

AIICO Insurance Plc – Q1 2024 Unaudited Results

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

RC: 7340



PRESS RELEASE

Regulated Information

AIICO Reports 53% growth in IFRS 17 revenue to ₦22.7 billion in Q1 2024: Premiums written grow 55% to ₦49.1 billion.

Lagos, 6 June 2024 – AIICO Insurance Plc (“AIICO”, or “the Group”) announced its unaudited results for the interim period ended 31 March 2024.

Key Financial Highlights

	Group			Parent		
	31-Mar-24	31-Mar-23	Δ	31-Mar-24	31-Mar-23	Δ
Gross premium written	49,082,934	31,739,824	55%	48,756,519	31,415,815	55%
Insurance Revenue	22,669,763	14,839,171	53%	22,320,820	14,482,847	54%
Insurance Service Expense	(17,755,037)	(13,465,447)	-32%	(17,595,240)	(13,384,611)	-31%
Net Expenses from Reinsurance Contracts	(4,792,847)	(2,156,138)	-122%	(4,792,847)	(2,156,138)	-122%
Insurance service result	121,879	(782,414)	116%	(67,268)	(1,057,903)	94%
Net investment income before fair value changes	7,747,365	5,977,624	30%	7,594,475	5,880,974	29%
Net fair value loss	(18,558,166)	(9,705,753)	-91%	(18,558,166)	(9,705,753)	-91%
Net impairment loss	-	(71,852)	100%	-	-	0%
Net change in investment contract liabilities	196,528	7,301	2592%	196,528	7,301	2592%
Net foreign exchange income/(expense)	7,739,023	(436,713)	1872%	7,739,023	(436,713)	1872%
Net insurance finance result	13,315,905	6,673,322	100%	13,315,905	6,673,322	100%
Net insurance and investment result	10,562,535	1,661,515	536%	10,220,497	1,361,229	651%
Other Income	259,899	356,039	-27%	220,259	266,964	-17%
Other Expenses	(545,545)	(567,199)	4%	(372,953)	(343,121)	-9%
Profit before tax from continuing operations	10,276,889	1,450,355	609%	10,067,803	1,285,072	683%
Income tax expenses	(1,293,385)	(8,339)	-15411%	(1,286,529)	(11,763)	10837%
Profit for the period	8,983,503	1,442,016	523%	8,781,273	1,273,309	590%
Total other comprehensive income/(loss)	(1,280,672)	(550,250)	-133%	(1,140,143)	(121,884)	-835%
Total comprehensive income for the year	7,702,832	891,766	764%	7,641,131	1,151,425	564%

*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, “2024 marks a year of strategic execution for AIICO. We take pride in our achievements in 2023, and our clear and streamlined strategy sets a strong foundation for success in 2024. Our strategic objectives, which reflect our core purpose, underscore our unwavering commitment to serving our customers with excellence and integrity while consistently delivering value for shareholders.”

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"Our first quarter results reflect the strength and resilience of our business model," said Mrs. Bisola Elias, CFO of AllCO Insurance. "We achieved significant year-on-year growth in, with profit before taxes from continued operations increasing to ₦10.3 billion from ₦1.5 billion. Amidst economic headwinds, we delivered strong performance across our business lines and are well-positioned to fortify our firm, leverage our strengths, and invest in our core operations."

Operational Highlights

- The company has fully transitioned to the new accounting standard for insurance companies, IFRS 17, after releasing its results for FY 2023.

Group Performance Review

Group revenues under the IFRS 17 standard increased 52.8% year-on-year to ₦22.7 billion (Q1 2023: ₦14.8 billion) (Premiums under the IFRS 4 standard grew 54.6% year-on-year to ₦49.1 billion (Q1 2023: ₦31.7 billion)). Insurance service result, which is insurance revenue less expenses, experienced a significant change year-on-year, with a profit of ₦121.9 million in Q1 2024 from a loss of ₦782.4 million in Q1 2023, this was mainly driven by an increase in insurance contract revenue compared to Q1 2023. Insurance service expenses comprises of claims and benefits expenses as well as attributable overheads. Total income or net insurance and investment result increased by 535.7% to ₦10.6 billion (Q1 2023: ₦1.7 billion), driven by the growth in investment income and favorable FX rate movements on our foreign exchange holdings; because the company assumes foreign currency liabilities, holding foreign currency assets insulates the company's financial position from exchange rate volatility, preserving value for shareholders.

Profit before income tax from continuing operations increased 608.6% to ₦10.3 billion in Q1 2024 (Q1 2023: ₦1.5 billion).

Review of statement of financial position

Total assets increased by 5.5% to ₦335.7 billion as of Q1 2024 (Q1 2023: ₦318.1 billion) driven mainly by a 95.5% growth in cash and cash equivalents, which constitutes ca. 10.7% of the total assets.

Total liabilities increased by 3.7% to ₦276.2 billion as of Q1 2024 (Q1 2023: ₦266.3 billion). This was driven mainly by a 2.9% growth in insurance contract liabilities, and a 6.4% growth in fixed income liabilities, which constitute ca. 81.2% and 11.7% of the total liabilities respectively.

Total equity increased by 14.9% to ₦59.5 billion as of Q1 2024 (Q1 2023: ₦51.8 billion) mainly due to a 41.3% increase in retained earnings to ₦27.7 billion as of Q1 2024 (Q1 2023: ₦19.6 billion) from profits made during the period.

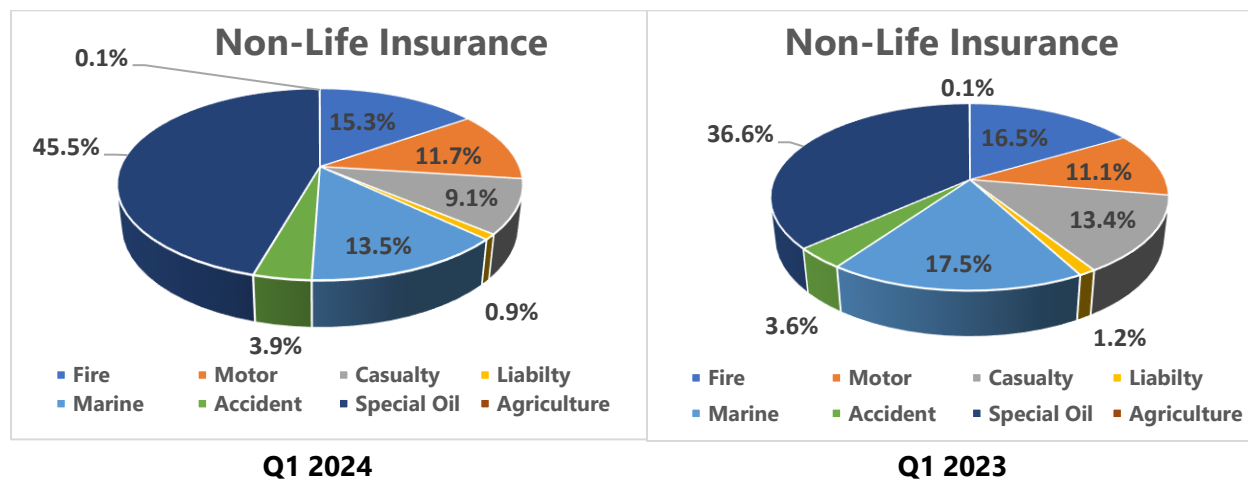
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The Businesses

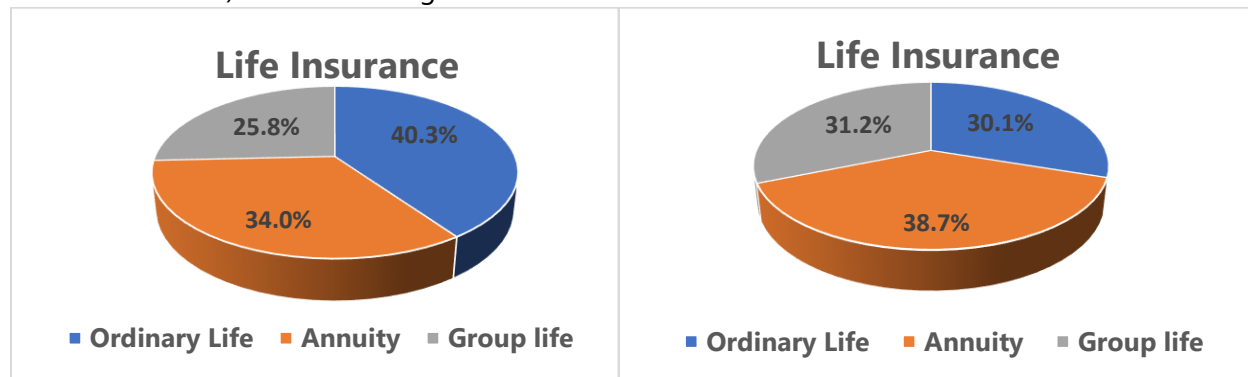
Non-life Insurance

Non-Life insurance service revenue increased by 57.6% to ₦10.9 billion for Q1 2024 (Q1 2023: ₦6.9 billion). The growth was driven by an expansion across various product lines, including special oil, marine, and fire insurance. Special Oil contributed most significantly, with 45.5% of the total Non-life premiums, while fire and marine contributed 15.3% and 13.5%, respectively, of the total Non-life written premiums for Q1 2024. The growth in the contribution of oil and gas is a result of our focus on the product and our increased capacity for risk which has led to increased premiums.



Life Insurance

Our life insurance business saw robust growth in Q1 2024, insurance service revenue increased by 55.6% to ₦11.5 billion (Q1 2023: ₦7.6 billion) for the quarter. The growth in the life business was driven by an 28.5% growth (25.8% of total life insurance) to ₦2.9 billion (Q1 2023: ₦2.3 billion). Our ordinary life products' premiums grew Y-o-Y by 108.1% to ₦4.6 billion in Q1 2024 (Q1 2023: ₦2.2 billion) amid high inflation and significant Naira depreciation experienced in the Nigeria economy. Our annuity business saw significant growth with premiums increasing by 36.6% to ₦3.9 billion in Q1 2024 (Q1 2023: ₦2.8 billion) as retirees sought to insulate themselves from the volatile economic environment.



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FY 2024

FY 2023

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 the company's Life business, given its product mix.

AllCO Multishield

In Q1 2024, insurance service revenue in AllCO's health management business decreased by 2.1% to ₦348.9 million (Q1 2023: ₦356.3 million). Insurance service margin in 2024 declined to 54.2% (Q1 2023: 77.3%). This was due primarily to an increase in insurance service expense to ₦159.7 million (Q1 2023: ₦80.8 million). As a result, the company's insurance service results declined to ₦189.2 million compared to (Q1 2023: ₦275.5).

AllCO Capital

In Q1 2024, net investment income in AllCO's asset management business increased by 105.2% to ₦129.5 million from ₦63.1 million in Q1 2023. High inflation and the high yield environment provide an opportunity for savings but reduce trading income for the business, a key driver of profitability. To manage this, the company has focused on managing expenses. Therefore, while, operating expenses increased 4.6% year on year, cost to income ratio decreased from 70.8% in 2023 to 55.9% in 2024. Despite the high inflation environment, profit before taxes increased by 99.6% to ₦136.7 million (Q1 2023: ₦68.1 million).

Outlook

In 2024, the global economy is poised for growth, with inflation receding closer to central bank targets. This positive trajectory is largely attributed to the resilient US economy. Despite the first quarter's slowdown to 1.6%, notably below the forecasted 2.5%, the IMF's upward revision of US economic growth to 2.7% signals optimism. However, it faces challenges of its own, including an overheated economy driven by vigorous productivity and employment growth, alongside heightened consumer and government spending. In contrast, the euro area shows little evidence of overheating, although inflation hovers at 2.60% — slightly above the 2% target. Meanwhile, the Federal Reserve remains on hold, citing a 'lack of further progress' in steering inflation back to its 2% objective.

The IMF has maintained its growth forecast of 3.3% for Nigeria's economy in 2024, up from 2.9% last year, citing a pick-up in the services and trade sectors. However, inflation remains a significant challenge, with the CPI rising 33.69% year-on-year in April 2024, up from 33.20% in March. In response, the Central Bank of Nigeria (CBN) has acted to curb inflation by raising the monetary policy rate by 150 basis points to 26.25%, signaling a commitment to tightening monetary policy. The CBN also indicated that interest rates will remain high until inflation subsides. Meanwhile, foreign investor participation in stock market rose by 296.9% year-on-year to N213.18 billion in Q1 2024, up from N53.71 billion in Q1 2023, reflecting improved investor confidence amidst the CBN's efforts to stabilize the currency. The IMF urged the CBN to build up its foreign exchange reserves and adopt a transparent

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framework for forex interventions to manage short-term volatility, while also recommending the phasing out of petrol and electricity subsidies once social protection is enhanced and inflation subsides.

As the insurance industry enters a new era, regulation remains crucial. The National Insurance Commission (NAICOM), led by Commissioner Olusegun Omoshin, remains focused on supervising and regulating the industry to protect policyholders and ensure companies meet their obligations. Omoshin emphasized NAICOM's role in mobilizing long-term savings for economic growth. He highlighted the sector's contribution to funding long-term projects and managing business risks. NAICOM is also set to integrate insurance into the National Credit Scheme and advocate its importance in economic development.

As we navigate the evolving industry landscape and contribute to economic growth, AllCO Insurance remains focused on being the best performer for our customers. We mitigate risks for our clients while maintaining a strong commitment to regulatory compliance and preserving shareholder capital. In alignment with NAICOM's vision, we offer robust long-term savings plans designed to help our clients achieve financial security and contribute to broader economic development. With a customer-first approach, we refine our offerings by leveraging technology and innovation to meet our clients' evolving needs, ensuring long-term value and future growth.

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Consolidated and separate statements of profit or loss and other comprehensive income for the Interim period ended 31 March 2024

	Group		Company	
	31-Mar-24	31-Mar-23	31-Mar-24	31-Mar-23
<i>In thousands of naira</i>				
Insurance Revenue	22,669,763	14,839,171	22,320,820	14,482,847
Insurance Service Expense	(17,755,037)	(13,465,447)	(17,595,240)	(13,384,611)
Net Expenses from Reinsurance Contracts	(4,792,847)	(2,156,138)	(4,792,847)	(2,156,138)
Insurance service result	121,879	(782,414)	(67,268)	(1,057,903)
Investment income	7,543,648	5,960,650	7,390,757	5,864,001
Profit from deposit administration	23,148	16,396	23,148	16,396
Net realised gain/(loss)	180,569	578	180,569	578
Net fair value losses	(18,558,166)	(9,705,753)	(18,558,166)	(9,705,753)
Net Change in investment contract liabilities	196,528	7,301	196,528	7,301
Net impairment (losses)/reversal	-	(71,852)	-	-
Net foreign exchange gain / (loss)	7,739,023	(436,713)	7,739,023	(436,713)
Net Investment income	(2,875,249)	(4,229,393)	(3,028,140)	(4,254,191)
Net Finance Expense from Insurance Contracts	12,964,257	6,493,895	12,964,257	6,493,895
Net Finance Income from Reinsurance Contracts	351,648	179,427	351,648	179,427
Net insurance finance income/(expenses)	13,315,905	6,673,322	13,315,905	6,673,322
Net insurance and investment result	10,562,535	1,661,515	10,220,497	1,361,229
Other income	259,899	356,039	220,259	266,964
Other expenses	(545,545)	(567,199)	(372,953)	(343,121)
Profit before income tax from continuing operations	10,276,889	1,450,355	10,067,803	1,285,072
Income tax expense	(6,856)	3,424	-	-
Minimum tax	(1,286,529)	(11,763)	(1,286,529)	(11,763)
Profit for the period	8,983,503	1,442,016	8,781,273	1,273,309
Attributable to owners of the parent	8,953,217	1,411,691	8,781,273	1,273,309
Attributable to non-controlling interest holders	30,286	30,326	-	-
	8,983,503	1,442,016	8,781,273	1,273,309
Other comprehensive income, net of tax				
Items within OCI that may be reclassified to profit or loss in subsequent periods:				
Fair value loss on debt instruments	(1,299,910)	(550,250)	(1,159,381)	(121,884)
Items within OCI that will not be reclassified to profit or loss in subsequent periods:				
Fair value gain on equity securities	19,238	-	19,238	-
Exchange (loss)/gains on financial assets	-	-	-	-
Total other comprehensive (loss)/ income	(1,280,672)	(550,250)	(1,140,143)	(121,884)
Total comprehensive income for the period	7,702,832	891,766	7,641,131	1,151,425
Attributable to owners of the parent	7,686,599	904,277	7,641,131	1,151,425
Attributable to non-controlling interests	16,233	(12,511)	-	-
	7,702,832	891,766	7,641,131	1,151,425
Basic and diluted earnings per share (Kobo)	24	4	24	3

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Consolidated and separate statements of financial position as of 31 March 2024

Consolidated and separate statements of financial position as of 31st March 2024	Group		Company	
	31-Mar-24	31-Dec-23	31-Mar-24	31-Dec-23
<i>In thousands of naira</i>				
Assets				
Cash and cash equivalents	36,022,326	18,422,728	23,547,115	7,921,257
Financial assets	258,627,503	266,747,074	236,114,317	243,686,602
Trade receivables	1,769,515	980,752	1,506,547	909,559
Reinsurance contracts assets	22,959,929	17,116,370	22,959,929	17,116,370
Other receivables and prepayments	5,057,477	3,667,351	4,278,725	2,838,437
Investment in subsidiaries	-	-	1,087,317	1,087,317
Investment properties	707,500	707,500	707,500	707,500
Property and equipment	8,809,190	8,913,645	8,564,191	8,708,397
Statutory deposits	500,000	500,000	500,000	500,000
Right of use assets	116,775	132,512	116,775	132,512
Goodwill and other intangible assets	1,166,216	907,630	1,103,647	840,555
Total assets	335,736,432	318,095,562	300,486,063	284,448,506
Liabilities				
Insurance contract liabilities	224,342,321	218,023,682	224,342,321	217,701,608
Investment contract liabilities	4,056,210	3,855,324	4,056,210	3,855,324
Reinsurance contract liabilities	2,100,868	930,616	2,100,868	930,616
Other insurance contract liabilities	1,840,416	2,423,168	1,840,416	2,423,168
Trade payables	3,116,361	1,612,909	3,116,361	1,612,909
Other payables and accruals	6,423,042	8,332,138	5,747,931	7,570,587
Fixed Income liabilities	32,185,073	30,241,800	-	-
Current income tax payable	2,138,447	845,061	2,049,556	763,026
Deferred tax liabilities	498	498	-	-
Total liabilities	276,203,236	266,265,196	243,253,664	234,857,238
Equity				
Share capital	18,302,638	18,302,638	18,302,638	18,302,638
Share premium	64,745	64,745	64,745	64,745
Revaluation reserve	2,764,016	2,764,016	2,764,016	2,764,016
Fair value reserve	(2,374,269)	(1,107,650)	(1,153,686)	(13,544)
Contingency reserve	12,606,325	11,755,475	12,606,325	11,755,475
Retained earnings	27,718,256	19,615,890	24,648,361	16,717,938
Shareholders' funds	59,081,711	51,395,114	57,232,399	49,591,268
Non-controlling interests	451,485	435,252	-	-
Total equity	59,533,197	51,830,366	57,232,399	49,591,268
Total liabilities and equity	335,736,432	318,095,561	300,486,063	284,448,506

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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 AllCO Insurance Plc

AllCO 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, AllCO 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 AllCO 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.aicopl.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. AllCO 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.