



Wapic Insurance Plc.

Investors' Call Presentation
H1 2018 Results



Participants



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Head, Digital Division



Seyi Taiwo

Chief Financial Officer



Outline

About Wapic

Operating Environment

Regulatory Environment

Financial Overview

Outlook



3 Operating entities

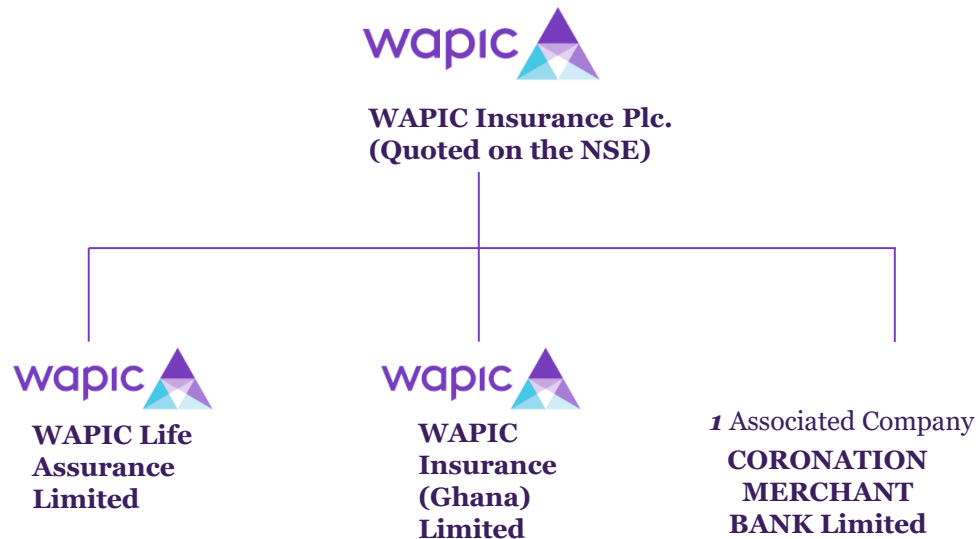
206 Professional Staff

13.4 Billion ordinary shares of 50 kobo each in issue

N21 billion
Assets Under Management

N34 billion
Portfolio

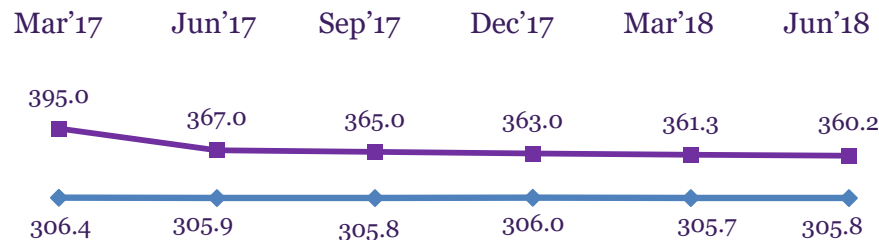
850,000+
Shareholders



Regional offices in Nigeria	Abuja, Benin, Enugu, Ibadan, Port Harcourt, Kano
Listings	<ul style="list-style-type: none"> Nigerian Stock Exchange GDR Depository Bank - Bank of New York, Mellon
Market Capitalisation	N6 Billion
Ratings (AM Best)	<ul style="list-style-type: none"> C++ (Financial Strength Rating) b+ (Issuer Credit Rating)
Reinsurers	Munich Re, Africa Re, WAICA Re, Continental Reinsurance, Nigeria Reinsurance Corporation, Ghana Re.
Actuaries	EY, QED
Auditors	PwC



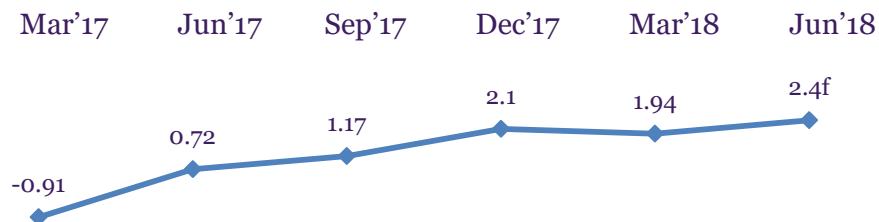
FX Rate N/\$



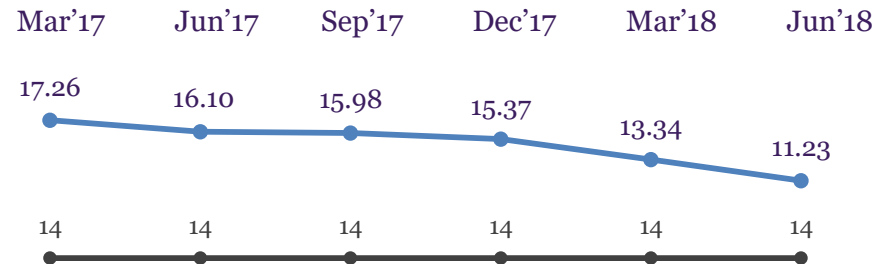
Naira at the interbank depreciated by 10k/\$ quarter on quarter as at Jun'18. Naira at parallel market equally depreciated due to pressure from portfolio outflows. We expect the CBN to continue its secondary market interventions, to keep Naira assets attractive.

Official Rate — Parallel Mkt

GDP Growth %

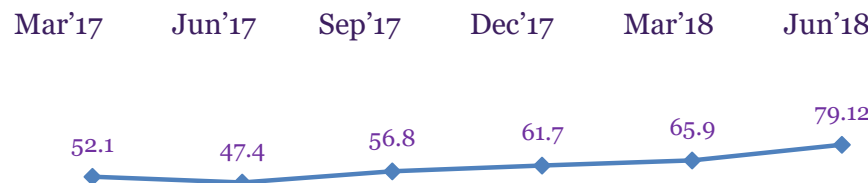


The country's Gross Domestic Product (GDP) grew by 1.94% y/y in real terms in the first quarter of 2018. This shows a stronger growth when compared with the first quarter of 2017 which recorded a growth of -0.91% representing an increase of 2.87% points. It is the fourth consecutive quarter of expansion, as the oil sector continued to rise while the non-oil output growth slowed



Inflation rate in the country eased further to 11.23% in June 2018 from 13.34% recorded in the previous quarter. The current rate, although still above the CBN target range is the sixteenth consecutive decline in headline inflation riding on the back of a high base effect.

Inflation — MPR



Nigeria's Bonny oil price enjoyed an upward trajectory to the high of US\$79.12/b as at end of June'18. This impacted positively on country's foreign reserves, rising 25.6% to US\$47.6bn at the end of Jun'18 from US\$37.9bn as at Dec'17.

Inflation, MPR

Crude Oil \$/barrel

Source: CBN, National Bureau of Statistics (NBS), Trading Economics, Oil Price.com

Regulatory and industry environment



NAICOM in June 2018, introduced the new tier-based minimum capital requirement for all insurance operators in the industry. The commission specified the minimum capital of N2bn, N3bn and N6bn respectively for Tier 3, Tier 2 and Tier 1 life insurance companies, while non-life insurance firms' minimum capital was fixed at N3bn, N4.5bn and N9bn for Tier 3, Tier 2 and Tier 1, respectively. Companies operating in the composite segment will be required to have a capital base of N15bn for Tier 1, N7.5bn for Tier 2 and 5bn for Tier 3. The new structure would take effect from January 2019.

The commission, however, explained that insurance companies operating with the old capital requirements would not be forced to recapitalise but would be restricted to underwrite only certain types of businesses.

The Nigerian Stock Exchange announced that it had reviewed its Equities Market Structure, which became effective on Monday, July 2, 2018. The new Market Structure will create a level playing field for all market participants and enable investors deploy broader trading strategies, enjoy best execution and benefit from enhanced market depth. According to the exchange, it remains committed to maintaining a platform that engenders a fair and efficient market in line with global standards.

A new code of ethics in insurance has been released. This code of ethics states the principles and expectations governing the behaviour of insurance practitioners. It describes the minimum requirements for conduct and behavioural expectations. The overall objective is to make practitioners adhere to and get committed to the required ethical and professional standards. The institute's President unveiled the new code at the just-concluded National Insurance Conference which held in Abuja.

As part of efforts to deepen financial inclusion through insurance, the National Insurance Commission (NAICOM) is set to launch Nigerian Insurance Industry Development Plan (NIIDP).

Commissioner for Insurance (CFI) in Nigeria, Alhaji Mohammed Kari, disclosed the plan at the opening ceremony of the 2018 National Insurance Conference, in Abuja. According to him, the NIIDP would have financial inclusion as a major component which the country's insurance industry would use to reduce the number of citizens that were financially excluded by developing friendly premium policies.



Outline

Financial Highlights

Income Statement Review

SOFP Review

Assets under Management

Group financial highlights



Earnings

NGN million	Jun'18	Jun'17		%Δ
Total Income	8,208	7,131	↑	+15
Gross Written Premium	6,967	5,897	↑	+18
Net Underwriting Income	4,435	3,076	↑	+44
Total Underwriting Expenses	3,110	2,454	↑	+27
Underwriting profit	1,326	622	↑	+113
Net Investment & Other Income	771	922	↓	-16
Expenses & Provisions	2,417	2,074	↑	+15
Profit before Tax	241	519	↓	-54
OPEX margin ratio	35%	36%	↓	-2
Net claims ratio	49%	59%	↓	-17
Earnings Per Share (Kobo)	0.46	2.96	↓	-84

Financial Position

	Jun'18	FY'17		%Δ
Financial Assets	10,237	9,496	↑	+8
Reinsurance Assets	3,176	1,586	↑	+100
Total Assets	33,973	28,605	↑	+19
Total Liabilities	15,508	10,647	↑	+46
Shareholders' Funds	18,465	17,958	↑	+3
ROA	0.7%	6%	↓	-88
ROE	0.3%	9%	↓	-96



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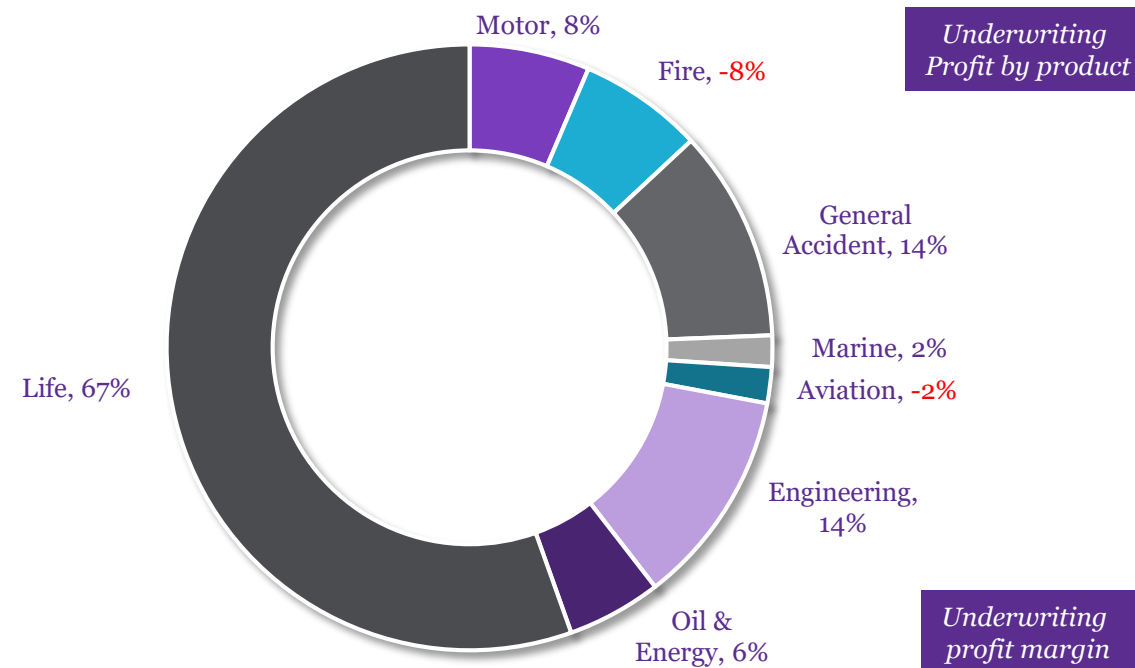
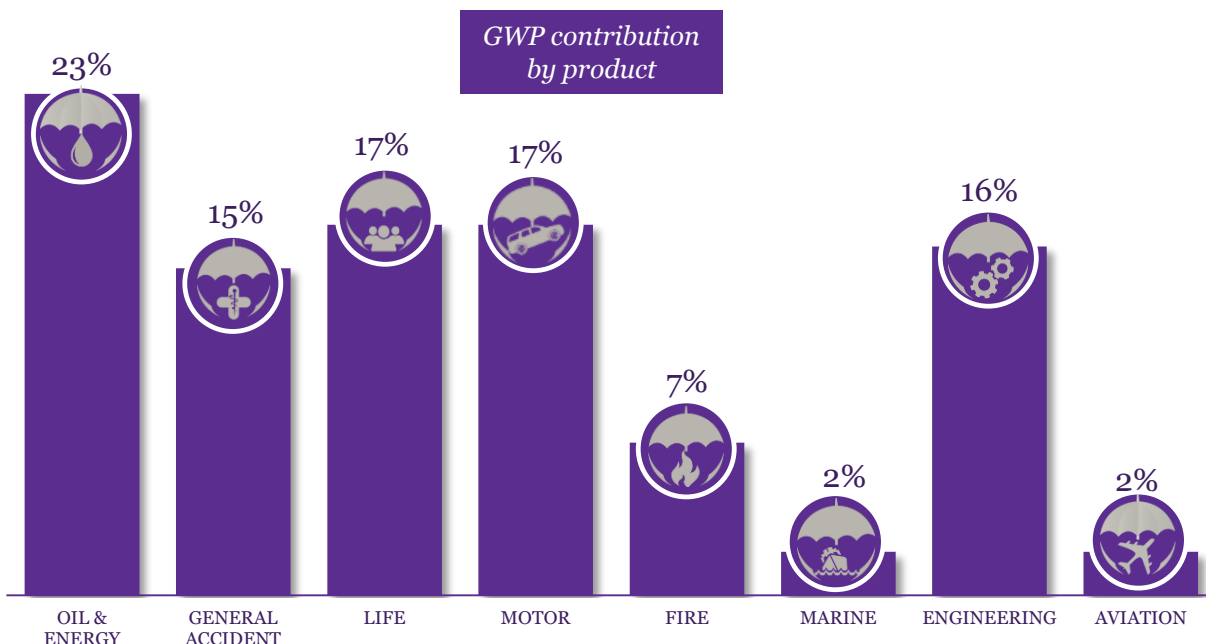
NGN million

	HY'18	HY'17	%Δ
Gross Written Premium	6,967	5,897	↑ +18
Reinsurance expenses	1,485	1,814	↓ -18
Net claims expenses	1,940	1,628	↑ +19
Underwriting expenses	1,148	826	↑ +39
Underwriting profit	1,326	622	↑ +113
Investment income	587	724	↓ -19
Other operating income	170	198	↓ -14
Operating expenses	2,417	2,095	↑ +17
Profit before tax	241	519	↓ -54

Highlights

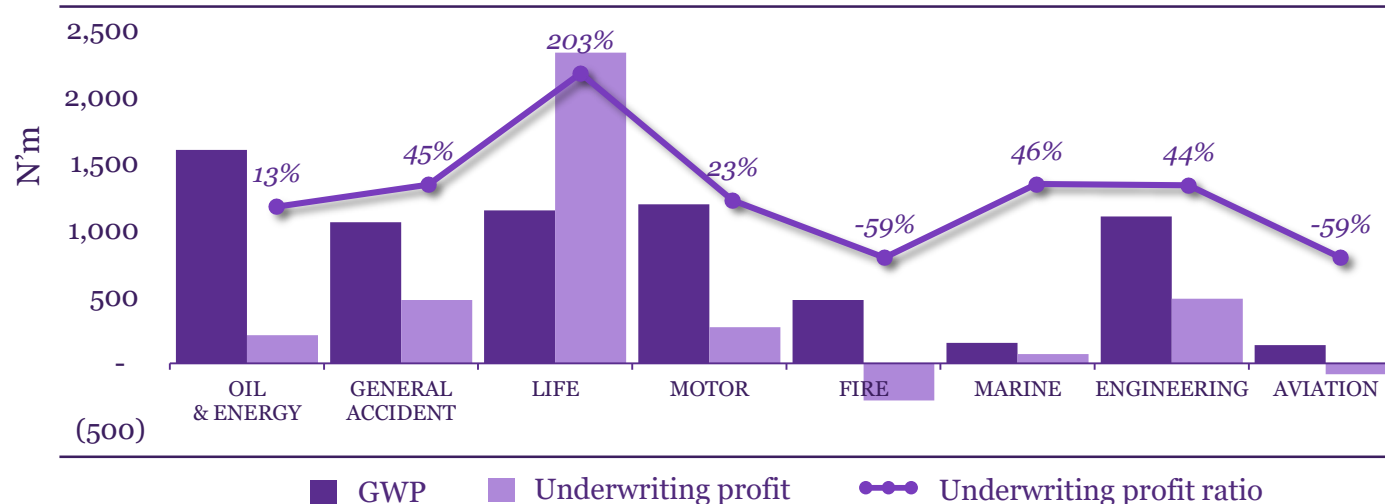
- Wapic's gross written premium grew YoY by 18% to close the six months period with N6.96bn, an improved performance from the N5.89bn written as at Jun'17.
- Reinsurance expenses decreased by 18% to N1.48bn for the period largely driven by the reduction in facultative reinsurance outward particularly in the Motor, Fire and General Accident portfolios.
- Increased underwriting cost for general accident and oil & energy businesses were major contributors to the 39% growth in underwriting expenses for the period.
- The company recorded an impressive performance in underwriting profit for the period at a 113% YoY growth largely driven by increased revenue for the period.
- Investment income and other operating income went down by 19% and 14% respectively to close at N587m and N170m.
- The drop in profit before tax was negatively impacted by the decreases in investment and other income, and the growth in operating expense.

Product performance



Highlights

- Oil & Energy was the top performer for the period at 23% share of total GWP generated. Motor and Life business portfolios followed at a 17% individual contribution each.
- Life business was the Group's most profitable product as at June'18, leading with a 67% overall contribution to the total underwriting profit generated for the period.
- Underwriting profit margin ratios were positive for all product portfolios except Fire and Aviation owing to increased claims experience for these product classes during the period.

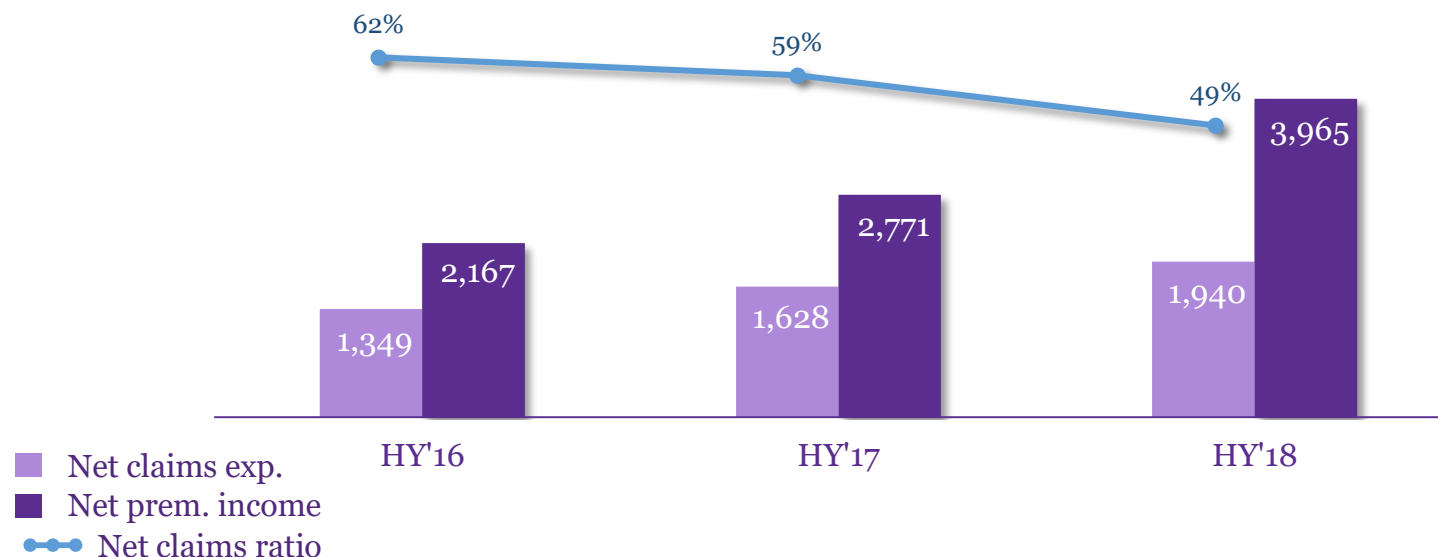




NGN million

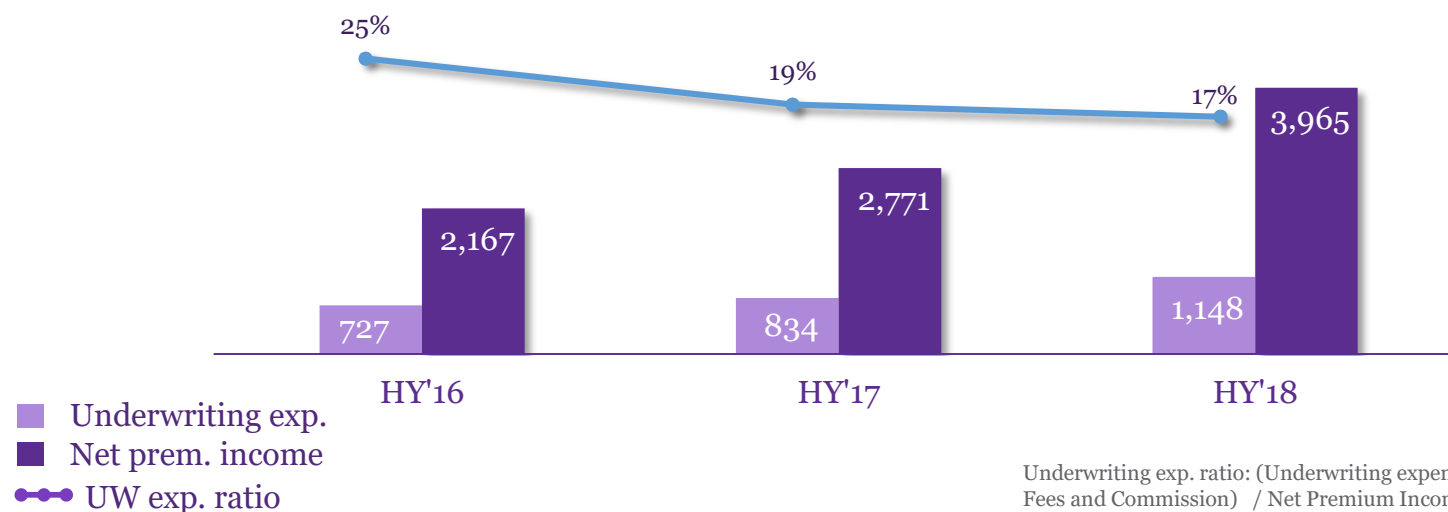
Net claims expenses

- The company's improved risk selection process continues to payoff, contributing to the drop in net claims expenses which decreased by 19% YoY to close at N1.35bn in H1'18 (H1'17: N2.17bn).
- Net Premium income grew by 44% YoY, further cushioning the Net Claims Ratio which dropped to 49% from 59% recorded in the corresponding period.



Underwriting expenses

- Growth in net premium income of N3.96bn for the period helped support the decline in underwriting expense ratio which retracted slightly to 17% from the 19% position in the preceding year.
- The company would continue to drive for improved efficiency in underwriting its businesses along with the growth in topline premium production.



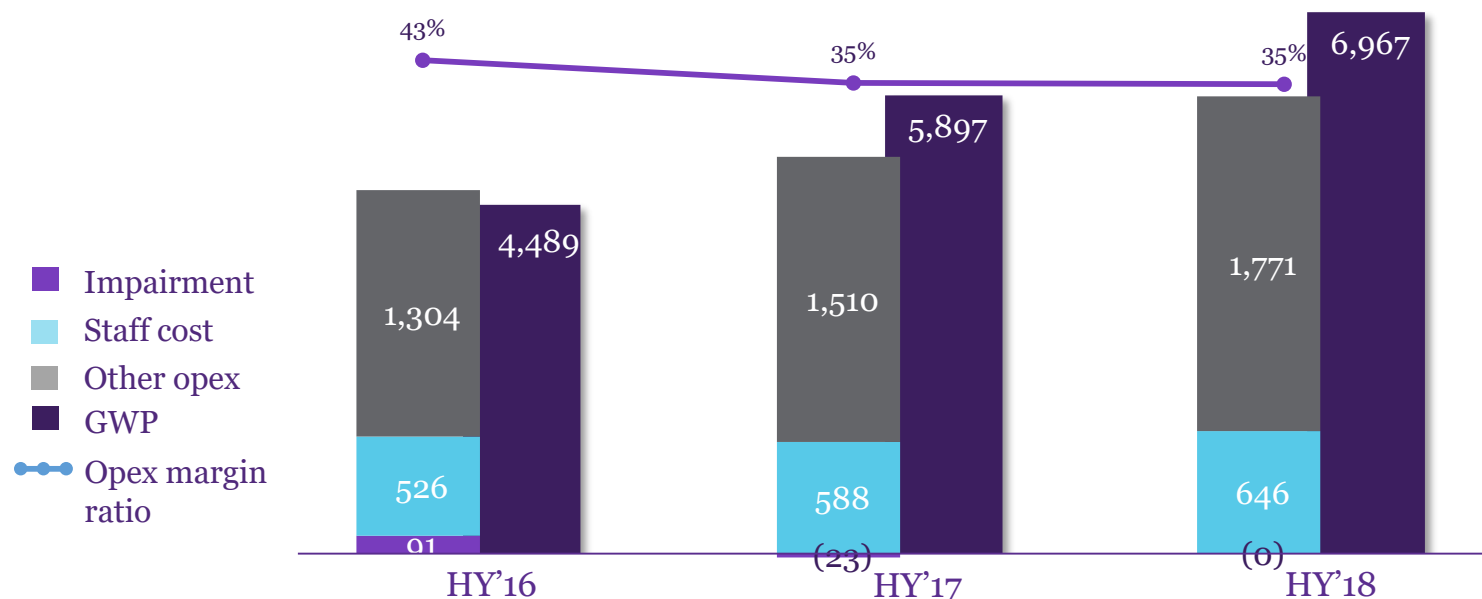
Underwriting exp. ratio: (Underwriting expense less Fees and Commission) / Net Premium Income



NGN million

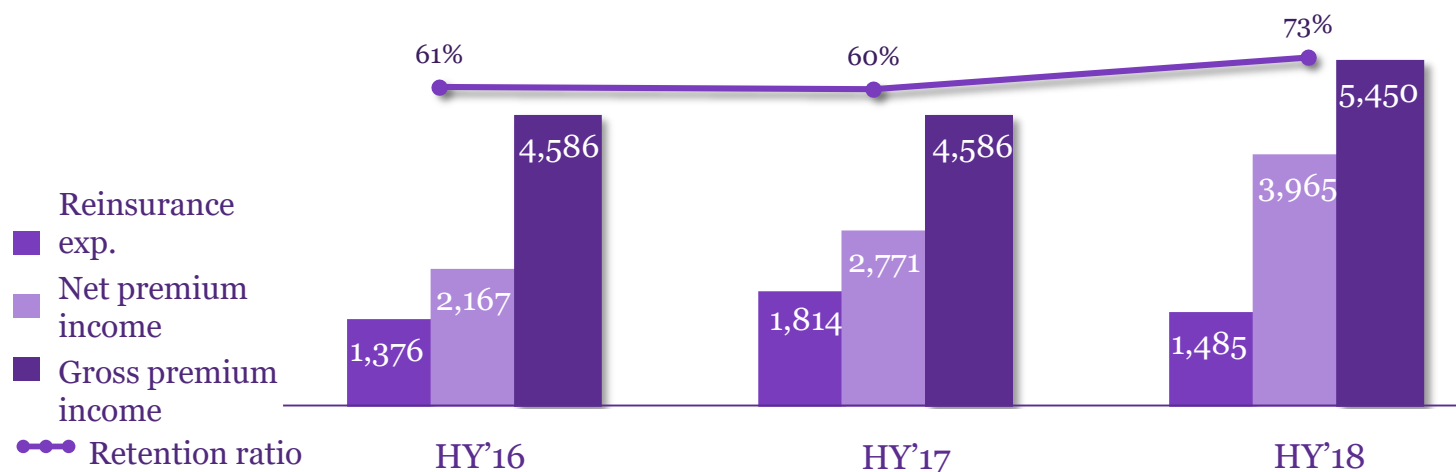
Operating expenses

- Staff cost and other operating expense grew by 10% and 20% to N646m and N1.77bn respectively for the period due to expanded operations to drive better topline performance.
- Operating expense margin ratio remained flat at 35% for the prior period. The cushioned effect was mainly driven by an improved GWP performance.



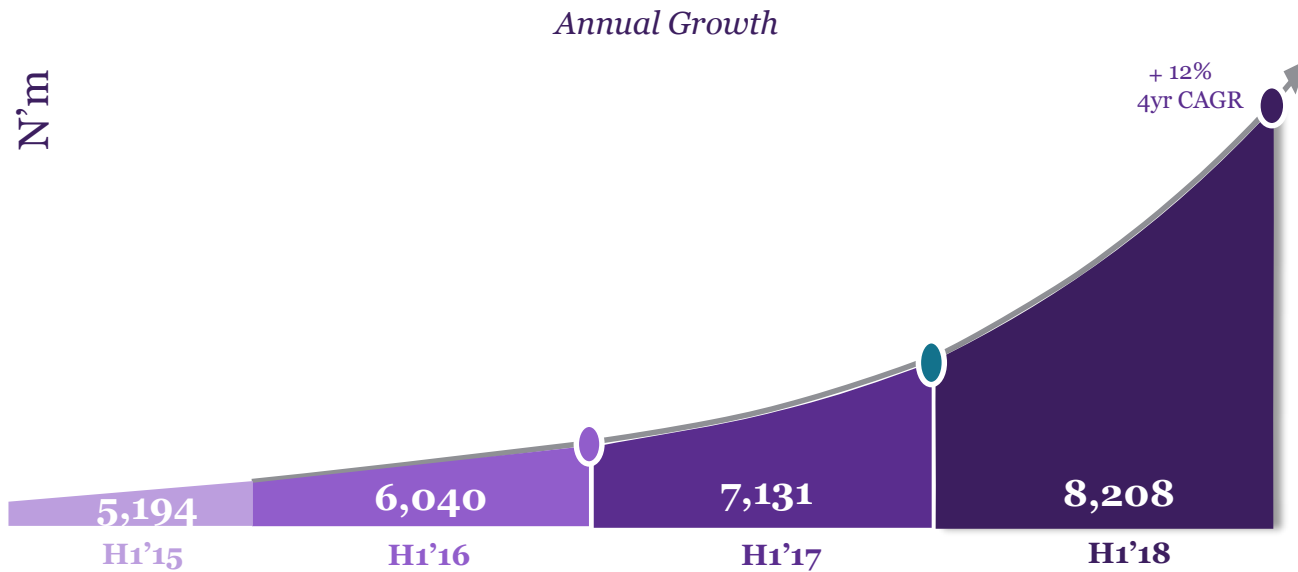
Reinsurance expenses

- Reinsurance expenses dropped to N1.48bn, an 18% YoY reduction from N1.8bn in the corresponding period of 2017.
- We have optimized our reinsurance processes to adequately manage underwriting expenses, these benefits we expect to continue to crystalize through 2018.



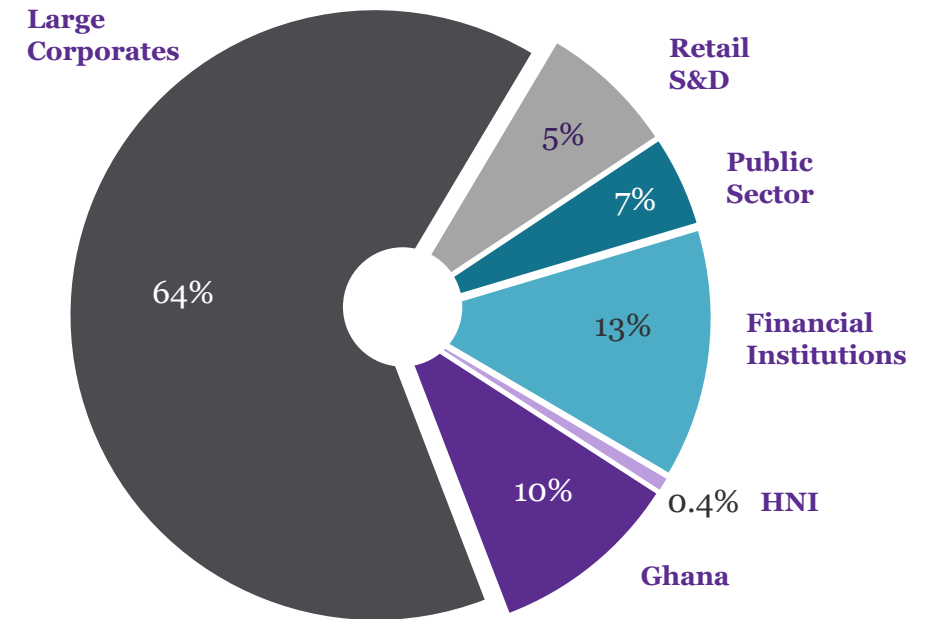


Group Total
Income



Total Income: GWP + Fees and Commission income + Net Investment Income + Other Operating Income

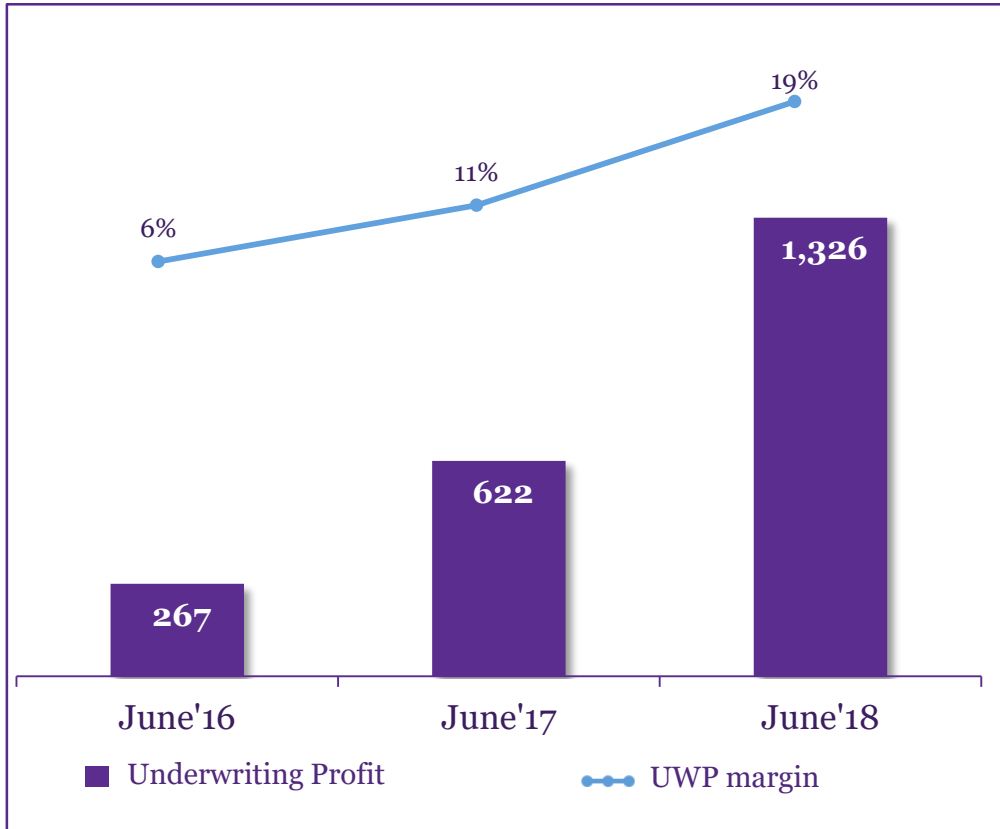
GWP contribution
by Business Groups



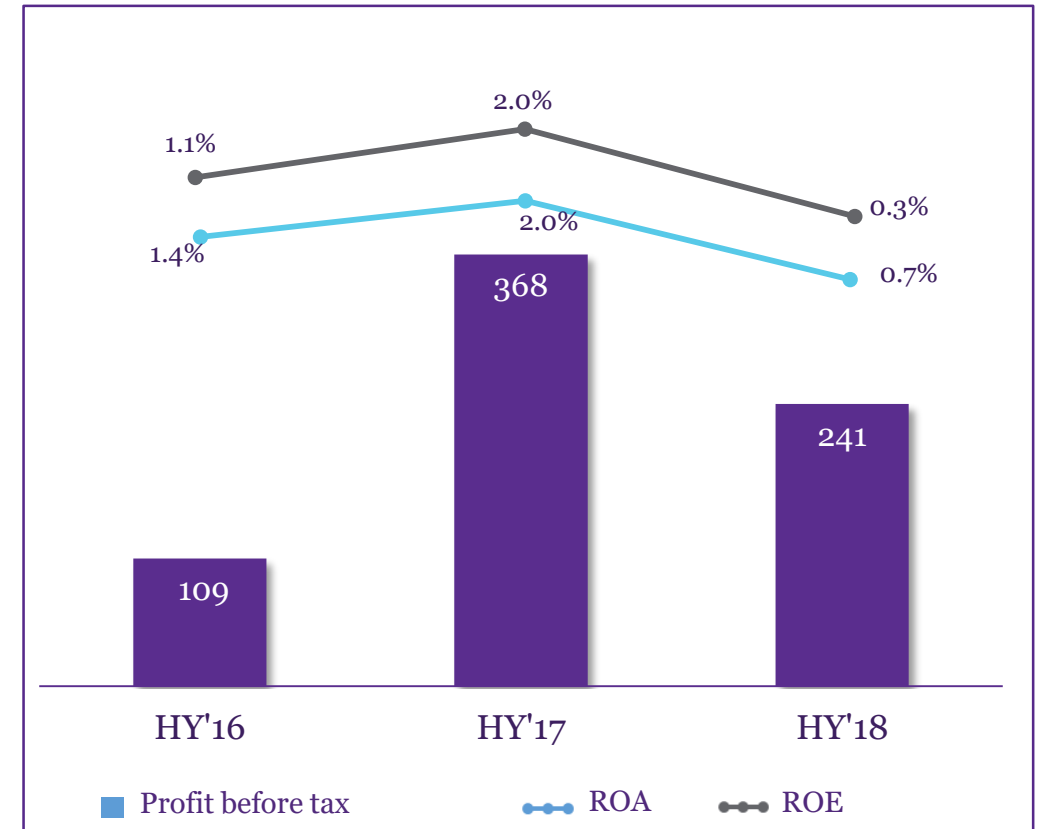
- The company maintained its double digit growth in total income for the period at a 15% YoY improvement to close at N8.2bn for H1 2018. The group's growth trajectory recorded a 12% 4-year cumulative annual growth rate as at June'18.
- Large Corporates group was the largest contributor to the total premium generated for the period at 64%. The large corporates group in Wapic consists of the manufacturing, construction, telecoms & ICT, Asian corporates and the oil & energy sectors.
- The Ghanaian subsidiary contributed 10% to the Group's total GWP for the period. Wapic Ghana would continue its effective awareness drive to increase its share of the insurance market space in Ghana.
- Wapic has repositioned its Retail group to ensure a successful implementation of its re-invented retail market penetration strategy.



N'm Underwriting profit



Profit before tax N'm



- Underwriting profit recorded a stellar growth of 112% from H1'17 to close at N1,326m for the period. Underwriting profit margin followed in the same upward curve at 19%.
- There was a 54% reduction in profit before tax position for the period, relatively due to increase in operating expense and a decrease in investment income for the period.
- Positive ROE and ROA were recorded for the period at 0.3% and 0.7% respectively, a slight decline from the prior year's position.



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SOFP Review

Assets under Management

Statement of financial position



NGN million	HY'18	FY'17	%Δ
Cash and cash equivalents	1,537	1,745	-12
Financial assets	10,237	9,496	+8
Reinsurance assets	3,176	1,586	+100
Trade receivables	933	707	+32
Other receivables & Prepayment	3,279	1,062	+251
Investment property	232	313	-26
Investment in associate	8,826	8,264	+7
Fixed assets and intangibles	4,149	4,267	-3
Other assets	1,155	1,164	-1
Total assets	33,973	28,605	+19
Trade payables	2,473	516	+379
Provisions & other payables	970	1,459	-33
Current income tax liabilities	372	264	+41
Insurance contract liabilities	10,234	7,141	+43
Investment contract liabilities	1,147	1,064	+8
Total liabilities	15,508	10,647	+46
Equity	18,465	17,958	+3
Total equity & liabilities	33,973	28,605	+19

Highlights

- Portfolio realignment to higher yield assets led to the 12% drop in cash and cash equivalent from the Dec'17 position.
- Growth in financial assets reflects the company's switch from cash and cash equivalent to benefit from elevated yield in other financial securities.
- Increased share of profit in Associate during the period contributed to the 7% YoY growth from N8.26bn to N8.83bn for the period.
- The company's investment properties declined to N232m, a 26% reduction from FY'17. Further depletion in this asset class is expected through 2018 as the organisation divests to other higher yield assets.
- Insurance and Investment contract liabilities grew by 43% and 8% respectively for the period. These were driven largely by the growth in the company's pure risks and investment-linked obligations during the period.
- Total equity for the period closed at N18bn, representing a 3% growth from year 2017 position.

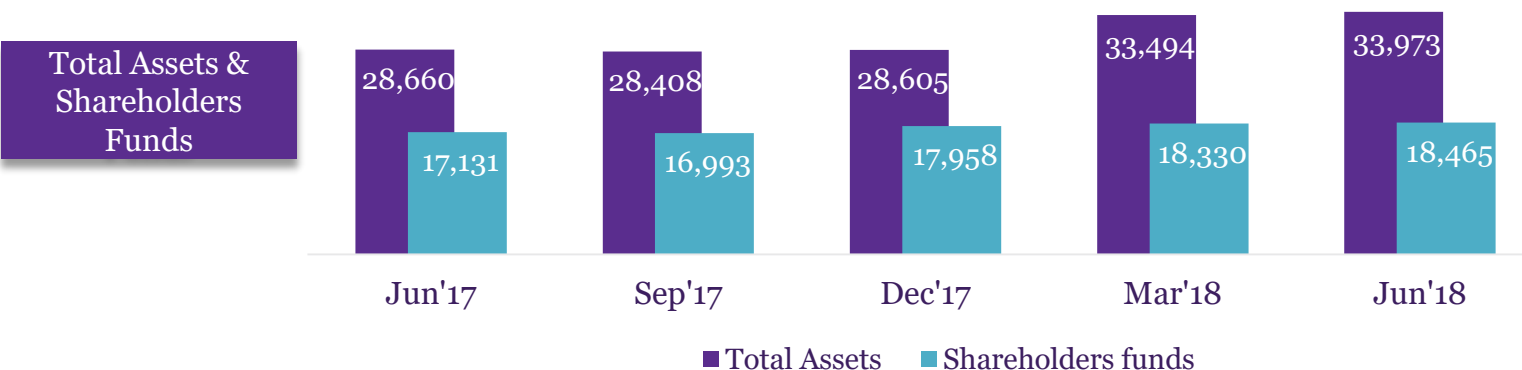
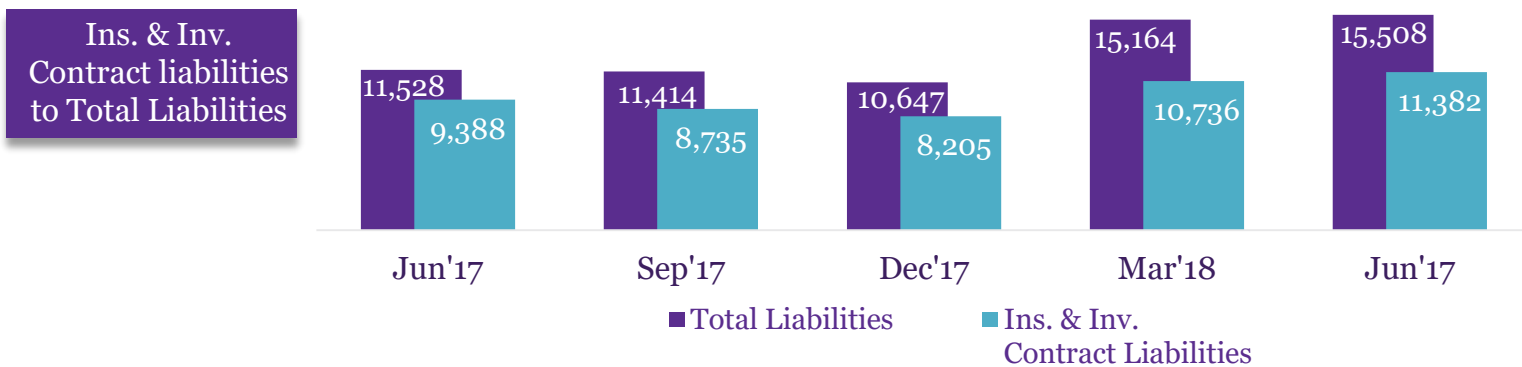
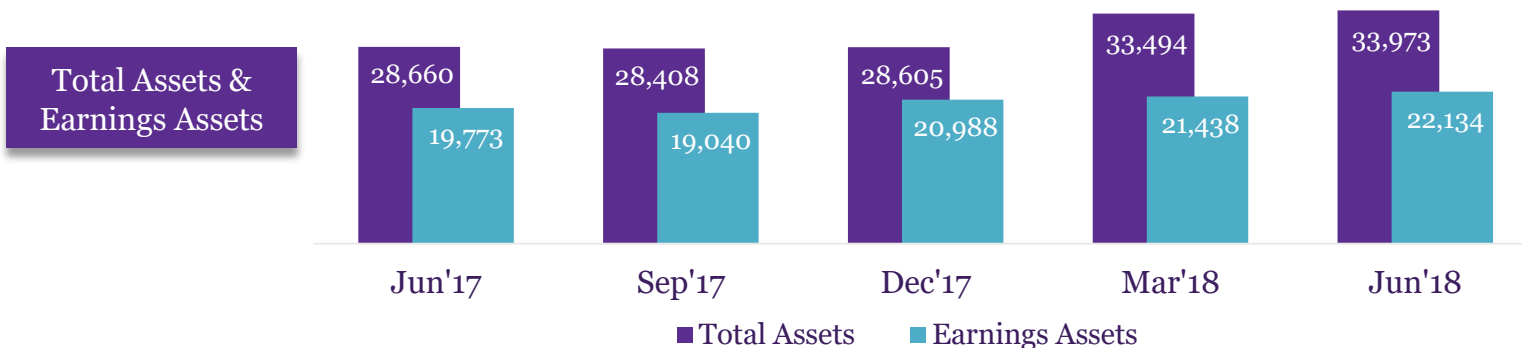
Note

Other Assets= Deferred acquisition cost+ Deferred Tax asset +Statutory Deposits
Fixed Assets & intangibles= Property, plant & equipment + Intangible Assets

Highlights of financial position



NGN million



Highlights

- Earnings Assets to Total Assets ratio was at 65% in H1'18, reduced slightly by 11% from the 73% position recorded in FY'17.
- Total assets for the group grew by 19% to N33.97bn from N28.6bn recorded as at FY'17. While earnings assets maintained a relatively flat growth of 5% for the period.
- Total liabilities grew by 46% to N15.51bn as at H1'18 review against FY'17 position of N10.64bn. This was driven by the growth in Insurance and investment contract liabilities recorded for the period.
- Shareholder's funds grew slightly by 3% to N18.46bn for the period. The company is solidly prepared for the commencement of the new Tier-based minimum solvency capital regime by the regulator in January 2019.



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Income Statement Review

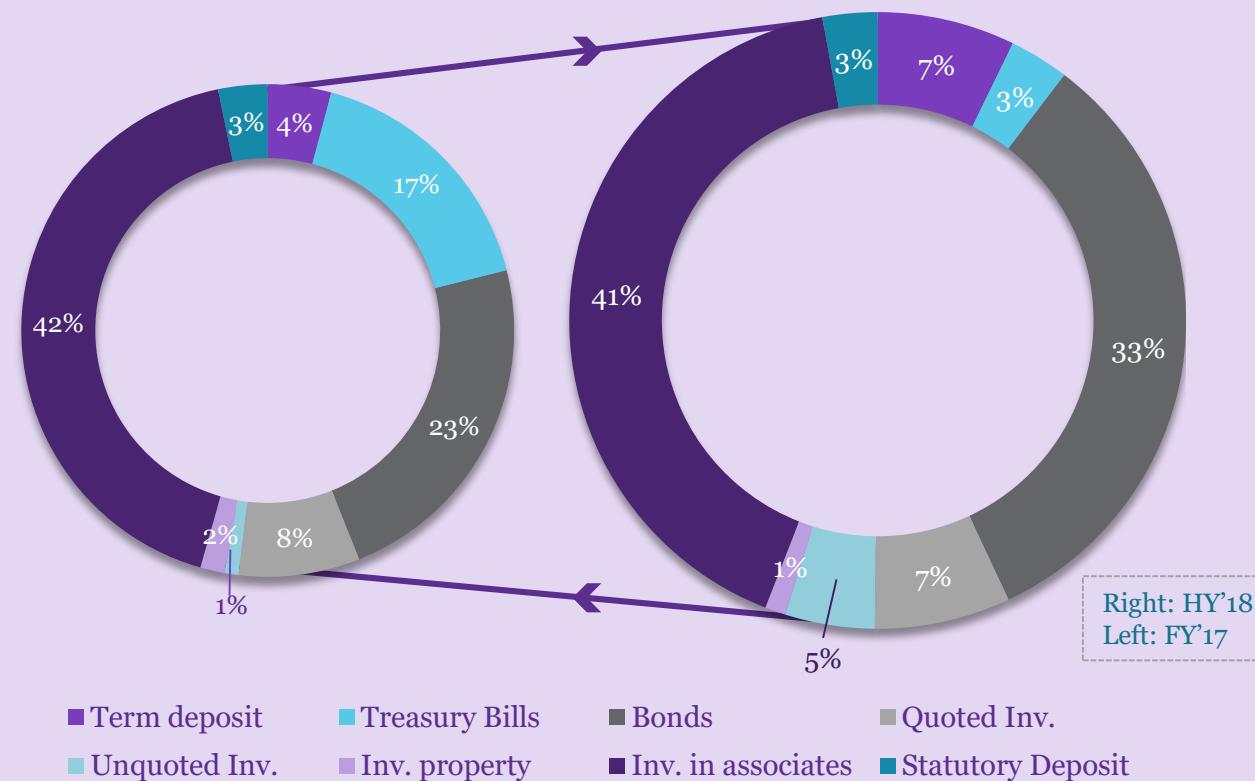
SOFP Review

Assets under Management

Assets under management



N'm	HY'18	FY'17
Term Deposits	1,548	812
Treasury Bills	671	3,301
Bonds	7,002	4,465
Quoted Investments	1,527	1,550
Unquoted Investments	1,008	180
Investment Property	232	313
Investment in Associate	8,826	8,264
Statutory Deposit	618	633
Total	21,431	19,518



- The Group's investment portfolio composition maintains a high allocation to the fundamentally strong associate with a 41% portfolio share of the total assets under management as at June 2018.
- The investment property portfolio dropped by 23% as the organisation continues to maintain its strategy to fully exit the underperforming legacy properties with more focus on income securities with higher yields.
- Bonds had a 31% portfolio share at the end of the review period to close at N7bn from N4.46 recorded as at FY'17.
- Growth in the value of investment in associates reflects the Group's share of profit in CMB.
- The 460% additional placements in unquoted investments was necessary to take advantage of uptick in yields.



<p>FINANCIAL</p>	<ul style="list-style-type: none"> ▪ We proactively anticipated the regulatory change in capital adequacy rules in the industry as recently announced by the regulator and we are prepared for the new tier-based minimum solvency capital regime which is set to take effect in January 2019. Nonetheless, we continue to drive for a solid solvency margin. ▪ We expect continued growth in premium performance in line with our strategic year-on-year growth expectations. ▪ We shall maintain a continuous focus on cost optimization and efficiency initiatives throughout the business in order to meet our strict target cost-to-income ratio.
<p>OPERATIONAL</p>	<ul style="list-style-type: none"> ▪ We have transformed our corporate website into a world class e-business platform and customer experience touch point to enable sales and enhanced customer engagement. ▪ We are set to launch a self-service omni-channel platform for customers to conveniently connect with us. This will deliver growth in premium, increase customer satisfaction index, as well as improved service delivery and internal efficiency. ▪ We have established a Digital Division which will drive the group's digital strategy including digital marketing, channels management and data analytics & intelligence.
<p>SALES</p>	<ul style="list-style-type: none"> ▪ We expect a further deepening of our retail insurance penetration country-wide, as we continue to grow our customer base. ▪ We would optimize the Wapic Life offerings with the launch of new products such as annuity, funeral insurance, etc. ▪ We have initiated the full implementation of our Bancassurance model in all major sales capitals across the country in line with growth opportunities. ▪ We recently commenced the sale of our travel insurance product, adding to the company's variety of retail product offerings.
<p>PEOPLE</p>	<ul style="list-style-type: none"> ▪ We are committed to being a great place to work. We remain focused on a performance driven organization, with significant improvements in employee engagement initiatives anchored by staff, for staff. ▪ As a foundation to our strategic drive for the best talent in the industry, our investments in talent development are expected to manifest in productivity gains. ▪ We are inculcating the behaviors, culture and innovation associated with leading customer experience providers.



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Q&A

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