,694,555	-613.6%	-23,945,344	3,393,639	-805.6%
Other income***	296,775	192,646	54.1%	58,863	134,146	-56.1%
Personnel expenses	-874,485	-947,988	-7.8%	-694,863	-751,431	-7.5%
Other operating expenses	-1,429,192	-1,364,320	4.8%	-1,146,604	-1,070,956	7.1%
Other expenses****	-	-1,024,685	100.0%	-	-47,489	-100.0%
Profit before income tax from continuing operations	1,579,170	1,419,181	11.3%	1,439,508	1,167,741	23.3%
Profit for the period	1,545,997	1,877,149	-17.6%	1,367,532	1,609,156	-15.0%
Earnings Per share	10	27		9	23	

* - Other underwriting expenses include acquisition costs as well as changes in life & annuity funds and other investment contracts

** - Total investment income includes investment income as well as net realized and fair value gains

*** - Other income includes profit from deposit administration and other operating income

**** - Other expenses include impairment and finance costs

Figures in this release are subject to rounding differences.

Commenting on the results, Mr. Babatunde Fajemirokun, the Managing Director and Chief Executive Officer said, “The world is in a difficult moment and Nigeria has not been spared. Even as the world starts to move on from the pandemic, the economic after-effects will reverberate for a while yet. However, there is some reason for optimism – economic activities have improved, oil

prices remain elevated, and the pandemic-induced lockdowns are easing all over the world. We made significant strides in 2020: implementing our business continuity plan and leveraging technology to improve processes and get closer to our customers. Building on this, we recorded premium growth of 12.2% y-o-y to ₦19.7 billion in Q1 2021. Our financial position remains resilient as well – shareholders' funds increased 3.3% year-to-date to ₦34.7 billion.

Nonetheless, we remain optimistic that economic activities will continue to rebound in coming periods, the IMF has revised its economic growth forecasts for Nigeria upward to 2.5% from 1.5%. Insurance, like every other sector, will have its role to play in the economic recovery as enablers of economic growth by assuming risks that encourage long-term direct investment which enhances production and job creation. Our robust financial position ensures that we can meet our obligations when they arise.

Group performance and financial review

Gross written premium grew by 12.2% y-o-y to ₦19.7 billion in Q1 2021 (Q1 2020: ₦17.6 billion). This was due to a y-o-y increase of 34.0% in the General Insurance business (35.7% of gross written premiums) to ₦7.0 billion (Q1 2020: ₦4.6 billion). Life insurance business premiums (62.8% of gross written premiums) declined by 2.1% y-o-y to ₦12.4 billion (Q1 2020: ₦12.6 billion) and premiums from our Health Maintenance Organization (HMO) business increased by 2.9% y-o-y to ₦294.3 million (Q1 2020: ₦286.1 million). Management fees in our Wealth Management business increased by 175.2% y-o-y to ₦210.5 million (Q1 2020: ₦76.5 million).

Growth in the **General Insurance** business was driven by expansion in all product lines in the business except Employer's Liability. Major product lines like Auto, Fire, Special Oil and Marine grew 5.8%, 38.7%, 75.0% and 120.1% respectively y-o-y in Q1 2021. The Company's investments in partnerships, brokers and agents have continued to reap dividends despite the current macroeconomic difficulties.

Performance in our **Life business** was driven primarily by the 88.9% decline in Annuity (1.6% of total Life business) to ₦201.2 million (Q1 2020: ₦1.8 billion). Stiff price competition in the annuity segment means that AIICO has prioritized the sustainability of benefits payments to customers long-term and has had to accept lower market share so far in 2021. Apart from Annuity, new policy sales have grown by 6.8% y-o-y increasing Individual life premiums, (81.8% of the Life business) which grew by 10.5% to ₦10.1 billion (Q1 2020: ₦9.2 billion) while group life premiums (16.6% of the Life business) grew 24.2% to ₦2.0 billion (Q1 2020: ₦1.6 billion). Our relationships with brokers and corporates have supported growth in group life.

Premiums in AIICO Multishield, our **HMO** business increased 2.9% y-o-y – as a result of the business prioritizing existing relationships with its customers and focusing on managing claims and expenses. Fees in our **Wealth Management** business rose due to increased income from the management of AIICO Insurance funds while investment income declined 45.3% y-o-y to ₦698.1 million (Q1 2020: ₦1.3 billion) driven by reduced trading income due to the high investment yield environment.

Overall, the Group recorded an **underwriting profit** of ₦27.7 billion in Q1 2021 (Q1 2020: ₦-131.0 million). Changes in sovereign bond yields impacted the value of our liabilities and assets. These movements are reflected in the change in life and annuity funds as well as fair value/realized gains or losses on the income statement. In the Life business, we are typically concerned about whether

there is a surplus or deficit of assets over liabilities because of these movements. However, because of limitations in financial reporting, changes in liabilities affect underwriting profits while changes in assets are reported below underwriting profits. The effect is the significant variation in underwriting profits especially in volatile investment yield environments, such as we have in Nigeria. During Q1 2021, annualized yields rose by 430 basis points to 11.7% at the long end of the yield curve, leading to a reduction in the fair values of assets and liabilities; the reduction in liabilities led to positive underwriting profit while the reduction in assets is reflected in the fair value losses for the period.

In the General Insurance business, underwriting profits declined by 10.1% y-o-y to ₦531.8 million in Q1 2021 (Q1 2020: ₦585.5 million). Changes in patterns of claims incurred this year compared to last year accounted for the decline in underwriting profits. In Q1, our experience was largely dominated by claims in product lines with lower retention limits. We expect that underwriting performance will increase as premiums written are earned over the course of the year.

Our HMO business continued to feel the impact of the pandemic on healthcare supply chains with the increasing costs of healthcare. Nonetheless, we kept operating costs in check (1.1% decline y-o-y) and underwriting performance improved by 19.2% y-o-y to ₦206.9 million in Q1 2021 (Q1 2020: ₦173.6 million)

Total investment income declined to a loss of ₦24.1 billion in Q1 2021 (Q1 2020: ₦4.7 billion) as Federal Government of Nigeria bond yields rose, affecting the fair value of our financial assets. Federal Government of Nigeria bonds make up most of our investment portfolio.

Other operating income increased by 54.1% y-o-y to ₦296.8 million (Q1 2020: ₦192.6 million) due to gains from foreign exchange transactions in our wealth management business during the quarter.

Total operating expenses remained flat y-o-y at ₦2.3 billion. The company has kept a tight grip on operating expenses despite the high inflation environment.

Profit before tax increased by 11.3% y-o-y to ₦1.6 billion in Q1 2021 (Q1 2020: ₦1.4 billion) on the back of improved overall profitability in the insurance businesses (Life, General and HMO). Profits in our Wealth Management business declined in Q1 2021 as capital markets turned bearish during the quarter. Overall, **Profit after tax** declined by 17.6% y-o-y to ₦1.5 billion in Q1 2021 (Q1 2020: ₦1.9 billion) – tax credits of ₦435.7 million in Q1 2020 improved after tax performance compared to Q1 2021. The reported decline in profit after tax, coupled with the increase in the number of shares following the capital raise, led to **earnings per share** of 9.6 kobo in Q1 2021 (Q1 2020: 26.5 Kobo).

Review of statement of financial position

Total assets declined by 11.1% to ₦216.2 billion in Q1 2021 (FY 2020: ₦243.1 billion) driven by a reduction in financial assets (-9.3%; 79.0% of total assets) and cash and cash equivalents (-38.2%; 9.1% of total assets). Financial assets declined because of the significant increase in federal government bond yields during the period.

Total liabilities declined by 13.4% to ₦180.6 billion in Q1 2021 (FY 2020: ₦208.4 billion). This was driven mainly by decline in insurance contract liabilities (-15.9%) from the rise in yields and reserving for new business and fixed income liabilities (-9.5%) in our asset management business. Both insurance contract liabilities and fixed income liabilities account for 85.0% of total liabilities.

Total equity increased by 2.8% to ₦35.6 billion in Q1 2021 (FY 2020: ₦34.7 billion) mainly due to an 10.6% increase in retained earnings from operating profits.

Outlook

Over the past few years, we have seen significant growth in the insurance sector as more people have turned to insurance to try to mitigate risks especially in the life segment. We expect this to continue in Q2 2021 and beyond. Our agency platform and our partners remain crucial to reaching these customers and remain the focus of our distribution strategy. Our commitment to our partners is unwavering and will continue. Internally, we are reorganizing around serving stakeholders – our customers and employees by simplifying processes by automation, and our shareholders by judiciously investing in capital-accretive initiatives.

In the annuity segment, AIICO will continue to emphasize the sustainability of our offering and the longevity of our brand, but not compete solely on price. We believe that the current state of the market will persist if yields on government bonds remain high although this also provides AIICO Insurance the ability to offer customers more favourable terms. We expect sales of our PENCOM annuity product to improve over time as a result.

We also expect some clarity over the next few months about possible changes in the regulatory environment. At a macroeconomic level, our hope is that economic activities rebound strongly. AIICO Insurance will be there to support our customers even in these uncertain times.

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Consolidated and separate statements of profit or loss and other comprehensive income
For the period ended 31 March 2021

<i>In thousands of naira</i>	Group		Company	
	31-Mar-21	31-Mar-20	31-Mar-21	31-Mar-20
Gross premium written	19,690,579	17,550,885	19,396,246	17,264,762
Gross premium income	17,349,920	15,193,853	17,169,322	15,047,570
Reinsurance expenses	(3,164,082)	(1,886,233)	(3,164,082)	(1,886,233)
Net premium income	14,185,838	13,307,620	14,005,240	13,161,337
Fee and commission income				
Insurance contracts	483,073	469,997	483,073	469,997
Pension and other contracts	390,265	258,300	-	-
Net underwriting income	15,059,177	14,035,916	14,488,313	13,631,334
Claims expenses:				
Claims expenses (Gross)	(12,608,013)	(9,960,280)	(12,587,124)	(9,921,811)
Claims expenses recovered from reinsurers	1,631,541	2,241,503	1,631,541	2,241,503
Claims expenses (Net)	(10,976,472)	(7,718,777)	(10,955,583)	(7,680,308)
Underwriting expenses	(2,196,786)	(1,743,231)	(2,176,781)	(1,736,260)
Change in life fund	10,797,784	(2,624,877)	10,797,784	(2,624,877)
Change in annuity fund	14,394,834	(1,104,465)	14,394,834	(1,104,465)
Change in other investment contracts	618,889	(975,592)	618,889	(975,592)
Total underwriting expenses	12,638,250	(14,166,942)	12,679,143	(14,121,502)
Underwriting (loss)	27,697,427	(131,026)	27,167,456	(490,168)
Investment income	2,728,661	3,766,223	2,894,671	2,465,308
Profit from deposit administration	29,592	24,349	29,592	24,349
Net realised gains	4,868,591	286,215	4,868,591	286,215
Net fair value gains	(31,708,606)	642,116	(31,708,606)	642,116
Other operating income	267,183	168,297	29,271	109,797
Personnel expenses	(874,485)	(947,988)	(694,863)	(751,431)
Other operating expenses	(1,429,192)	(1,364,320)	(1,146,604)	(1,070,956)
Finance cost	-	(1,024,685)	-	(47,489)
Profit before income tax from continuing operations	1,579,170	1,419,181	1,439,508	1,167,741
Income tax expense	(72,826)	435,661	(71,976)	441,415
Profit after tax from continuing operations	1,506,344	1,854,841	1,367,532	1,609,156
Discontinued operations				
Profit after tax from discontinued operations	39,653	22,308	-	-
Profit for the period	1,545,997	1,877,149	1,367,532	1,609,156
Attributable to shareholders	1,508,529	1,837,999	1,367,532	1,609,156
Attributable to non-controlling interest holders	37,468	39,150	-	-
Other comprehensive income, net of tax				
Items within OCI that may be reclassified to profit or loss in subsequent periods:				
Net (loss) / gain on financial assets	(583,999)	(1,847,698)	477,148	(1,185,593)
Impairment reversal on FVTOCI	-	-	-	-

AIICO Insurance Plc – Q1 2021 Unaudited Results
NSE Ticker: AIICO; Bloomberg Ticker: AIICO NL; Reuters: AIICO.LG

Items within OCI that will not be reclassified to profit or loss in subsequent periods:				
Fair value (loss) on equity securities	-	(12,097)	-	-
Revaluation (loss)/gain on property and equipment	-	-	-	-
Exchange gains on financial assets	-	-	-	-
Total other comprehensive (loss)/ income	(583,999)	(1,859,796)	477,148	(1,185,593)
Total comprehensive profit for the period	961,999	17,353	1,844,680	423,563
Attributable to shareholders	1,068,113	67,375	1,844,680	423,563
Attributable to non-controlling interests	(106,115)	(50,022)	-	-
	961,999	17,353	1,844,680	423,563
Basic earnings per share (Kobo)	10	27	9	23
Diluted earnings per share (Kobo)	10	27	9	23

Consolidated and separate statements of financial position
As at 31 March 2021

<i>In thousands of naira</i>	Group		Company	
	31-Mar-21	31-Dec-20	31-Mar-21	31-Dec-20
Assets				
Cash and cash equivalents	19,710,558	31,913,335	6,508,560	9,279,385
Financial assets	170,809,733	188,342,047	144,080,470	166,074,396
Trade receivables	1,615,706	937,078	1,194,406	897,596
Reinsurance assets	8,794,622	7,496,395	8,794,622	7,496,395
Deferred acquisition costs	1,104,547	582,265	1,104,547	582,265
Other receivables and prepayments	2,686,582	2,426,871	1,370,932	726,262
Deferred tax assets	6,168	6,168	-	-
Investment in subsidiaries	-	-	1,087,317	1,087,317
Investment properties	758,000	758,000	758,000	758,000
Goodwill and other intangible assets	879,360	889,082	855,390	862,379
Property and equipment	6,980,610	7,009,404	6,639,179	6,705,570
Statutory deposits	500,000	500,000	500,000	500,000
Assets classified as held for sale	2,384,913	2,237,780	1,365,042	1,365,042
Total assets	216,230,799	243,098,424	174,258,464	196,334,608
Liabilities				
Insurance contract liabilities	114,454,987	136,078,388	114,254,039	135,856,973
Investment contract liabilities	21,254,874	21,835,376	21,254,874	21,835,376
Trade payables	2,223,117	2,020,724	2,017,920	1,963,893
Other payables and accruals	2,873,692	4,774,609	2,028,772	3,892,160
Fixed income liabilities	38,954,506	43,046,848	-	-
Current income tax payable	415,767	358,099	379,597	307,621
Deferred tax liabilities	8,837	8,837	-	-
Liabilities attributable to assets held for sale	423,942	316,462	-	-
Total liabilities	180,609,720	208,439,343	139,935,202	163,856,023
Equity				
Issued share capital	7,843,988	7,843,988	7,843,988	7,843,988
Share premium	7,037,181	7,037,181	7,037,181	7,037,181
Revaluation reserve	1,812,707	1,812,707	1,812,707	1,812,707
Fair value reserve	(985,300)	(507,416)	38,560	(438,588)
Foreign exchange gains reserve	175,600	175,600	175,600	175,600
Contingency reserve	7,671,840	7,213,594	7,671,840	7,213,594
Retained earnings	10,974,426	9,924,143	9,743,387	8,834,102
Statutory reserve of disposal assets classified as held for sale	202,042	202,042	-	-
Shareholders' funds	34,732,482	33,701,838	34,323,263	32,478,584
Non-controlling interests	888,596	957,243	-	-
Total equity	35,621,078	34,659,081	34,323,263	32,478,584
Total liabilities and equity	216,230,799	243,098,424	174,258,464	196,334,608

Definition of terms

Gross premium written refers to combination of premiums for general, life (individual and group), annuity, and health management

Gross premium income refers to premiums received which have been earned in the financial period under review. Premiums are paid for a period and are only earned fully when the Company has fulfilled its duties for that period.

Net premium income refers to gross premium income less applicable reinsurance expense.

Change in life and annuity funds refers to the change in the insurance or investment liability in the life business. The liability changes as policies are underwritten and interest rates, upon which some liability valuations depend, change.

Benefits refer to planned pay-outs to policyholders who purchase insurance policies in our life business. Benefits are classified as claims in our financial statements; however, they are not contingent liabilities (they do not depend on an event to trigger payment).

Claims refer to contingent liabilities that arise because of an event that is covered by an insurance policy.

Total underwriting expenses refer to the direct costs of providing insurance. They include cash line items like claims, benefits, and acquisition costs as well as non-cash line items such as change in life and annuity funds.

Investment income refers to income from policyholders' funds, annuity funds and shareholders' funds as well as investment income from asset management activities.

Total operating expenses refer to the sum of employee benefits expense and other operating expenses.

Profit before tax refers to underwriting profit (loss), personnel expenses, other operating expenses, finance cost, and impairment loss less investment income, profit from deposit administration, net realised gains, net fair value gains, and other operating income.

Profit after tax refers to profit before tax less income tax.

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AIICO Insurance Plc (NSE: AIICO) is a leading composite insurer in Nigeria with a record of accomplishment of serving our clients that dates back over 50 years. Founded in 1963, AIICO provides life and health insurance, general insurance, investment management and pension management services as a means to create and protect wealth for individuals, families and corporate customers.

The Life Insurance segment offers savings, protection products and other long-term contracts (both with and without insurance risk). It comprises a wide range of whole life, term assurance, guaranteed pensions, pure endowment pensions and mortgage endowment products. Revenue from this segment is derived primarily from insurance premium, fees and commission income and investment income.

The General Insurance segment comprises general insurance to individuals and businesses. General insurance products offered include auto, household, commercial and business interruption insurance. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident.

The Health segment is a Health Maintenance Organization for prepaid health plans to cater for the health needs of individuals and corporate organizations. The segment became a full subsidiary of AIICO Insurance Plc on July 1, 2012.

Pension Management Segment is licensed as a Pension Fund Administrator by the National Pension Commission on April 13, 2006 provides pension administration services to private and public sector contributors.

The Wealth Management segment is registered and licensed by the Securities & Exchange Commission in 2012, to carry out portfolio/fund management services. The segment commenced full operations in 2014 through the provision of bespoke wealth solutions for clients, by adopting a research-based approach for every investment decision. The segment offers portfolio management services, structured investments and mutual funds to suit the investment needs of corporate and individual clients.

For more information visit <https://www.aiicopl.com/index.php/about-us/our-company/about-aiico>

Disclaimer

This announcement contains or will contain forward-looking statements which reflect management's expectations regarding the Company's future growth, results of operations, performance, business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expects", "intend" "estimate", "project", "target", "risks", "goals" and similar terms and phrases have been used to identify the forward- looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking statements. These factors or assumptions are subject to inherent risks and uncertainties surrounding future expectations generally. AIICO Insurance Plc cautions readers that several factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully, and undue reliance should not be placed on the forward-looking statements. For additional information with respect to certain of these risks or factors, reference should be made to the Company's disclosure materials filed from time to time with Securities & Exchange Commission in Nigeria. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise.