



Wapic Insurance Plc.

Investors' Call Presentation
Q1 2018 Results



Participants



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Zina Giwa-Amu

Head, Digital Division



Seyi Taiwo

Chief Financial Officer



Outline

About Wapic

Operating Environment

Regulatory Environment

Financial Overview

Outlook



3 Operating entities

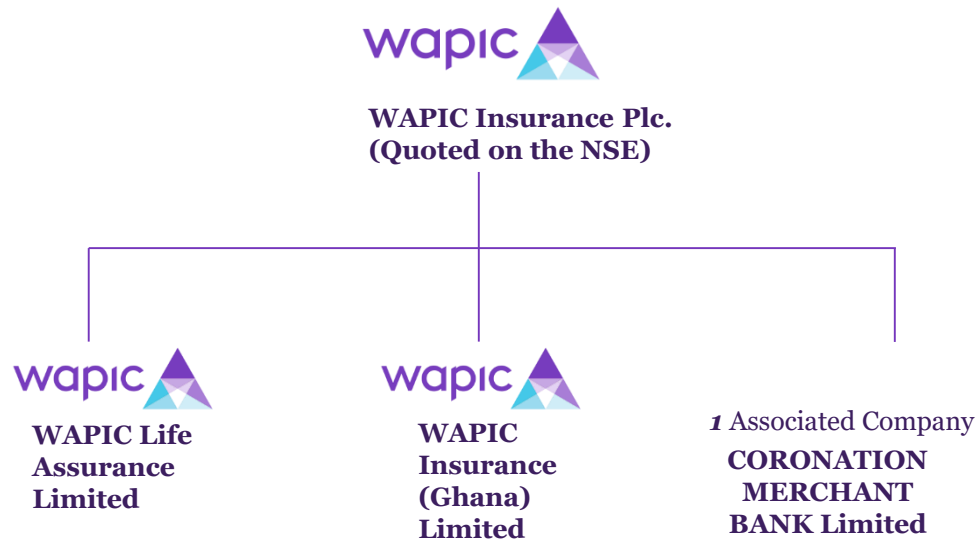
206 Professional Staff

13.4 Billion ordinary shares of 50 kobo each in issue

N19 billion
Assets Under Management

N28 billion
Portfolio

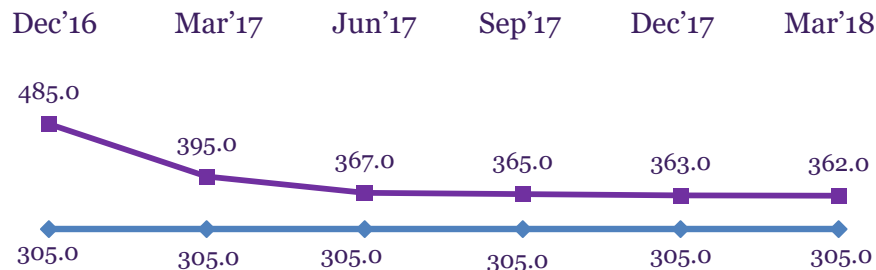
850,000+
Shareholders



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	N7 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/\$

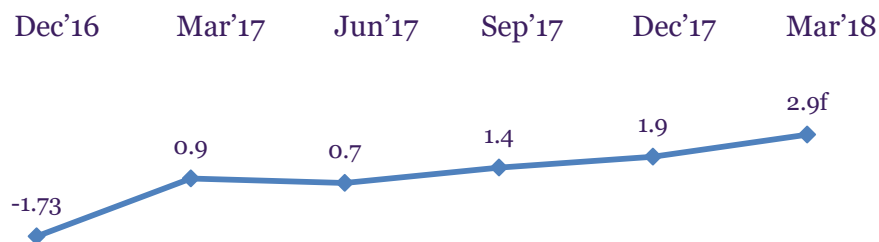


Average Naira Exchange rate has been reasonably stable within the past four months.

The current exchange rate regime in Nigeria, which is broadly managed by the Central bank, suggests that the outlook of the Naira/Dollar will remain tied to the CBN's intervention rate.

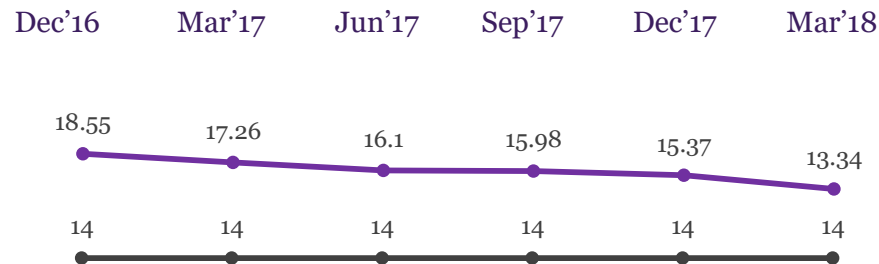
Official Rate — Parallel Mkt —

GDP Growth %



Nigeria's Gross Domestic Product growth of 1.9% year on year, recorded in the last quarter of 2017 was robust and a sure footing for achieving the growth projection of 2.92% in Q1 2018. The nation's GDP maintains its positive growth since the emergence of the country from recession in Q2 2017.

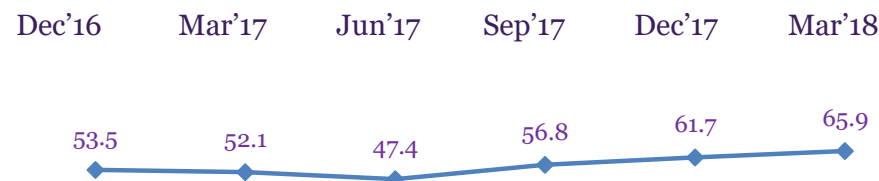
Inflation, MPR



Inflation rate remained at the lowest level since March 2016 at 13.34% easing from the 15.37% recorded in the previous quarter and below the market consensus of 14.5% rise. This is lowest inflation rate in the past 23 months, mainly due to a slowdown in prices of food, housing and utilities.

Inflation — MPR —

Crude Oil \$/barrel



Nigeria bonny light oil price advanced to a 28-month high at \$65.9/bl on the back of voluntary production adjustments. The Nigerian oil sector still remains the key source of export earnings. Oil was estimated to have accounted for 96% of Nigerian export revenues, 48% of government income and 10% of Nigerian GDP in Q1 2018.

Source: CBN, National Bureau of Statistics (NBS), Business Monitoring International (BMI), Trading Economics

Regulatory and industry environment

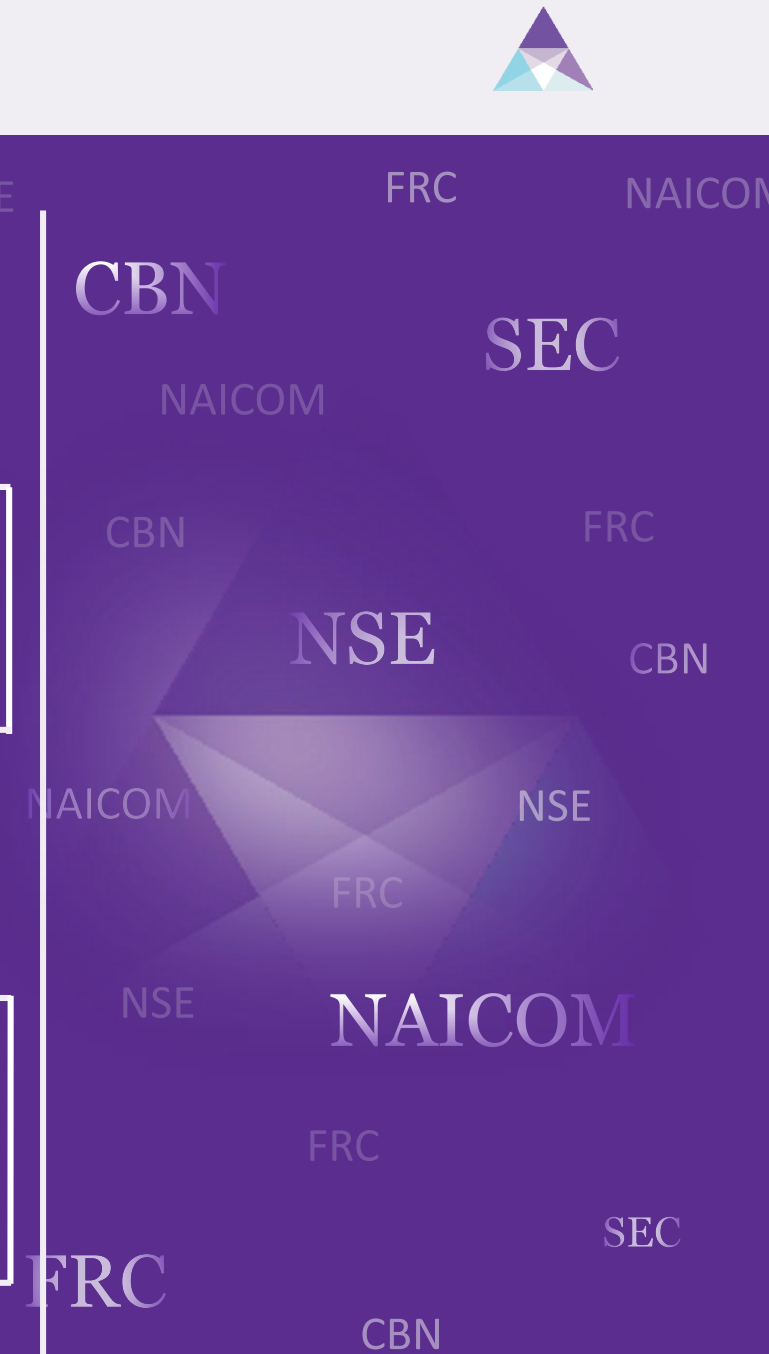


The National Insurance Commission (NAICOM), has suspended the issuance of composite licence to any interested insurance investor, saying it is inappropriate to operate a composite company. According to the Commissioner for Insurance, Mohammed Kari, a company would be allowed to float either a Life, or General insurance company, adding that any operator willing to do both will have them as different entities, instead of a composite licence that allowed an operator to do both businesses, using one licence.

The Nigerian Stock Exchange (NSE) launched a Corporate Governance Index (CG Index), which will track the performance of prequalified companies, using their market capitalisation, free float and corporate governance rating scores. The Index is expected to be an important tool for investors keen on investing in well governed companies as well as corporates eager to distinguish themselves on the ground of governance.

The Nigerian Stock Exchange (NSE) introduced a new pricing methodology and par value rule, which became effective January ending. The new Par Value Rule specifies that the price of every share listed on NSE shall be determined by the market forces and equities may now trade below the erstwhile price floor of fifty Kobo (N0.50) per unit. The Rules also classify equity securities into different price groups in order to achieve the pricing methodology.

The National Insurance Commission (NAICOM), in partnership with the Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL), has revealed plans to protect farmers from every foreseeable risk involving rainfall, and crop yield in their various farming operation in Nigeria. The scheme, which is tagged, Index Based Agric Insurance (IBAI), pays out benefits on the basis of a predetermined index for loss of assets and investments, primary working capital, resulting from weather and catastrophic events, without requiring the traditional insurance services.





Outline

Financial Highlights

Income Statement Review

SOFP Review

Assets under Management

Group financial highlights



Earnings

NGN million	Mar'18	Mar'17		%Δ
Total Income	5,065	4,410	↑	+15
Gross Written Premium	4,466	3,771	↑	+18
Net Underwriting Income	1,788	1,428	↑	+25
Total Underwriting Expenses	1,016	1,002	↑	+1
Underwriting profit	773	426	↑	+81
Net Investment & Other Income	385	485	↓	-21
Expenses & Provisions	1,146	886	↑	+29
Profit before Tax	319	384	↓	-17
OPEX margin ratio	26%	23%	↑	+9
Net claims ratio	44%	51%	↓	-14
Earnings Per Share (Kobo)	1.7	1.9	↓	-14

Financial Position

	Mar'18	FY'17		%Δ
Financial Assets	10,488	9,496	↑	+10
Reinsurance Assets	2,687	1,586	↑	+69
Total Assets	33,494	28,605	↑	+17
Total Liabilities	15,164	10,647	↑	+42
Shareholders' Funds	18,330	17,958	↑	+2
ROA	1%	6%	↓	-83
ROE	1%	9%	↓	-85



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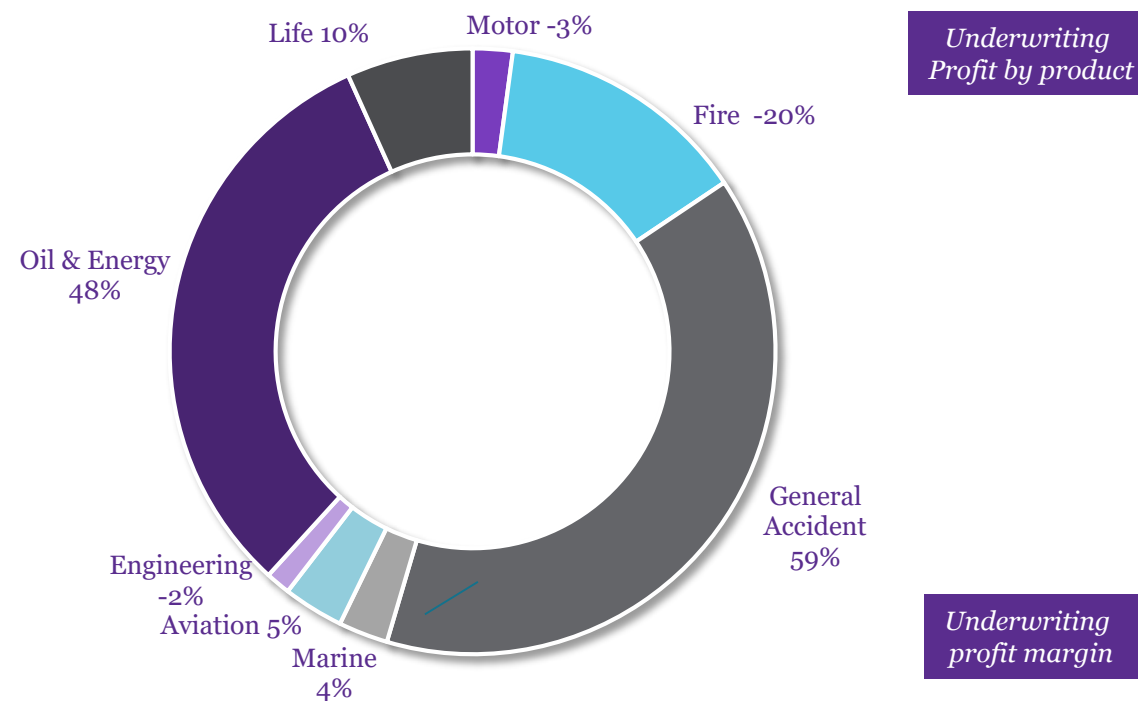
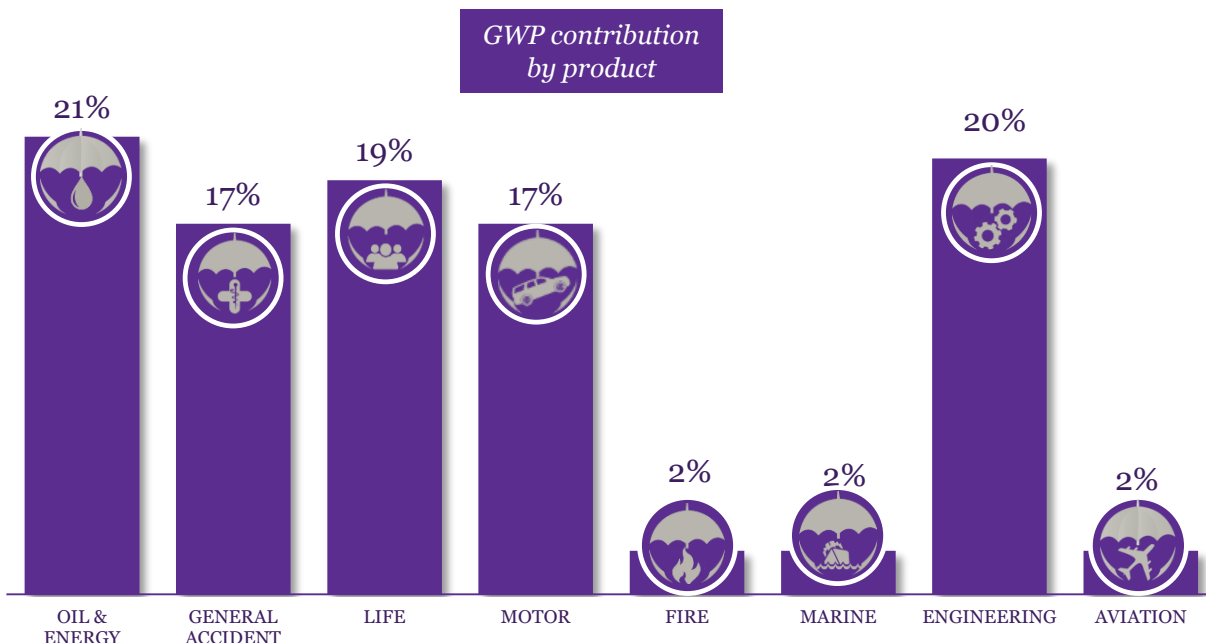
NGN million

	Q1'18	Q1'17	%Δ
Gross Written Premium	4,466	3,771	↑ +18
Reinsurance expenses	958	879	↑ +9
Net claims expenses	691	649	↑ +7
Underwriting expenses	312	353	↓ -12
Underwriting profit	773	426	↑ +81
Investment income	330	414	↓ -21
Other operating income	52	71	↓ -27
Operating expenses	1,146	886	↑ +29
Profit before tax	319	384	↓ -17

Highlights

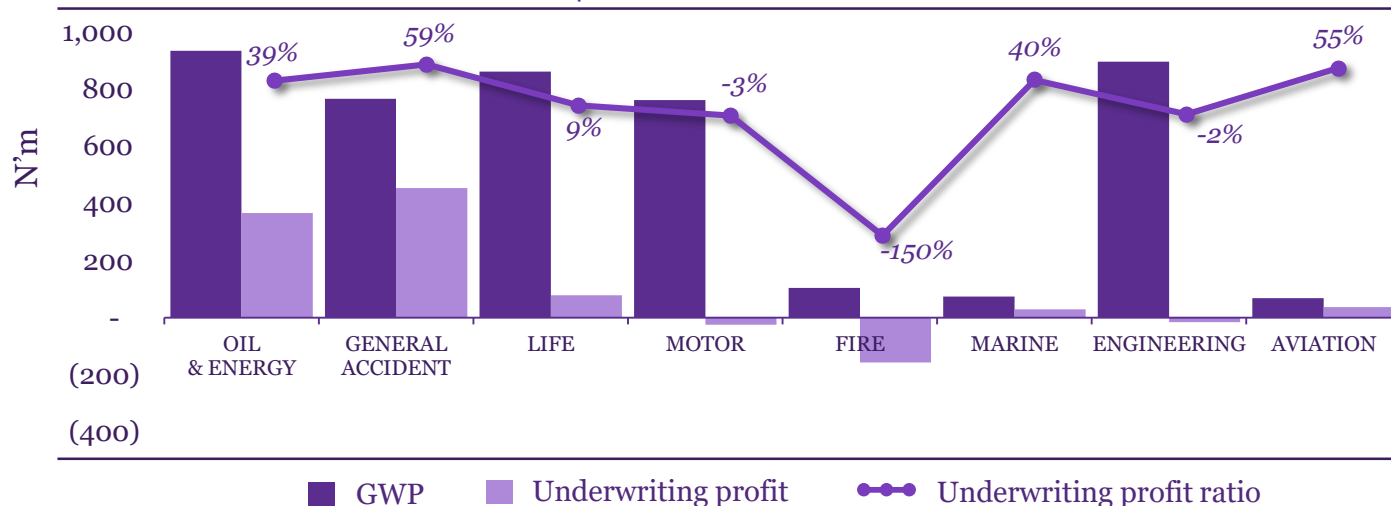
- GWP increased to N4.5bn at the end of the financial quarter, an 18% growth from the N3.8bn achieved in the prior period.
- Reinsurance expenses grew slightly by 9% to N958m as at Q1'18 from N879m in Q1'17. Largely driven by an increase in facultative reinsurance to balance exposure on specific risks particularly in the Oil and Energy and General Accident portfolios.
- Underwriting expenses decreased by 12% quarter on quarter to close at N312m.
- Growth in underwriting profit was laudable at 81%, from N426m recorded in Q1'17 to N773m for the period.
- Investment income and other operating income went down by 21% and 27% respectively to close at N330m and N52m.
- Operating expenses (inclusive of personnel costs and provisions) grew by 29% for the period.

Product performance



Highlights

- Oil & Energy and Engineering were the top performing product portfolios in Q1'18 at 21% and 20% respectively. Life business portfolio trailed closely at a 19% share.
- General Accident as well as Oil & Energy were the Group's most profitable products, leading with a 59% and 48% individual contribution to the total underwriting profit.
- Underwriting profit margin ratios were positive for all product portfolios except Motor and Fire owing to increased claims experience for these product classes during the period.

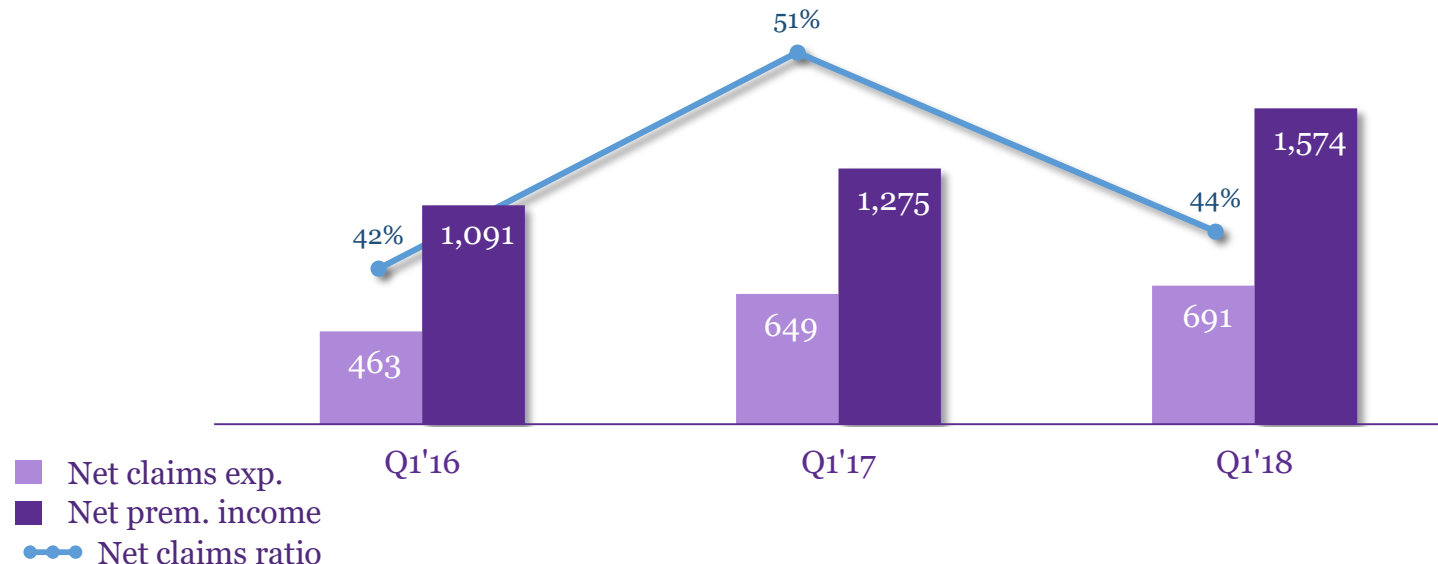




NGN million

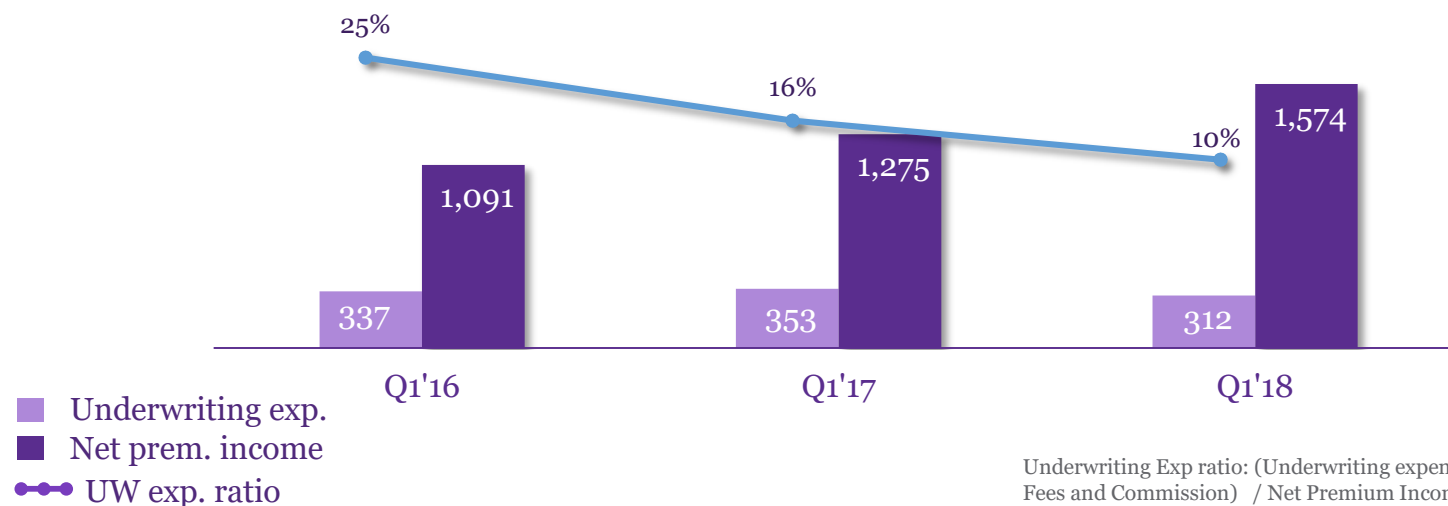
Net claims expenses

- The company's improved risk selection process continues to payoff, contributing to the fairly stable Net Claims expenses which grew mildly by 6% YoY to close at N691m in Q1'18 (Q1'17: N649m).
- The 23% Increase in Net Premium income further cushioned the Net Claims Ratio which dropped by 14% from the preceding year's ratio to 44% during the period.



Underwriting expenses

- The drive for improved efficiency paid off as underwriting expense declined to N312m from N353m recorded in the prior quarter.
- Positive growth in topline performance for the period coupled with a better-quality efficiency pushed the underwriting expense ratio down to 19% from 24% in the preceding year.



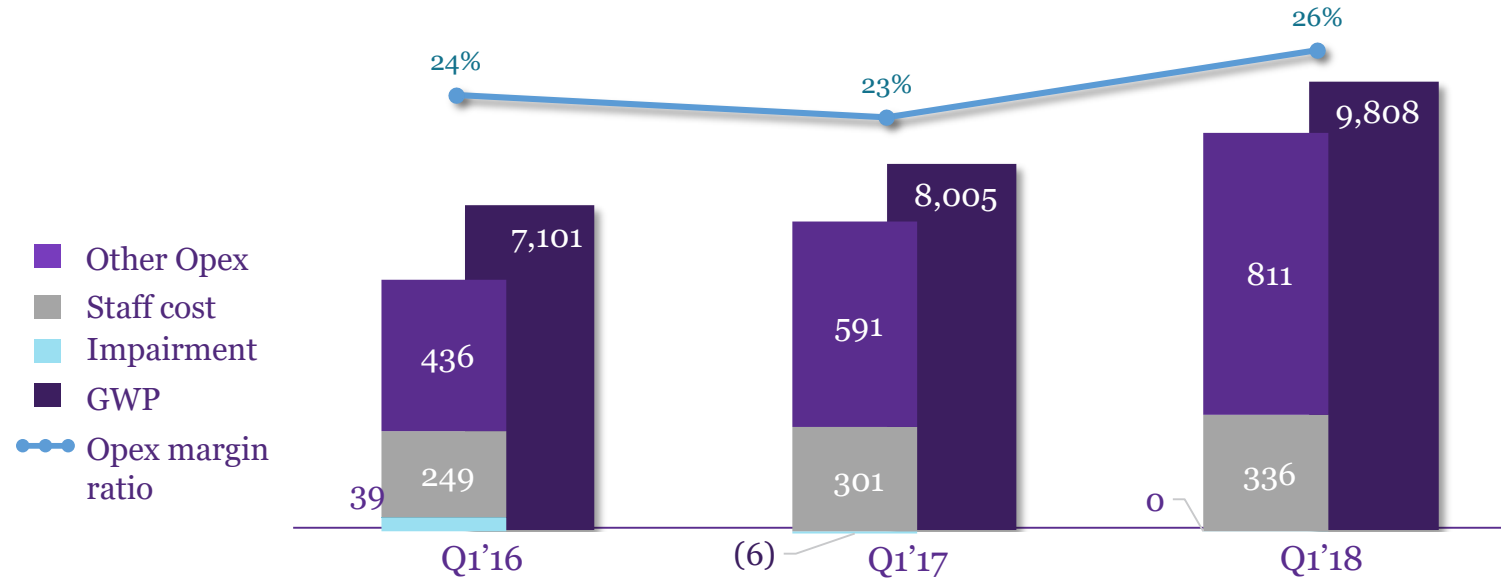
Underwriting Exp ratio: (Underwriting expense less Fees and Commission) / Net Premium Income



NGN million

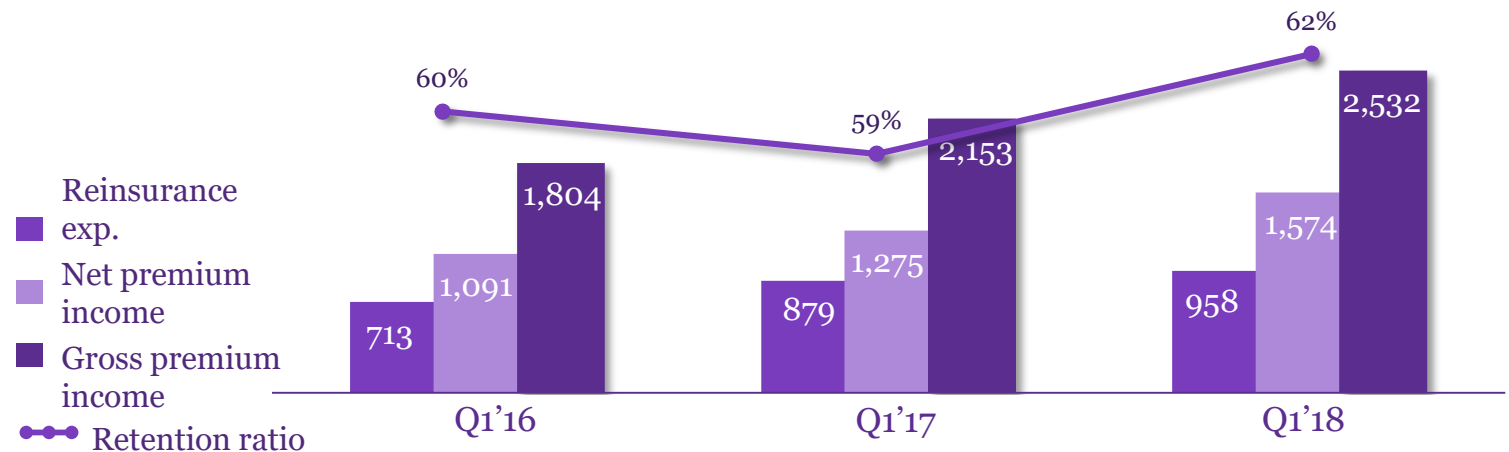
Operating expenses

- Staff cost and other operating expense grew to N811m and N336m for the period due to expanded operations to drive better topline performance.
- Operating expense margin ratio closed at 26%, a slight increase from the 23% recorded in the prior period. The cushioned effect was mainly driven by an improved GWP performance.



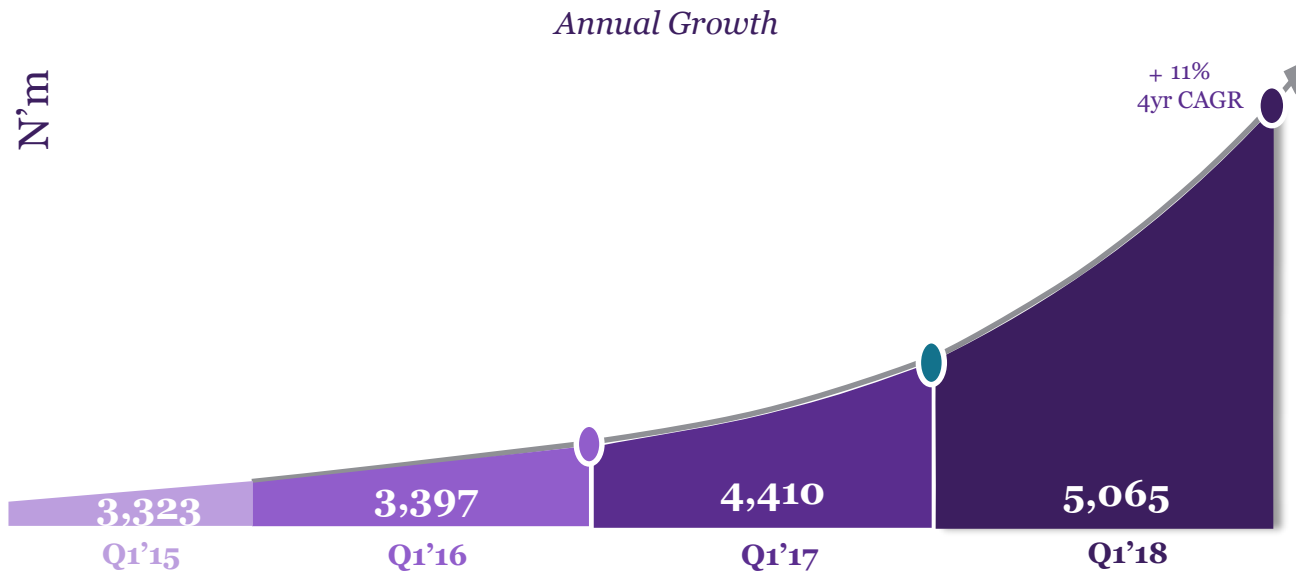
Reinsurance expenses

- Reinsurance expenses grew to N2.5bn, an 18% YoY growth from N2.1bn in the corresponding period of 2017.
- We have optimized our reinsurance processes to adequately manage underwriting expenses, benefits we expect will crystallize in 2018.

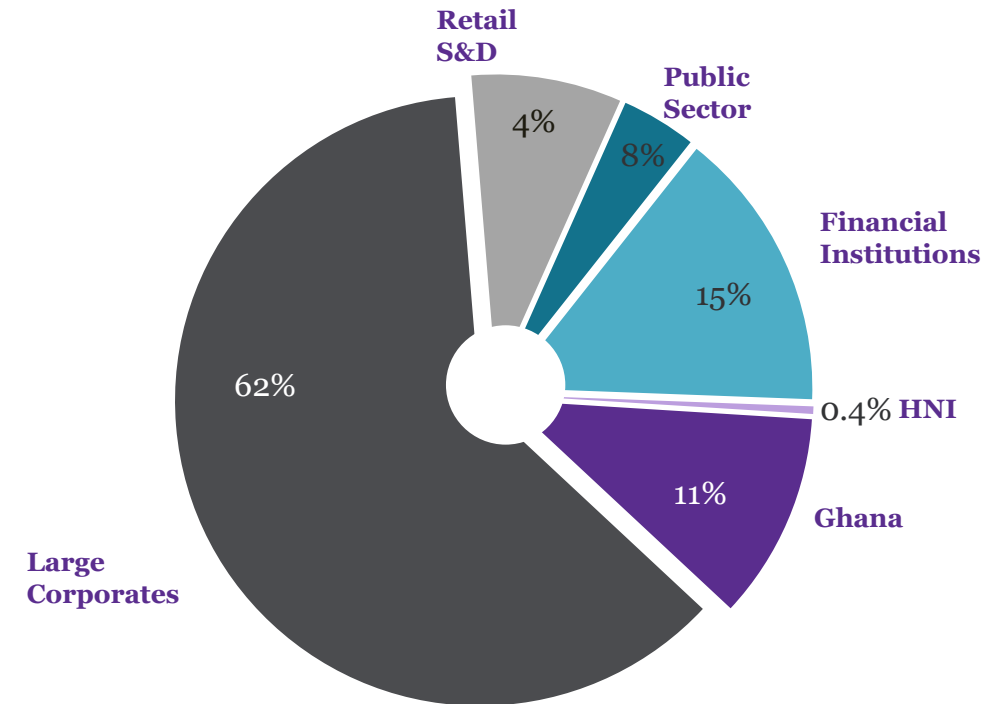




Group Total
Income



GWP contribution
by Business Groups

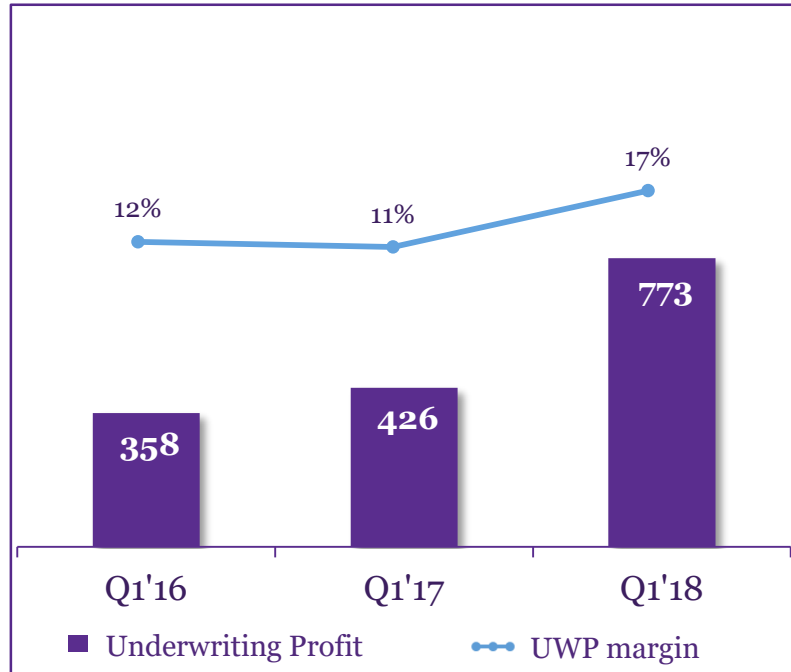


Total Income: GWP + Fees and Commission income + Net Investment Income + Other Operating Income

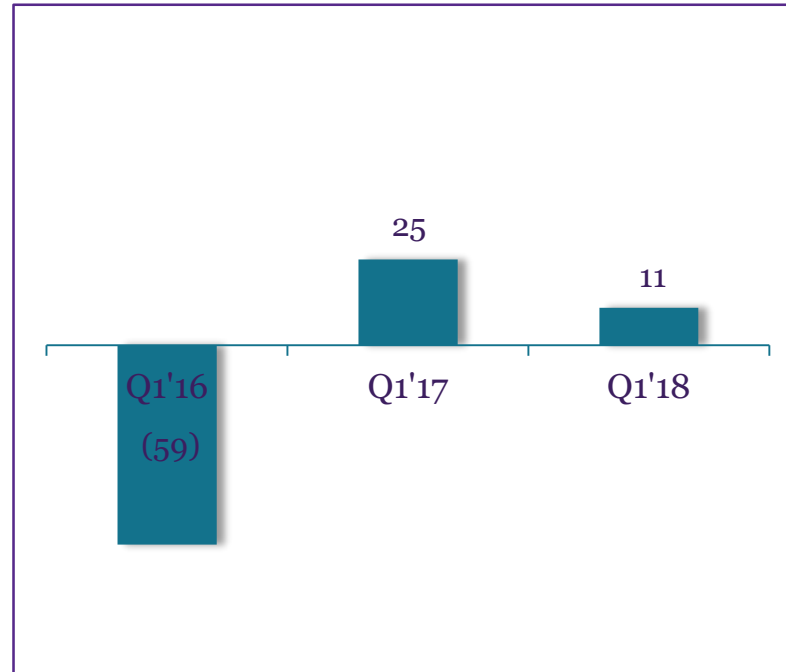
- Wapic's Total income grew by 15% YoY to close at N5.1bn for Q1 2018 (Q1 2017: N4.4bn). The group's growth trajectory recorded an 11% 4-year cumulative annual growth rate.
- Large Corporates group contributed the largest chunk of premium at 62%, followed by Financial Institutions group at 15%.
- The Ghanaian subsidiary contributed 11% to the Group's total GWP for the period. The company's effective awareness drive continues to payoff as evidenced in an increasing 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.



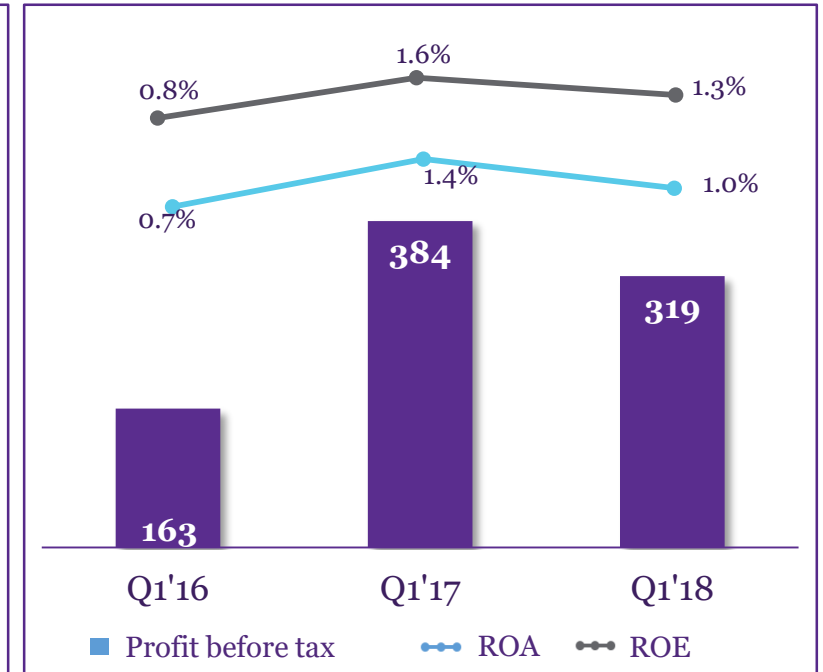
N'm Underwriting profit



Operating profit



N'm Profit before tax



- Underwriting profit recorded a solid growth of 81% from Q1'17 to close at N733m for the period. Underwriting profit margin followed in the same upward curve at 17%.
- There was a minimal 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 1.3% and 1.0% respectively.



Outline

Financial Highlights

Income Statement Review

SOFP Review

Assets under Management

Statement of financial position



NGN million	Q1'18	FY'17	%Δ
Cash and cash equivalents	913	1,745	-48
Financial assets	10,488	9,496	+10
Reinsurance assets	2,687	1,586	+69
Trade receivables	2,167	707	+206
Other receivables & Prepayment	2,553	1,062	+141
Investment property	315	313	+1
Investment in associate	8,573	8,264	+4
Fixed assets and intangibles	4,335	4,267	+2
Other assets	1,462	1,164	+26
Total assets	33,494	28,605	+17
Trade payables	2,816	516	+445
Provisions & other payables	973	1,459	-33
Current income tax liabilities	362	264	+37
Insurance contract liabilities	9,609	7,141	+35
Investment contract liabilities	1,127	1,064	+6
Total liabilities	15,165	10,647	+42
Equity	18,330	17,958	+2
Total equity & liabilities	33,494	28,605	+17

Highlights

- The need for portfolio realignment to take advantage of higher yielding assets led to the 48% drop in Cash and cash equivalent for the period.
- Growth in Financial assets reflects the company's switch from cash and cash equivalent to benefit from elevated yield in other financial securities.
- The equity value of investment in Associate grew slightly by 4% YoY to N8.6bn driven by an increased share of profit during the period.
- Increase in valuation of the company's investment properties for the year led to the 1% growth. 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 35% and 6% respectively for the period following a growth in pure risks and investment-linked obligations during the period.
- Total equity for the period closed at N18bn, representing a 2% growth from year 2017 position.

Note

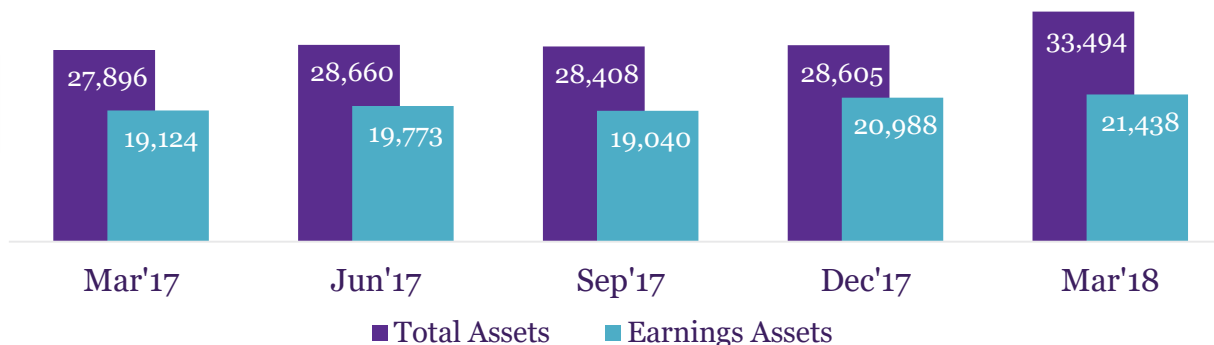
Other Assets= Deferred acquisition cost+ Deferred Tax asset +Statutory Deposits
Fixed Assets & intangibles= Property, plant & equipment + Intangible Assets

Highlights of financial position

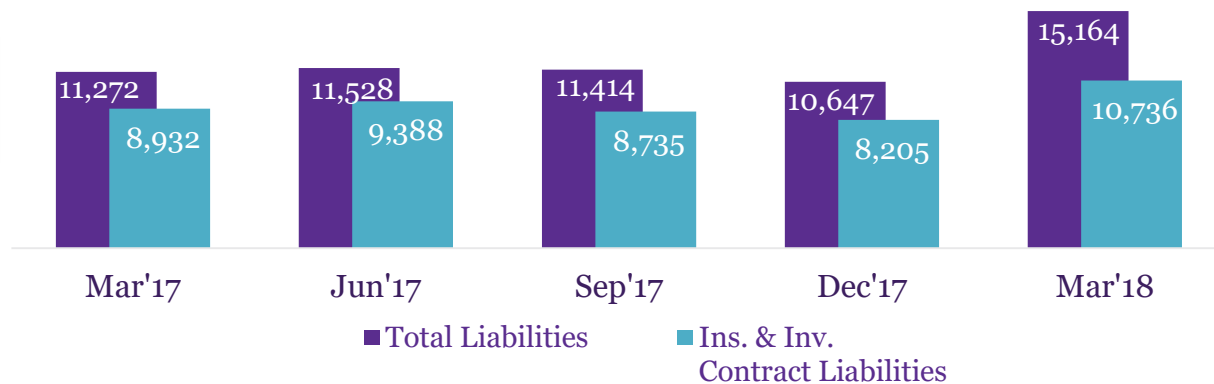


NGN million

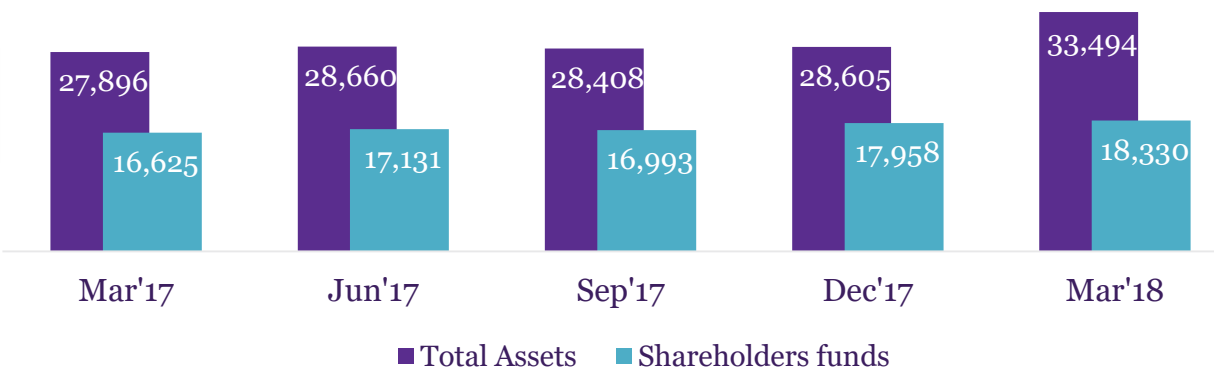
Total Assets & Earnings Assets



Ins. & Inv. Contract liabilities to Total Liabilities



Total Assets & Shareholders Funds



Highlights

- The ratio of Earnings Assets to Total Assets was at 64% in Q1'18 reducing slightly by 14% from the 73% position recorded in FY'17.
- The Group's Total assets position grew by 17% to N33.4bn from N28.6bn recorded as at FY'17. Earnings assets on the other hand, maintained a relatively flat growth of 2% for the period.
- Total liabilities grew by 42% to N15bn in the period under review against FY'16 position of N10.6bn. Largely driven by the growth in Insurance and investment contract liabilities recorded for the period.
- Shareholder's funds remained relatively flat at N18.3bn for the quarter.



Outline

Financial Highlights

Income Statement Review

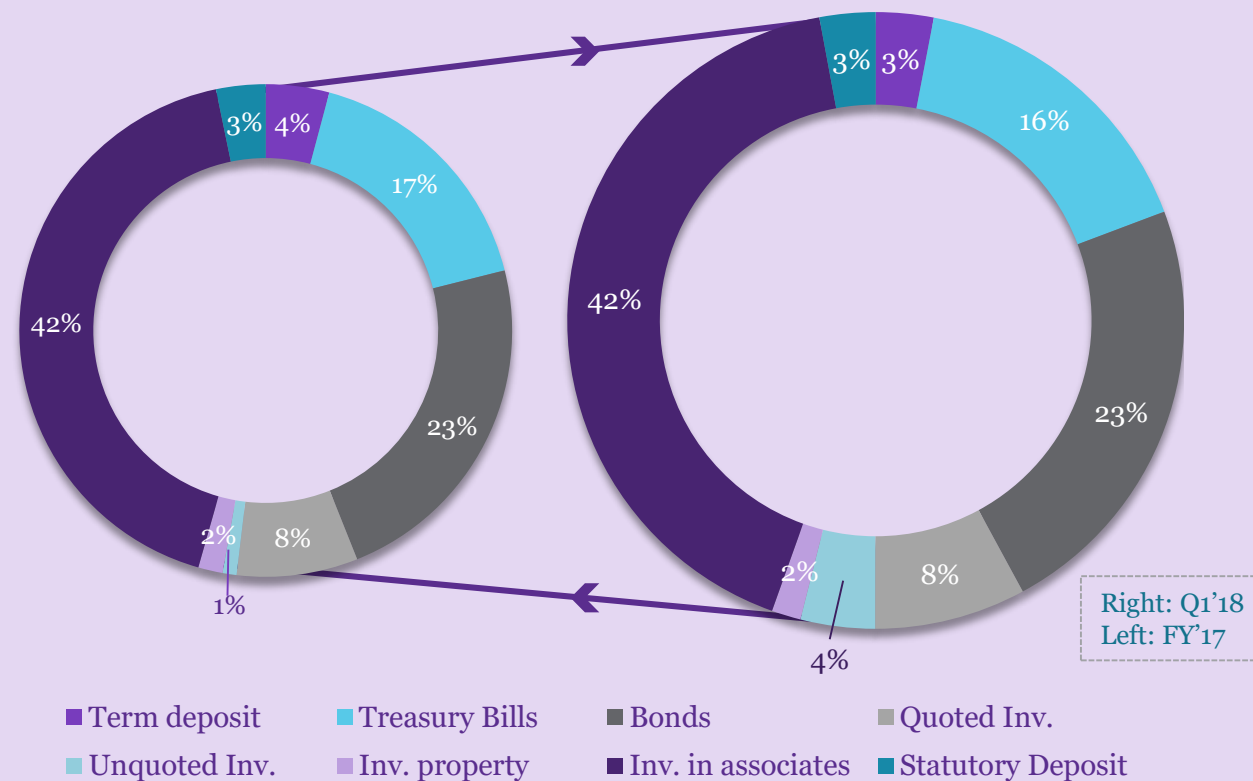
SOFP Review

Assets under Management

Assets under management



N'm	Q1'18	FY'17
Term Deposits	622	812
Treasury Bills	3,346	3,301
Bonds	4,702	4,465
Quoted Investments	1,636	1,550
Unquoted Investments	803	180
Investment Property	315	313
Investment in Associate	8,573	8,264
Statutory Deposit	604	633
Total	20,602	19,518



- The Group's investment portfolio composition maintains a high allocation to the fundamentally strong associate and subsidiary as well as fixed income securities with high yield.
- The investment property portfolio remained relatively flat with the slight bump owing to property revaluation. The organisation continues to maintain its strategy to fully exit the underperforming legacy properties.
- Growth in the value of investment in associates reflects the Group's share of profit in CMB.
- Additional placements in Unquoted investments was necessary to take advantage of uptick in yields.
- Improvements in the Capital Market impacted the growth in value of quoted investments for the period.



<p>FINANCIAL</p>	<ul style="list-style-type: none"> ▪ We continue to proactively drive for a solid solvency margin as we await the likely regulatory change in capital adequacy rules. ▪ 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 rolled out plans for a full implementation of our Bancassurance model in all major sales capitals across the country in line with growth opportunities.
<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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