



PRESS RELEASE

Regulated Information

AIICO Reports Profit After Tax of ₦3.3 billion, up 13.7% y-o-y

Lagos, 30 July 2021 – AIICO Insurance Plc (“AIICO”, or “the Group”) announced its results for the half year ended 30 June 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	37,481,885	31,923,129	17.41%	37,016,658	31,466,681	17.64%
Gross premium income	34,435,596	29,071,849	18.45%	34,121,538	28,756,471	18.66%
Net premium income	29,170,413	25,787,618	13.12%	28,856,355	25,472,240	13.29%
Fee and commission income	1,323,674	1,058,342	25.07%	1,098,642	777,920	41.23%
Net underwriting income	30,494,088	26,845,960	13.59%	29,954,997	26,250,160	14.11%
Claims expenses (Net)	-20,936,947	-14,454,643	44.85%	-20,814,293	-14,293,447	45.62%
Other Underwriting expenses*	22,404,655	-23,249,872	196.36%	22,434,978	-23,236,021	196.55%
Underwriting Profit (Loss)	31,961,796	-10,858,555	394.35%	31,575,682	-11,279,308	379.94%
Investment income	5,918,241	7,577,081	-21.89%	5,772,523	5,006,886	15.29%
Net realized and fair value gains	-32,882,445	11,773,571	-379.29%	-32,882,445	11,244,137	-392.44%
Other income**	1,218,169	177,165	587.59%	784,152	50,826	1442.83%
Personnel expenses	-1,740,831	-1,739,903	0.05%	-1,368,538	-1,374,947	-0.47%
Other operating expenses	-3,566,361	-2,646,341	34.77%	-3,408,860	-2,320,614	46.89%
Other expenses***	-	-2,110,819	100.00%	-	-96,743	100.00%
Profit before income tax from continuing operations	908,570	2,172,197	-58.17%	472,514	1,759,671	-73.15%
Profit from discontinued operations	2,372,854	72,222	3185.50%	3,013,374	0	
Profit for the period	3,252,383	2,861,064	13.68%	3,462,263	2,386,162	45.10%
Earnings Per share	6	40		3	34	

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

** - 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, “Our top line results reflect the increased optimism that our customers and partners feel after what has been a very trying period. Even though we are not out of the woods yet, there are real signs of light at the end of this tunnel. There will be ups and downs as economies

navigate the new variant however, vaccines have been shown to be very effective against the virus and we will very likely not see too much of an economic impact if vaccines continue to be administered at the current rates.

Over the first half of the year, we recorded premium growth of 17.4% y-o-y to ₦37.5 billion in H1 2021. The growth in our business also reflects an increased awareness of the importance of insurance in our lives, a realization that bodes well for the industry. In 2020, we announced our intention to divest from our pension subsidiary, AllCO Pensions. We have concluded the first part of that transaction generating capital that will be deployed to improve our capabilities in the insurance and asset management businesses, segments where we believe we have a competitive advantage.

Our legacy in the Nigerian insurance industry endears us to our customers and the public, building a relationship based on trust. In reiterating our digital-first approach, we are committing to higher levels of service, and promising our customers that we will be closer to them than ever”.

Operational developments

- At the Group level, the first part of the planned divestment from its pensions business, AllCO Pensions, was completed in Q2 2021. AllCO Pensions becomes a subsidiary of FCMB Group PLC with AllCO Insurance PLC holding a minority stake. In addition,
- A certificate of non-indebtedness was issued by the Pension Transitional Arrangement Directorate (PTAD) signifying our commitment to meeting our obligations.
- Unveiled the Company's new and improved website. The website has been designed with the user in mind, providing a seamless experience for consumers, shareholders, potential investors, and members of the public.
- Received the Institute and Faculty of Actuaries ('IFOA'), Quality Assurance Scheme ('QAS') in recognition for our commitment to providing quality assurance at an organizational level, promoting confidence in the work of our actuaries, demonstrating commitment to high-quality actuarial work, and supporting employees carrying out this work.

Group performance and financial review

Gross written premium grew by 17.4% y-o-y to ₦37.5 billion in H1 2021 (H1 2020: ₦31.9 billion). This was due to a y-o-y increase of 45.9% in General Insurance to ₦11.1 billion (H1 2020: ₦7.6 billion). Life Insurance premiums increased by 8.6% y-o-y to ₦25.9 billion (H1 2020: ₦23.9 billion) and premiums from our Health Maintenance Organization (HMO) increased by 1.9% y-o-y to ₦465.2 million (H1 2020: ₦456.4 million). Management fees in our Asset Management increased by 51.6% y-o-y to ₦216.1 million (H1 2020: ₦142.6 million).

Growth in **General Insurance** was driven by expansion in all product lines in the business. Special Oil continues to contribute most significantly to premiums generated, with increased contribution to 24.9% of premiums in H1 2021 (H1 2020: 21.9%). Growth in this product line reflects the increased confidence in our ability to underwrite large risks, a key focus of our strategy over the last 3 years. In addition to Special Oil, Fire and Marine contributed most significantly to the growth of premiums in 2021, growing by 65.8%, 32.1%, and 86.1% y-o-y respectively in H1 2021.

Performance in **Life Insurance** was driven primarily by the 22.8% growth in Ordinary Life (79.3% of total Life Insurance) to ₦20.6 billion (H1 2020: ₦16.7 billion) and 36.7% growth in Group Life (17.5%

of the Life business) to ₦4.5 billion (H1 2020: ₦3.3 billion). Our investments in building relationships with distribution partners, particularly our agents and brokers, mean that despite the 78.1% decline in annuity premiums (3.2% of Life Insurance in 2021 vs 16.0% in 2020), the Life business grew by almost 9.0%. Regulatory changes governing how insurers acquire customers in the annuity segment have changed its structure. While these changes have reduced the size of the market, we expect this change to be temporary, with the segment returning to growth in 2022. We continue to prioritize the sustainability of benefits payments to our customers over the long-term, a perspective we believe improves our relationships with our customers and promotes the integrity of the industry. Premiums in AllCO Multishield, our **HMO** business increased 1.9% y-o-y to ₦465.2 million (H1 2020: ₦456.4 million) – 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 AllCO Insurance funds while investment and other income declined 12.4% y-o-y to ₦554.4 million (H1 2020: ₦633.0 million). Investment income in 2021 is reported net of investment expense; in 2020, interest expense (finance cost) was recorded for the asset management business. Market sentiments and low systemic liquidity conditions have affected market yields, reducing investment income.

Overall, the Group recorded an **underwriting profit** of ₦32.0 billion in H1 2021 (H1 2020: ₦-10.9 billion). Changes in sovereign bond yields significantly impacted the value of our liabilities and assets predominantly in the Life Business especially at the start of the year. These movements are reflected in the change in Ordinary 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, due to 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 H1 2021, annualized yields rose by 568 basis points to 13.1% 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 increased by 18.0% y-o-y to ₦1.4 billion in H1 2021 (H1 2020: ₦1.2 billion). With a claims ratio of 49.5%, our claims experience was slightly behind that of H1 2020 (45.4%), however operating expense ratios improved y-o-y to 39.5% of net premiums in H1 2021 from 44.3% in H1 2020. Insurance utilization tends to increase in periods of economic stress as people become more aware of ways to save on expenses. For us, it provides an opportunity to demonstrate the value of our offering and support our customers in managing their risks better going forward.

Claims experience in our HMO business improved to 39.1% of net premiums in H1 2021 (H1 2020: 51.1%) and our operating expenses stayed flat y-o-y.

Reported Investment Income declined 21.9% y-o-y ₦5.9 billion (H1 2020: ₦7.6 billion). Investment income for the asset management business in 2021 was reported net of interest expense; in 2020, it was reported gross and not adjusted for interest expense. Adjusting for interest expense in 2020, investment income grew 6.4% y-o-y.

Net realized and fair value gains/losses¹ declined to a loss of ₦32.9 billion in H1 2021 (H1 2020: ₦11.8 billion) as Federal Government of Nigeria (FGN) bond yields rose, affecting the fair value of our financial assets. FGN bonds make up most of our investment portfolio.

Total other operating income² increased by 587.6% y-o-y to ₦1.2 billion in H1 2021 (H1 2020: ₦177.2 million) due to gains from foreign exchange transactions in our asset management business during the quarter and an increase in profit from deposit administration.

Total operating expenses increased 21.0% y-o-y to ₦5.3 billion in H1 2021 (H1 2020: ₦4.4 billion). Due mainly to an 89.5% increase in marketing and advertising expenses to ₦605.4 million (H1 2020: ₦319.5 million). We expect marketing and advertising expenses to grow as the business expands, especially as we invest in digital media.

Profit before tax declined by 58.2% y-o-y to ₦0.9 billion in H1 2021 (H1 2020: ₦2.2 billion) due to the increase in operating expenses and asset-liability mismatches due to the volatile interest rate environment in Nigeria in H1 2021 which mainly affected the life (annuity) business. Our Asset Management and HMO businesses recorded increases in profit before taxes of 6.6% and 2.1% y-o-y respectively, cushioning the effect of lower-than-expected profitability in the insurance businesses. Overall, **Profit for the period** increased by 13.7% y-o-y to ₦3.3 billion in H1 2021 (H1 2020: ₦2.9 billion) due to the profits realized from the partial sale of AllCO Pensions to FCMB Group. Fair value losses on available-for-sale financial assets led to a decline in total comprehensive income of 50.0%. This, combined with the increase in the number of shares outstanding, led to earnings per share of 6 kobo in H1 2021 (H1 2020: 40 kobo).

Review of statement of financial position

Total assets declined by 14.2% to ₦208.6 billion in H1 2021 (FY 2020: ₦243.1 billion) driven by a reduction in financial assets (-14.2%; 76.4% of total assets) and cash and cash equivalents (-45.0%; 8.4% of total assets). Financial assets declined because of the significant increase in FGN bond yields during the period.

Total liabilities declined by 17.2% to ₦172.5 billion in H1 2021 (FY 2020: ₦208.4 billion). This was driven mainly by decline in insurance contract liabilities (-14.3%; 67.6% of total liabilities) from the rise in yields and reserving for new business and fixed income liabilities (-38.9%; 15.2% of total liabilities) in our asset management business. Both insurance contract liabilities and fixed income liabilities account for 82.8% of total liabilities.

Total equity increased by 4.0% to ₦36.1 billion in H1 2021 (FY 2020: ₦34.7 billion) mainly due to a 36.6% increase in retained earnings to ₦13.6 billion in H1 2021 (FY 2020: ₦9.9 billion).

Outlook

Despite the uncertainty about the state of the economy in Nigeria, the insurance industry is changing quite rapidly. The influx of investment over the last two years is a signal of the potential of the market. We have witnessed five new insurance and reinsurance firms receive insurance

¹ Net fair value gains of ₦-33.1 billion in H1 2021 (H1 2020: ₦11.5 billion) and net realized gain of ₦205.1 million (H1 2020: ₦264.7 million)

² Profit from deposit administration of ₦417.6 million in H1 2021 (H1 2020: ₦43.6 million) and other operating income of ₦800.6 million in H1 2021 (H1 2020: ₦133.5 million)

licenses and there have been several acquisitions by private equity firms. AllCO Insurance has benefited from this, receiving almost ₦9 billion in new capital during this time. In addition to the investments in building our partnerships and relationships, the Company has invested significantly in boosting its technology infrastructure to serve our customers. In 2021, the Company unveiled its new vision and mission statements underscoring a renewed focus to embrace a digital future, one that places an emphasis on understanding our customers and providing products tailored to their lifestyles. We believe that this provides us the best opportunity to create value for all the stakeholders involved in our business.

Our investments in our risk management capabilities, as evidenced by our recognition from the IFOA, mean that sound risk management principles will guide our actions in the market. This is because we recognize our responsibility as stewards of our customers' wealth. In many cases, our customers expect us to support them for the rest of their lives – this is a responsibility we take very seriously.

The Company expects to conclude its divestment from AllCO pensions over the next six months, with the capital generated deployed to financing the Company's growth in the insurance, health management and asset management markets where we see significant potential for value creation. These are underpinned by the outlook for the economy, which in the near-term, is still uncertain. In the long-term however, we believe the prospects are very promising with AllCO Insurance playing its part to make that future a reality.

For further information, please contact:

Segun Olalandu,

Head, Strategic Marketing & Communications

solalandu@aiicopl.com

Mobile: + 234 802 295 1735

Moyosore Onanuga

Investor Relations Manager

monanuga@aiicopl.com

Mobile: +234 809 229 9108

AllCO Investor Relations

ir@aiicopl.com

Consolidated and separate statements of profit or loss and other comprehensive income
For the period ended 30 June 2021

In thousands of naira	Group		Company	
	30-Jun-21	30 Jun-20	30-Jun-21	30-Jun-20
Gross premium written	37,481,885	31,923,129	37,016,658	31,466,681
Gross premium income	34,435,596	29,071,849	34,121,538	28,756,471
Reinsurance expenses	(5,265,183)	(3,284,231)	(5,265,183)	(3,284,231)
Net premium income	29,170,413	25,787,618	28,856,355	25,472,240
Fee and commission income from:				
Insurance contracts	1,098,642	777,920	1,098,642	777,920
Pension and other contracts	225,032	280,422	-	-
Net underwriting income	30,494,088	26,845,960	29,954,997	26,250,160
Claims expenses:				
Claims expenses (Gross)	(26,366,158)	18,021,473	(26,243,504)	(17,860,277)
Claims expenses recovered from reinsurers	5,429,211	(3,566,830)	5,429,211	3,566,830
Claims expenses (Net)	(20,936,947)	14,454,643	(20,814,293)	(14,293,447)
Underwriting expenses	(4,730,635)	3,434,428	(4,700,312)	(3,420,577)
Change in life fund	10,294,322	10,053,011	10,294,322	(10,053,011)
Change in annuity fund	16,398,226	6,835,801	16,398,226	(6,835,802)
Change in other investment contracts	442,742	2,926,631	442,742	(2,926,631)
Total underwriting expenses	1,467,708	37,704,515	1,620,685	(37,529,468)
Underwriting Profit (loss)	31,961,796	(10,858,555)	31,575,682	(11,279,308)
Investment income	5,918,241	7,577,081	5,772,523	5,006,886
Profit from deposit administration	417,610	43,648	417,610	43,648
Net realised gains	205,070	264,717	205,070	264,717
Net fair value gains	(33,087,515)	11,508,854	(33,087,515)	11,508,854
Other operating income	800,559	133,518	366,542	7,178
Personnel expenses	(1,740,831)	(1,739,903)	(1,368,538)	(1,374,947)
Other operating expenses	(3,566,361)	(2,646,341)	(3,408,860)	(2,320,614)
Finance cost	-	(2,110,819)	-	(96,743)
Impairment loss	-	-	-	-
Profit before income tax from continuing operations	908,570	2,172,197	472,514	1,759,671
Income tax expense	(29,041)	616,646	(23,626)	626,491
Minimum tax	-	-	-	-
Profit after tax from continuing operations	879,528	2,788,842	448,888	2,386,162

AIICO Insurance Plc – H1 2021 Unaudited Results
NGX Ticker: AIICO; Bloomberg Ticker: AIICNL; Reuters: AIICO.LG

Discontinued operations				
Profit after tax from discontinued operations	2,372,854	72,222	3,013,374	-
Profit for the period	3,252,383	2,861,064	3,462,263	2,386,162
Attributable to shareholders	3,197,349	2,787,555	3,462,263	2,386,162
Attributable to non-controlling interest holders	55,033	73,509	-	-
	3,252,383	2,861,064	3,462,263	2,386,162
Net (loss) / gain on financial assets	(1,832,870)	(86,362)	(260,223)	(258,941)
Impairment reversal on FVTOCI	-	-	-	-
Fair value (loss) on equity securities	(87,928)	(154,520)	(80,209)	(154,520)
Revaluation (loss)/gain on property and equipment	-	-	-	-
Exchange gains on financial assets	(49,748)	15,922	(49,748)	15,922
Income tax relating to other comprehensive income	-	-	-	-
Total other comprehensive (loss)/ income	(1,970,546)	(224,961)	(390,180)	(397,539)
Total comprehensive profit for the year	1,281,837	2,563,881	3,072,082	1,988,623
Attributable to shareholders	1,439,873	2,490,372	3,072,082	1,988,623
Attributable to non-controlling interests	(158,036)	73,509	-	-
	1,281,837	2,563,881	3,072,082	1,988,623
Basic earnings per share (Kobo)	6	40	3	34
Diluted earnings per share (Kobo)	6	40	3	34

Consolidated and separate statements of financial position
As at 30 June 2021

As at 30 June 2021	Group		Company	
In thousands of naira	30-Jun-21	31-Dec-20	30-Jun-21	31-Dec-20
Assets				
Cash and cash equivalents	17,555,939	31,913,335	8,280,066	9,279,385
Financial assets	159,397,380	188,342,047	140,246,048	166,074,396
Trade receivables	1,005,570	937,078	778,050	897,596
Reinsurance assets	11,701,473	7,496,395	11,701,473	7,496,395
Deferred acquisition costs	1,049,144	582,265	1,049,144	582,265
Other receivables and prepayments	7,640,624	2,426,871	7,279,173	726,262
Deferred tax assets	10,833	6,168	-	-
Investment in subsidiaries	-	-	1,087,317	1,087,317
Investment in associate	740,532	-	705,691	-
Investment properties	1,096,200	758,000	1,096,200	758,000
Goodwill and other intangible assets	875,550	889,082	849,281	862,379
Property and equipment	6,993,050	7,009,404	6,684,414	6,705,570
Statutory deposits	500,000	500,000	500,000	500,000
Assets classified as held for sale	-	2,237,780	-	1,365,042
Total assets	208,566,294	243,098,424	180,256,857	196,334,608
Liabilities				
Insurance contract liabilities	116,587,763	136,078,388	116,358,742	135,856,973
Investment contract liabilities	21,144,384	21,835,376	21,144,384	21,835,376
Trade payables	1,947,123	2,020,724	1,906,416	1,963,893
Other payables and accruals	6,176,613	4,774,609	4,965,401	3,892,160
Fixed income liabilities	26,301,112	43,046,848	-	-
Current income tax payable	355,822	358,099	331,247	307,621
Deferred tax liabilities	-	8,837	-	-
Finance lease obligation	-	-	-	-
Borrowings	-	-	-	-
Liabilities attributable to assets held for sale	-	316,462	-	-
Derivative liabilities	-	-	-	-
Total liabilities	172,512,816	208,439,343	144,706,190	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	(2,358,877)	(507,416)	(698,811)	(438,586)
Foreign exchange gains reserve	125,852	175,600	125,852	175,600
Statutory reserve	-	-	-	-
Contingency reserve	7,805,818	7,213,594	7,805,818	7,213,594
Retained earnings	13,560,541	9,924,143	11,623,932	8,834,100

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Deposit for shares	-	-	-	-
Statutory reserve of disposal assets classified as held for sale	-	202,042	-	-
Shareholders' funds	35,827,210	33,701,837	35,550,667	32,478,584
Non-controlling interests	226,269	957,243	-	-
Total equity	36,053,479	34,659,080	35,550,667	32,478,584
Total liabilities and equity	208,566,294	243,098,423	180,256,857	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.

About AIICO Insurance Plc

AIICO Insurance Plc (NGX: 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, and investment management 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.

The Asset 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.