

AIICO Insurance Plc – FY 2023 Unaudited Results

NGX Ticker: AIICO; Bloomberg Ticker: AIICO NL; Reuters: AIICO.LG

RC: 7340

**PRESS RELEASE**

Regulated Information

AIICO Reports 32.2% growth in IFRS 17 revenue to ₦72.4 billion in FY 2023: Premiums written grow 24.7% to ₦110.1 billion.

Lagos, 31 January 2024 – AIICO Insurance Plc (“AIICO”, or “the Group”) announced its unaudited results for the interim period ended 31 December 2023.

Key Financial Highlights

	Group			Parent		
	31-Dec-23	31-Dec-22	Δ	31-Dec-23	31-Dec-22	Δ
Gross written premium	110,119,382	88,275,920	24.7%	109,379,110	87,562,251	24.9%
Insurance Revenue	72,424,613	54,786,929	32.2%	71,277,289	53,136,822	34.1%
Insurance Service Expense	(63,993,370)	(44,790,683)	42.9%	(63,387,056)	(43,846,109)	44.6%
Net Expenses from Reinsurance Contracts	(8,651,468)	(10,294,128)	-16.0%	(8,651,468)	(10,294,128)	-16.0%
Insurance service result	(220,225)	(297,883)	-26.1%	(761,235)	(1,003,415)	-24.1%
Net investment income before fair value changes	33,890,099	19,413,835	74.6%	32,657,502	18,296,528	78.5%
Net fair value (loss)/income	(12,438,990)	(6,036,060)	106.1%	(12,438,990)	(6,036,060)	106.1%
Net insurance/reinsurance finance expenses	(8,645,779)	(7,819,371)	10.6%	(8,645,779)	(7,819,371)	10.6%
Net insurance and investment result	12,585,106	5,260,522	139.2%	10,811,499	3,437,683	214.5%
Other Expenses and Impairment*	(2,691,478)	(2,122,096)	26.8%	(1,607,288)	(1,166,762)	37.8%
Profit before tax from continuing operations	9,893,628	3,138,425	215.2%	9,204,210	2,270,920	305.3%
Taxes	(1,291,634)	(405,006)	218.9%	(1,259,491)	(198,370)	534.9%
Discontinued operations	-	2,872,686	-100.0%	-	2,872,686	-100.0%
Profit for the period	8,601,993	5,606,105	53.4%	7,944,719	4,945,236	60.7%

*Other expenses are non-attributable overheads. Overheads attributable to insurance operations are included in Insurance service expenses. More details are in note 27 of the financial statements.

Figures in this release are subject to rounding differences.

“Commenting on the results, Mr. Babatunde Fajemirokun, the Managing Director and Chief Executive Officer said, *“Reflecting on the company’s performance in the fourth quarter, we take pride in the achievements and resilience displayed amidst the rapidly changing macro environment in 2023. In this prevailing economic landscape, market and inflationary trends influence customer spending leading to shifts in consumer demand. This change may be attributed to lower disposable incomes, prompting consumers to seek products with higher yields. Our strategy revolves around building resilient businesses capable of withstanding market fluctuations. We do this by designing products aligned with customer preferences and by delivering a compelling customer experience using technology.”*

“For the year-ended 31st December 2023, we delivered strong financial results, achieving meaningful growth in our business lines and upholding a disciplined approach to strategic investments for the future. Profits

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reached N8.6 billion in our consolidated business, — a notable 53.4% increase compared to the previous year," stated Bisola Elias, CFO of AIICO Insurance. "Despite challenges posed by the macroeconomic environment and supply constraints, we delivered strong performance, maintaining disciplined approach to strategic investments for the future hence upholding the strength of our balance sheet."

Operational developments

- In September 2023, AIICO launched Flexure, a flexible insurance platform. The application enables easy access to insurance products and services for customers through an Application Programming Interface (API)-driven distribution framework.
- The company acquired a 5% stake in InfraCredit during Q4 2023, becoming the company's second domestic institutional investor. This strategic investment underscores our commitment to a long-term partnership with InfraCredit and our dedication to supporting infrastructure development in Nigeria.
- The company announces the resignation of Mr. Oladeji Oluwatola effective October 31, 2023. Mr. Oluwatola was, until his resignation, the Chief Financial Officer. We thank him for his service and contribution over the years. The company has appointed Mrs. Bisola Elias as the new Chief Financial Officer. Mrs. Elias has over 2 decades of experience across financial reporting, financial operations, and treasury. She has worked at AIICO Insurance for over 16 years and prior to her appointment was the company's financial controller.

Group Performance Review

Group revenues under the IFRS 17 standard increased 32.2% year-on-year to ₦72.4 billion (FY 2022: ₦54.8 billion) (Premiums under the IFRS 4 standard grew 24.7% year-on-year to ₦110.1 billion (FY 2022: ₦88.3 billion)). Insurance service result, which is insurance revenue less expenses declined year-on-year to ₦220.2 million in FY 2023 (FY 2022: ₦297.9 million) due mainly to the increase in insurance service expenses compared to FY 2022. Insurance service expenses comprises of claims and benefits expenses as well as attributable overheads. Total income or net insurance and investment result however grew 139.2% to ₦12.6 billion (FY 2022: ₦5.3 billion) as a result of the increased investment income and the exchange rate effects of the devaluation of the naira on our foreign exchange holdings.

Profit before income tax from continuing operations increased 215.2% to ₦9.9 billion in FY 2023 (FY 2022: ₦3.1 billion). The company's continuing operations have benefited from improved asset-liability management and risk selection, especially in our corporate business, which has reduced the volatility of the company's financial position. These are effects that we expect to be sustained over time hence expected to continue unlocking value to our shareholders.

Review of statement of financial position

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Total assets increased by 18.0% to ₦317.4 billion as of FY 2023 (FY 2022: ₦269.0 billion) driven mainly by a 16.2% growth in financial assets, which constitutes ca. 82.5% of the total assets.

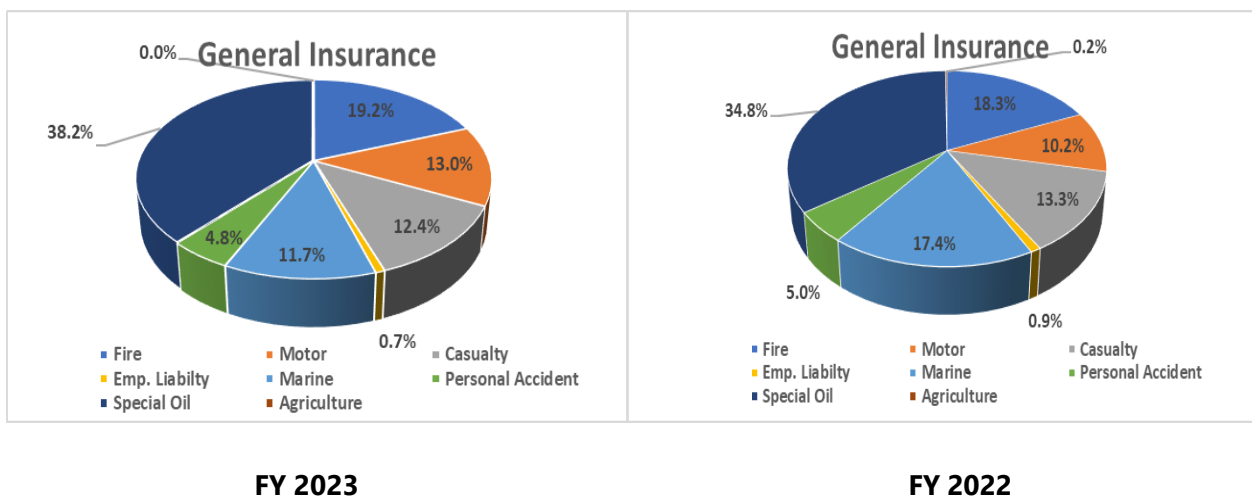
Total liabilities increased by 17.5% to ₦269.6 billion as of FY 2023 (FY 2022: ₦229.4 billion). This was driven mainly by a 15.6% growth in insurance contract liabilities, which constitute ca. 80.6% of the total liabilities.

Total equity increased by 20.3% to ₦47.7 billion as of FY 2023 (FY 2022: ₦39.6 billion) mainly due to a 53.3% increase in retained earnings to ₦17.1 billion as of FY 2023 (FY 2022: ₦11.2 billion) from profits made in the during the financial year.

The Businesses

General Insurance

General insurance premiums for FY 2023 increased by 31.2% to ₦34.8 billion, from ₦26.5 billion in FY 2022. Insurance service revenue for the year was ₦31.7 billion under the IFRS17 standard. The growth was driven by an expansion across various product lines, including special oil, motor, and fire insurance. Special Oil contributed most significantly, with 38.2% of the total General Insurance premiums generated, with fire and motor also contributing significantly to premiums, with 19.2% and 13.0%, respectively. The growth in Special Oil premiums is a result of our business renewals and an increased presence in the oil and gas industry.

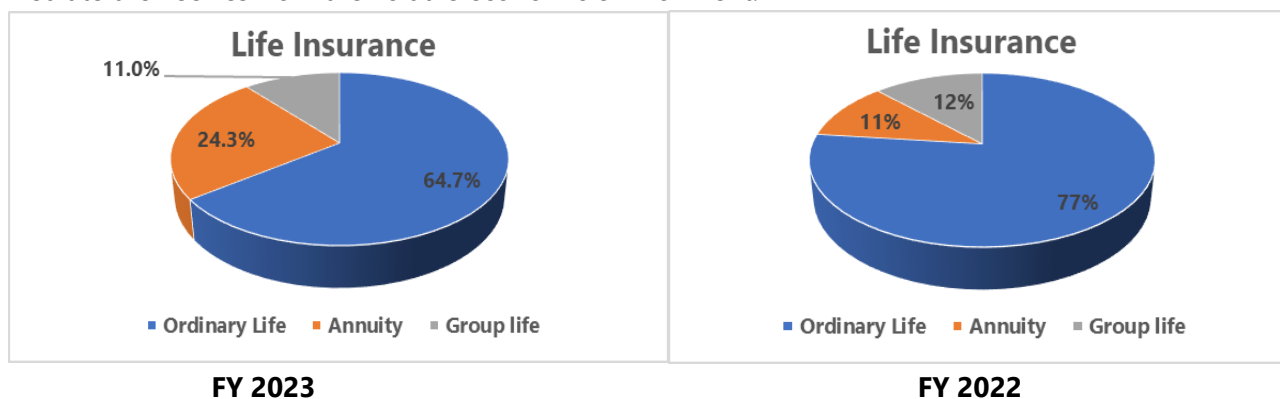


Life Insurance

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Our life insurance business saw robust growth in FY 2023, with premiums and contributions increasing by 22.2% to ₦74.6 billion, compared to ₦61.1 billion in FY 2022. Under the IFRS17 standard insurance service revenue reached ₦39.5 billion for the quarter. The growth in the life business was driven by a 9.6% growth (11.0% of total life insurance) to ₦8.2 billion (FY 2022: ₦7.5 billion). Our ordinary life products’ premiums grew YoY by 2.9% to ₦48.3 billion in FY 2023 (FY 2022: ₦46.9 billion) amid high inflation and significant Naira depreciation experienced in the Nigeria economy. Our annuity business saw significant growth with premiums increasing by 173.6% to ₦18.1 billion in FY 2023 (FY 2022: ₦6.6 billion) as retirees sought to insulate themselves from the volatile economic environment.



Changes in sovereign bond yields impact the value of our liabilities and assets. These movements are reflected in the net investment result (in the P & L). Therefore, asset-liability management is key in our Life business, given our product mix. The adoption of IFRS17 standard enhances transparency in reporting by emphasizing insurance and investment results, ensuring a comprehensive view of our performance, and enabling comparisons with other companies, ultimately reducing volatility in reported earnings for stakeholders.

AIICO Multishield

Insurance service revenue under the IFRS 17 standard in our health management business decreased by 30.5% to ₦1.1 billion (FY 2022: ₦1.7 million) discretionary spending declined. Profit before taxes reduced to ₦46.6 million (FY 2022: ₦258.9 million) due primarily to the reduced demand for insurance as operating expenses increased 29.5% to ₦631.5 million (FY 2022: ₦487.6 million).

AIICO Capital

In FY 2023, net operating income in our asset management business increased by 23.7% to ₦1.8 billion from ₦1.5 billion in FY 2022. This is despite the high-interest rate environment that has reduced spreads and trading for our most popular product. Interest rate risk poses the most significant threat to the company's business model, and it is a phenomenon that affects most asset managers in the country today. To manage this, the company has maintained a tight grip on expenses, reducing cost to income

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ratio from 56.6% to 47.6% y-o-y despite the high inflation environment. Profit before taxes increased 10.1% to ₦642.8 million (FY 2022: ₦583.8 million) as a result.

Outlook

2023 was a challenging year for the global economy. The year ended with fresh tensions in the middle east, increasing pressure on global supply chains and exacerbating inflation concerns. The United States faced its own set of challenges, as the projected 3.2% rise in the consumer price index for the year revealed a gap between the Fed's indicated rate cuts and market expectations. The Fed's attempt to lower inflation through tight monetary policy amid the news of sustained high prices raises concerns about the potential disruption to an already-fragile market. The Fed's central mission now is to calibrate policy delicately, avoiding excessive easing that could spur inflation or overly tight policies that might precipitate a recession.

In the current Nigerian landscape, the Central Bank of Nigeria (CBN) has outlined its strategic policy framework, aligning with the administration's ambitious goal of achieving a \$1.0 trillion GDP economy within the next seven years. The CBN's attempt to address its outstanding foreign currency obligations, should ease the pressure on the country's exchange rate contributing to sustainable economic growth. The CBN expresses confidence that the sustained implementation of tightening measures over the next two quarters will effectively contribute to managing inflation.

Concurrently, the Federal Government has unveiled the 2024 Budget proposal, titled "Budget of Renewed Hope," outlining a proposed expenditure of NGN28.7trillion and an estimated revenue of NGN18.32 trillion for 2024. One of the objectives of the administration is to increase the tax to GDP ratio to 18% from the current less than 10%. It also aims to coordinate fiscal and monetary policy measures and collaborate with sub-national governments to address structural factors driving inflation in Nigeria.

In 2024, the Nigerian insurance market is poised for double-digit growth between 2023-2027. The National Insurance Commission (NAICOM) aims to support this growth by prioritizing a transition to a risk-based capital model, and promoting heightened insurance awareness, diversification of product offerings, and an emphasis on more effective distribution channels. Looking ahead, we anticipate a more technology-forward insurance industry, with insurers leveraging digital means for risk assessment and customer service.

Through adept risk management and a customer-first approach, AIICO has consistently met both shareholder expectations and client obligations; as a result, AIICO has managed to weather economic cycles while delivering value to all our stakeholders over the past 60 years. We expect our commitment to these unwavering pillars of our business to carry us through another 60 years.

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Consolidated and separate statements of profit or loss and other comprehensive income for the Interim period ended 31 December 2023

<i>In thousands of naira</i>	Group		Company	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Insurance Revenue	72,424,613	54,786,929	71,277,289	53,136,822
Insurance Service Expense	(63,993,370)	(44,790,683)	(63,387,056)	(43,846,109)
Net Expenses from Reinsurance Contracts	(8,651,468)	(10,294,128)	(8,651,468)	(10,294,128)
Insurance service result	(220,225)	(297,883)	(761,235)	(1,003,415)
Investment income	26,515,649	18,746,595	25,703,109	17,731,912
Profit from deposit administration	82,253	199,770	82,253	199,770
Net realised gain/(loss)	863,081	(594,027)	863,081	(594,027)
Net fair value losses	(12,438,990)	(6,036,060)	(12,438,990)	(6,036,060)
Other operating income	6,429,117	1,061,497	6,009,059	958,873
Net Investment income	21,451,110	13,377,775	20,218,512	12,260,469
Net Finance Expense from Insurance Contracts	(9,055,019)	(8,161,041)	(9,055,019)	(8,161,041)
Net Finance Income from Reinsurance Contracts	409,241	341,670	409,241	341,670
Net insurance finance income/(expenses)	(8,645,779)	(7,819,371)	(8,645,779)	(7,819,371)
Net insurance and investment result	12,585,106	5,260,522	10,811,499	3,437,683
Other expenses	(2,389,359)	(1,951,656)	(1,607,288)	(1,094,846)
Impairment reversal / (Losses)	(302,119)	(170,440)	-	(71,916)
Profit before income tax from continuing operations	9,893,628	3,138,425	9,204,210	2,270,920
Income tax expense	(32,143)	(257,791)	-	(51,155)
Minimum tax	(1,259,491)	(147,215)	(1,259,491)	(147,215)
Profit after tax from continuing operations	8,601,993	2,733,419	7,944,719	2,072,550
Discontinued operations				
Profit from discontinued operations (net of tax)	-	2,872,686	-	2,872,686
Profit for the period	8,601,993	5,606,105	7,944,719	4,945,236
Attributable to owners of the parent	8,529,795	5,560,752	7,944,719	4,945,236
Attributable to non-controlling interest hold	72,198	45,353	-	-
	8,601,993	5,606,105	7,944,719	4,945,236
Other comprehensive income, net of tax				
Items within OCI that may be reclassified to profit or loss in subsequent periods:				
Fair value (loss)/gain on financial assets	221,401	(743,419)	371,179	(393,613)
Impairment reversal/(charge) on FVTOCI	-	-	-	-
Items within OCI that will not be reclassified to profit or loss in subsequent periods:				
Fair value gain on equity securities	24,681	(395,892)	-	(411,357)
Revaluation loss on property and equipment	-	951,309	-	951,309
Total other comprehensive (loss)/ income	246,082	(188,002)	371,179	146,339
Total comprehensive income for the period	8,848,075	5,418,103	8,315,898	5,091,575
Attributable to owners of the parent	8,819,261	5,404,770	8,315,898	5,091,575
Attributable to non-controlling interests	28,815	13,333	-	-
	8,848,075	5,418,103	8,315,898	5,091,575
Basic and diluted earnings per share (Kobo)	23	15	22	14

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Consolidated and separate statements of financial position as of 31 December 2023

Condensed consolidated and separate statements of financial position as of 31st December 2023						
<i>In thousands of naira</i>	Group			Company		
	31-Dec-23	31-Dec-22	1-Jan-22	31-Dec-23	31-Dec-22	1-Jan-22
Assets						
Cash and cash equivalents	22,381,159	15,915,258	25,490,105	7,987,466	6,521,824	9,062,962
Financial assets	261,913,323	225,460,028	172,501,020	241,872,008	208,421,569	152,718,223
Trade receivables	1,040,604	866,977	728,517	1,004,993	852,113	689,375
Contracts assets	18,289,210	11,489,975	10,283,653	18,289,210	11,489,975	10,283,653
Other receivables and prepayments	3,435,955	4,685,425	2,411,790	2,502,543	4,141,826	2,140,480
Deferred tax assets	-	21,501	1,252	-	-	-
Investment in subsidiaries	-	-	-	1,087,317	1,087,317	1,087,317
Investment in associate	-	-	705,629	-	-	705,691
Investment properties	707,500	760,000	806,000	707,500	760,000	806,000
Property and equipment	8,197,977	8,359,520	7,068,787	7,992,730	8,064,528	6,847,439
Statutory deposits	500,000	500,000	500,000	500,000	500,000	500,000
Right of use assets	28,285	60,055	105,855	28,285	60,055	105,855
Goodwill and other intangible assets	907,627	928,672	934,748	840,555	846,825	838,252
Total assets	317,401,641	269,047,411	221,537,355	282,812,607	242,746,032	185,785,246
Liabilities						
Insurance contract liabilities	217,242,745	187,868,485	142,132,091	217,242,745	187,868,485	142,132,091
Investment contract liabilities	3,855,324	3,212,895	2,836,752	3,855,324	3,212,895	2,836,752
Trade payables	5,989,389	6,461,628	3,779,049	5,989,389	6,461,628	3,748,134
Other payables and accruals	9,817,355	8,404,577	3,911,252	8,931,181	7,054,663	3,394,547
Fixed income liabilities	31,089,418	22,781,598	33,506,178	-	-	-
Current income tax payable	1,616,302	669,543	407,282	1,562,405	422,562	307,392
Deferred tax liabilities	498	7,666	7,666	-	-	-
Total liabilities	269,611,031	229,406,391	186,580,270	237,581,044	205,020,233	152,418,916
Equity						
Share capital	18,302,638	18,302,638	18,302,638	18,302,638	18,302,638	18,302,638
Share premium	64,745	64,745	64,745	64,745	64,745	64,745
Revaluation reserve	2,764,016	2,764,016	1,812,707	2,764,016	2,764,016	1,812,707
Fair value reserve	(2,560,246)	(2,796,624)	(1,683,038)	(1,450,518)	(1,821,697)	(1,016,727)
Foreign exchange gains reserve	-	-	175,600	-	-	175,600
Contingency reserve	11,498,855	9,710,046	8,304,604	11,498,855	9,710,046	8,304,604
Retained earnings	17,129,329	11,173,797	7,634,526	14,051,827	8,706,052	5,722,762
Shareholders' funds	47,199,338	39,218,618	34,611,783	45,231,563	37,725,799	33,366,329
Non-controlling interests	482,090	422,402	345,303	-	-	-
Total equity	47,681,428	39,641,020	34,957,086	45,231,563	37,725,799	33,366,329
Total liabilities and equity	317,292,459	269,047,411	221,537,355	282,812,607	242,746,032	185,785,246

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Definition of terms

Insurance service revenue refers to revenue earned for the period being reported. It is an amortization of unearned revenue liability that is assumed when premiums are paid.

Insurance service expense reflect the costs incurred in providing services for the period being reported. It excludes the payment of deposit components of contracts.

Net expenses from reinsurance contracts reflect the differences between the expected claims recovered from reinsurance and the actual amounts recovered from reinsurance including the costs of reinsurance coverage which is the expected profit a reinsurer makes from a reinsurance contract.

Net insurance finance income (expense) reflects the financial effect of the time value of money on unearned premiums. It also includes the effect on the carrying amount of insurance contracts of some changes in financial assumptions such as discount rates.

Net finance income from reinsurance contracts refers to the financial effect of the time value of money on unearned premiums.

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

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 realized gains, net fair value gains, and other operating income.

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

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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.