



Wapic Insurance Plc.

Investors' Call Presentation
Half Year 2020 Results



■ ■ ■
August 2020

Participants

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Outline

01 ABOUT WAPIC

02 OPERATING ENVIRONMENT

03 REGULATORY ENVIRONMENT

04 FINANCIAL RESULTS AND ANALYSIS

06 OUTLOOK AND CONCLUSION

07 QUESTIONS AND ANSWERS





3 Operating entities

180 Professional Staff

13.4billion
ordinary shares
of 50 kobo each in issue

N41 billion
Total Assets

N28billion
Portfolio

824,000+
Shareholders

wapic
WAPIC Insurance Plc.
(Quoted on the NSE)

wapic
WAPIC Life
Assurance
Limited

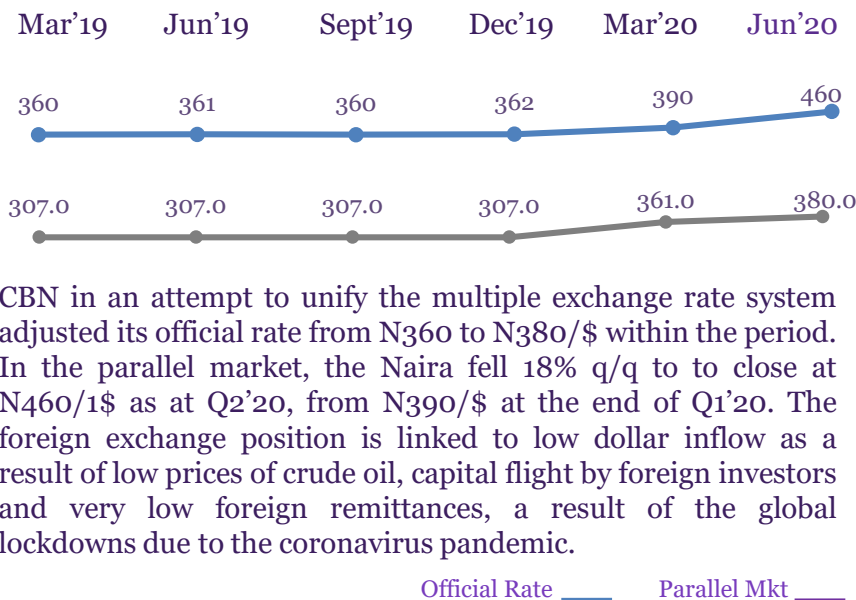
wapic
WAPIC
Insurance
(Ghana)
Limited

Associated Company
**CORONATION
MERCHANT
BANK Limited**

Regional offices in Nigeria	Abuja, Benin, Enugu, Ibadan and Port Harcourt
Listings	<ul style="list-style-type: none">Nigerian Stock ExchangeGDR Depositary Bank - Bank of New York, Mellon
Market Capitalisation	₦7.68 Billion
Reinsurers	Munich Re, Africa Re, WAICA Re, Continental Reinsurance, Nigeria Reinsurance Corporation, Ghana Re.
Actuary	QED
Auditors	EY

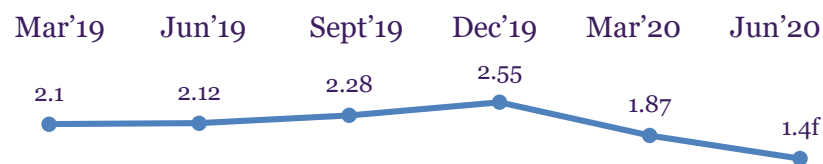


FX Rate N/\$



CBN in an attempt to unify the multiple exchange rate system adjusted its official rate from N360 to N380/\$ within the period. In the parallel market, the Naira fell 18% q/q to to close at N460/1\$ as at Q2'20, from N390/\$ at the end of Q1'20. The foreign exchange position is linked to low dollar inflow as a result of low prices of crude oil, capital flight by foreign investors and very low foreign remittances, a result of the global lockdowns due to the coronavirus pandemic.

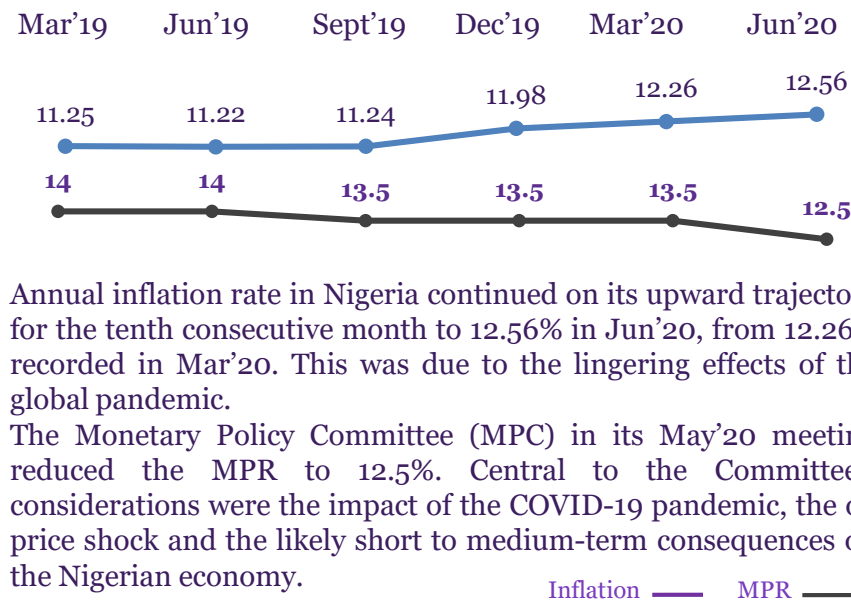
GDP Growth %



The economy of Nigeria advanced 1.87% y/y in the first quarter of 2020 compared to the 2.55% growth in the previous period. This resulted from the significant global disruptions following the COVID-19 pandemic. The economy is expected to contract further this year due to the plunge in oil prices, lower oil production and supply chain disruptions. Analysts have forecasted the economy is likely to go into another recession this year.

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

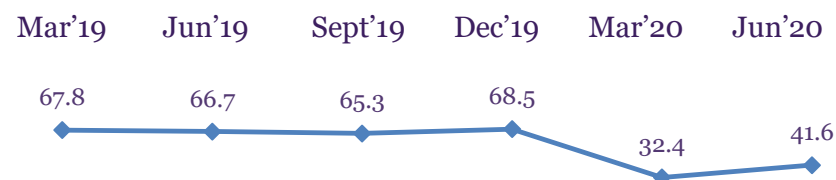
Inflation, MPR



Annual inflation rate in Nigeria continued on its upward trajectory for the tenth consecutive month to 12.56% in Jun'20, from 12.26% recorded in Mar'20. This was due to the lingering effects of the global pandemic.

The Monetary Policy Committee (MPC) in its May'20 meeting reduced the MPR to 12.5%. Central to the Committee's considerations were the impact of the COVID-19 pandemic, the oil price shock and the likely short to medium-term consequences on the Nigerian economy.

Crude Oil \$/barrel (Bonny)



The price of Bonny light, Nigeria's premium oil grade reached a four month high in June since March where the price fell to \$32.4. The flagship crude went on to close at \$41.6 at the end of the period. This increase was triggered by oil production cut and growing oil demand for Nigeria's black gold.

Regulatory and industry environment



In order to mitigate the likely negative impact of the COVID-19 pandemic on the recapitalisation exercise, NAICOM on June 3, 2020 issued a circular conveying its decision to segment the recapitalisation process and extend the deadline for the implementation of the exercise by insurance companies. By virtue of the Circular, the recapitalisation process has been segmented into two phases as follows: 50% of Minimum Paid-Up Capital by Dec. 31, 2020 (Phase 1) and another 50% by Sept. 30, 2021. All operators are required to complete each phase within the stipulated deadlines.

President Muhammadu Buhari, recently approved the appointments of Mr. Alhaji Sabiu Abubakar and Mr Oba Oluniyi as deputy commissioners for the National Insurance Commission According to the statement issued by the commission, Mr. Abubakar will serve as the deputy commissioner, technical while Mr. Oluniyi will serve as the deputy commissioner in charge of finance and administration in the commission. Both appointments are effective July 17, 2020 for an initial tenure of five years.

The Commissioner for Insurance, Mr. Sunday Thomas, has said that NAICOM is committed to its investment in actuarial development in the industry despite the challenges of coronavirus pandemic. According to Mr. Thomas, in his statement during the recently concluded CIIN induction ceremony said that the commission on its part is committed to the development of insurance across all strata and will continue to do more to ensure inclusive development of insurance.

The recently elected President of the Chartered Insurance Institute of Nigeria, Mr. Muftau Oyegunle, has said he will focus on digital transformation and professionalism of the insurance profession, among other objectives. He said this during his investiture as the 50th president of the institute in Lagos, while giving his acceptance speech, titled 'Reinforcing professionalism and ethics in the new order.'

Wapic offered health workers across Nigeria a 15% discount on new policies taken up in 2020 to help cushion financial hardships associated with the COVID-19 pandemic. The rebate to health workers covers Personal Accident, Householder Insurance and Motor Insurance. This was in addition to premium refunds promised to customers with active comprehensive private motor vehicle policies during the lockdown period. The act of empathy was made in line with Wapic's understanding that most drivers were stuck at home and unable to drive their motor vehicles in line with the Covid-19 pandemic stay at home policy.

Outline

01 **FINANCIAL HIGHLIGHTS**

02 INCOME STATEMENT REVIEW

03 FINANCIAL POSITION REVIEW

04 ASSETS UNDER MANAGEMENT



Group financial highlights



Earnings

NGN million	Jun'20	Jun'19	%Δ	
Total Income	11,290	10,114	↑	+12
Gross Written Premium	9,340	8,665	↑	+8
Net Underwriting Income	4,684	4,656	↑	+1
Total Underwriting Expenses	2,695	3,394	↓	-21
Underwriting profit	1,989	1,262	↑	+58
Net Investment & Other Income	916	635	↑	+44
Expenses & Provisions	2,715	2,157	↑	+26
Profit before Tax	825	401	↑	+106
OPEX margin ratio	29%	25%	↑	+17
Net claims ratio	40%	45%	↓	-11

Financial Position

	Jun'20	Dec'19	%Δ	
Financial Assets	14,453	9,069	↑	+59
Reinsurance Assets	3,431	3,181	↑	+36
Total Assets	40,646	30,746	↑	+32
Total Liabilities	16,494	12,226	↑	35
Shareholders' Funds	24,151	18,520	↑	+30
ROA	2.0%	0.08%	↑	2541
ROE	2.7%	1.2%	↑	134

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NGN million

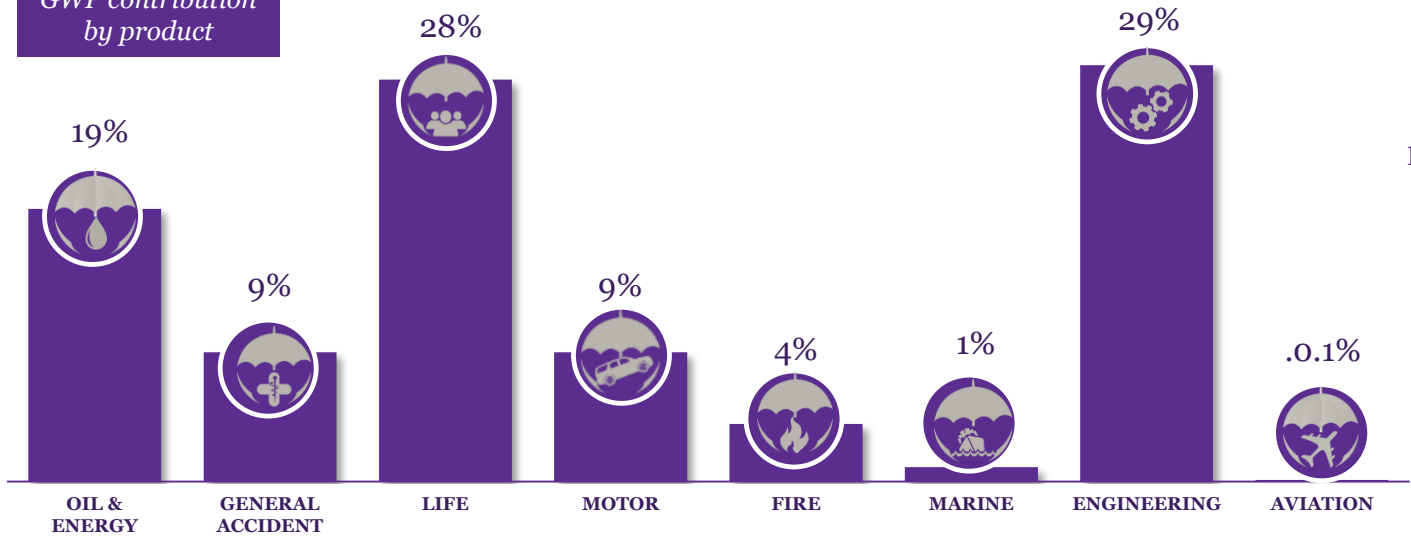
	Jun'20	Jun'19	%Δ
Gross Written Premium	9,340	8,665	+8
Reinsurance expenses	4,452	4,046	+10
Net claims expenses	1,471	1,739	-15
Underwriting expenses	1,195	1,631	+27
Underwriting profit	1,989	1,262	+58
Investment income	500	430	+16
Other operating income	348	154	+127
Operating expenses	2,715	2,157	+26
Profit before tax	825	401	+106

Highlights

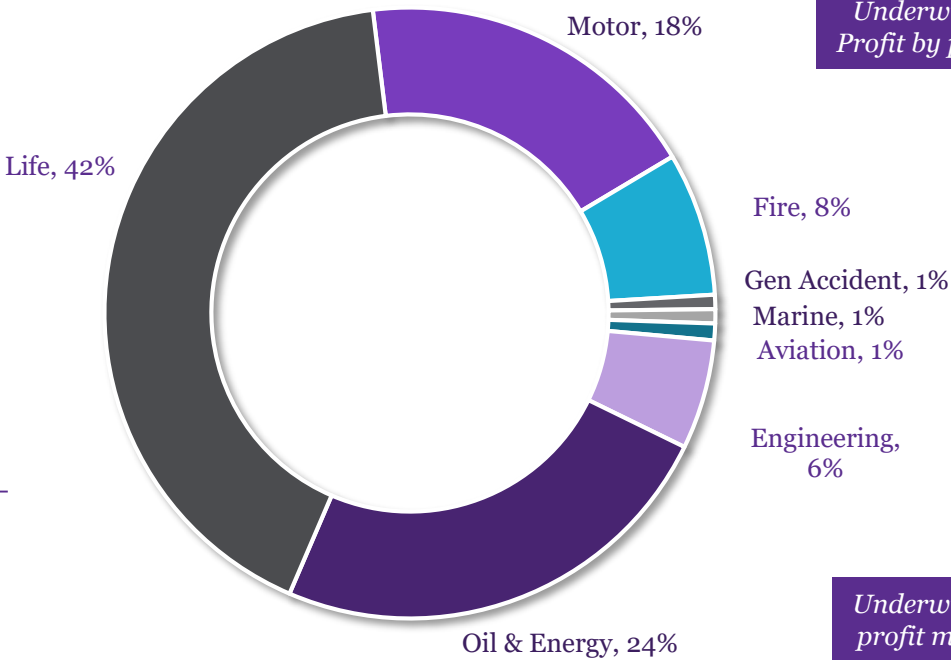
- Gross written premiums grew by 8% year on year to N9.3bn within the six months period, comprising 72% contribution in non-life premium generated and 28% in life premium.
- There was an increase of 10% YOY in reinsurance cost for the Group to close at N4.5bn, mainly due to outward reinsurance premiums on our group life, engineering and oil and energy portfolios.
- Net claims expense (i.e. claims paid less outstanding claims and claims recoverable) position declined YoY by 15%. This was supported by a 34% reduction in gross claims payout for the period when compared to the prior year's experience.
- Premium underwriting expenses including commission payments and other direct business acquisition costs grew by 27%, following an increase in GWP for the period.
- Underwriting profit position for the Group recorded positive improvements at a 58% YoY growth to N1.99bn compared to the N1.26bn recorded within the same period last year.
- The company's drive to deliver on its strategic targets with key initiatives that are being implemented had an impact on the operating expenses position for the period.
- Year-to-date PBT for the Group closed at N825 million representing a YoY growth of 106%. The positive position was largely driven by increase in underwriting profit, net investment income and the Share of profit in associates.



GWP contribution by product



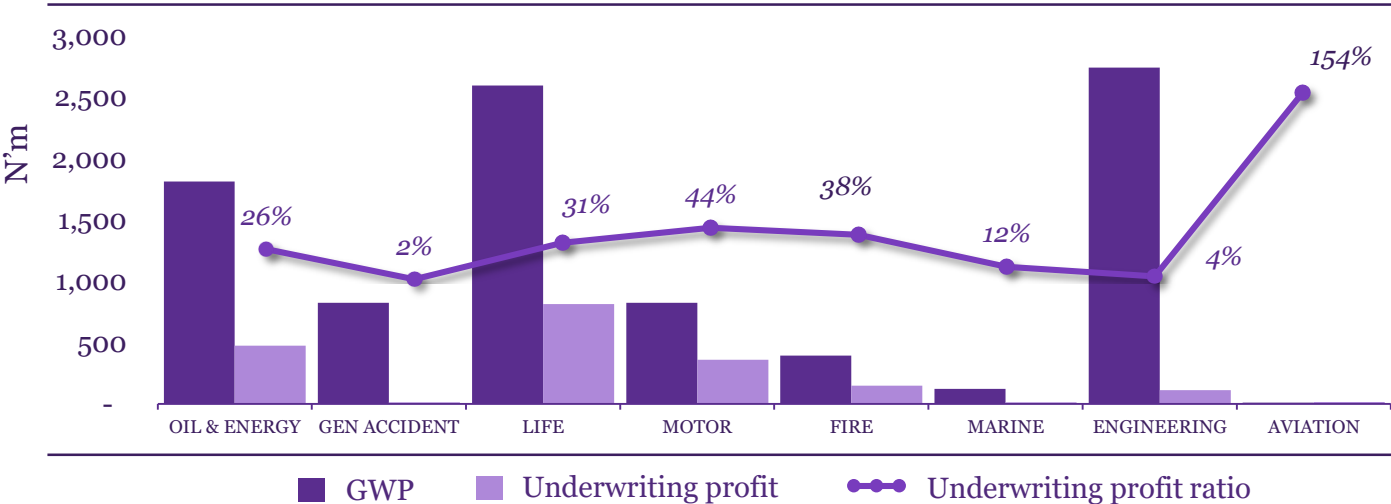
Underwriting Profit by product



Highlights

- The top GWP contributors for the period were engineering and life portfolios at 29% and 28% respective share. Oil and energy followed with a 19% premium share for the period.
- Life, Oil & Energy and Motor were the three most profitable products at 42%, 24% and 18% respective share in the underwriting profit figure recorded. (Life: N815m, Energy: N475m, Motor: N361m)
- Positive underwriting profit margins were recorded across all the product classes within period.

Underwriting profit margin

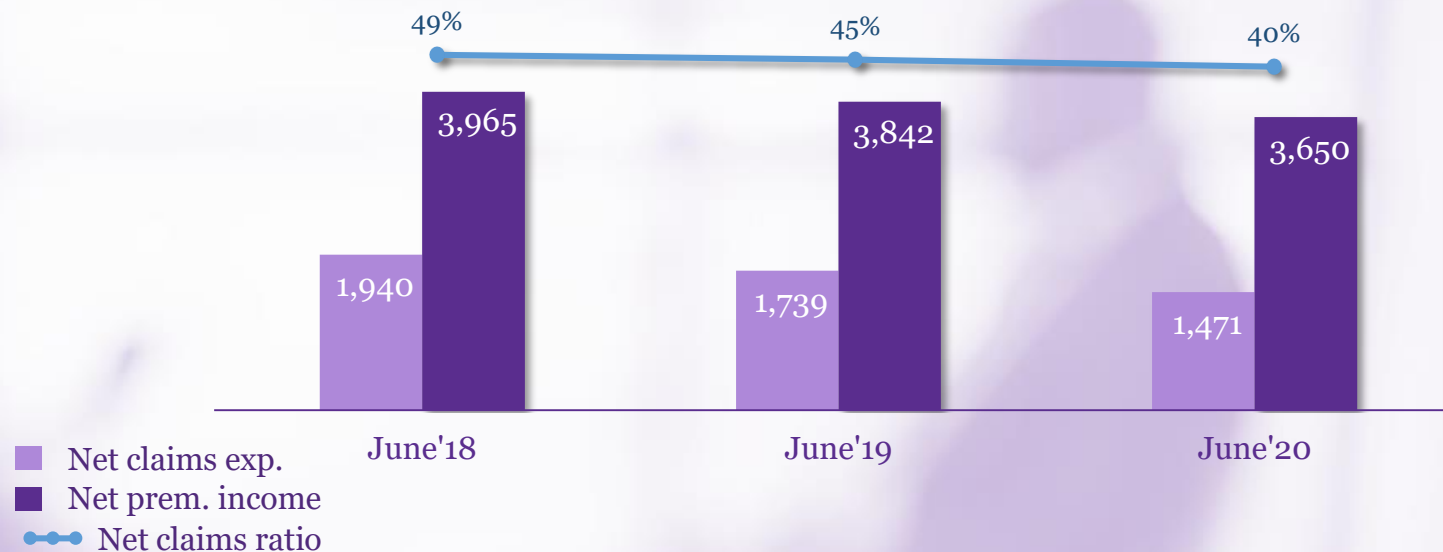




NGN million

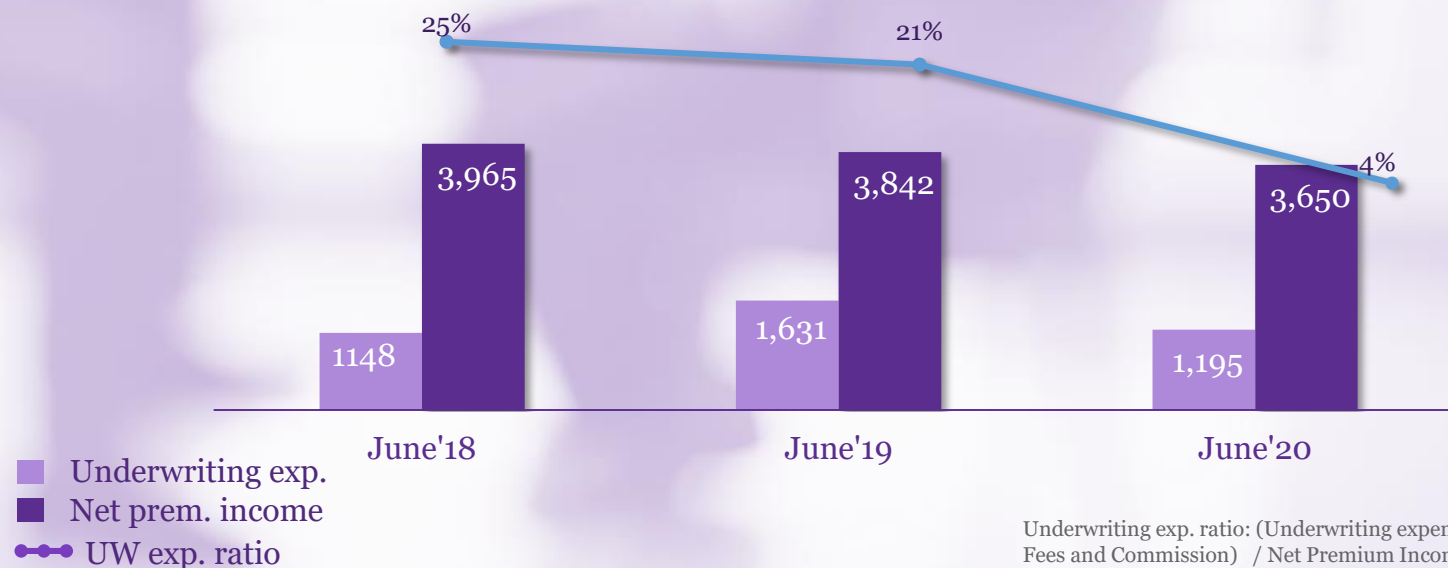
Net claims expenses

- With an efficient claims management during the period, we were able to curtail growth in Net claims expense which closed at N1.47bn, representing a 15% YoY decline from the prior period's position. Our strategy is to cut costs and reduce fraudulent claims while keeping our customers satisfied.
- Net premium income dropped slightly by 5% YoY to N3.7bn. However, the reduction in net claims expense provided a cushioned effect on the net claims ratio which dropped to 40%



Underwriting expenses

- There was a 79% drop in underwriting expense to NPI ratio which closed at 4% in Jun'20, compared to 21% recorded in Jun'19
- Our firm determination is to optimize efficiency and flexibility in underwriting operations through business process automation across service levels.



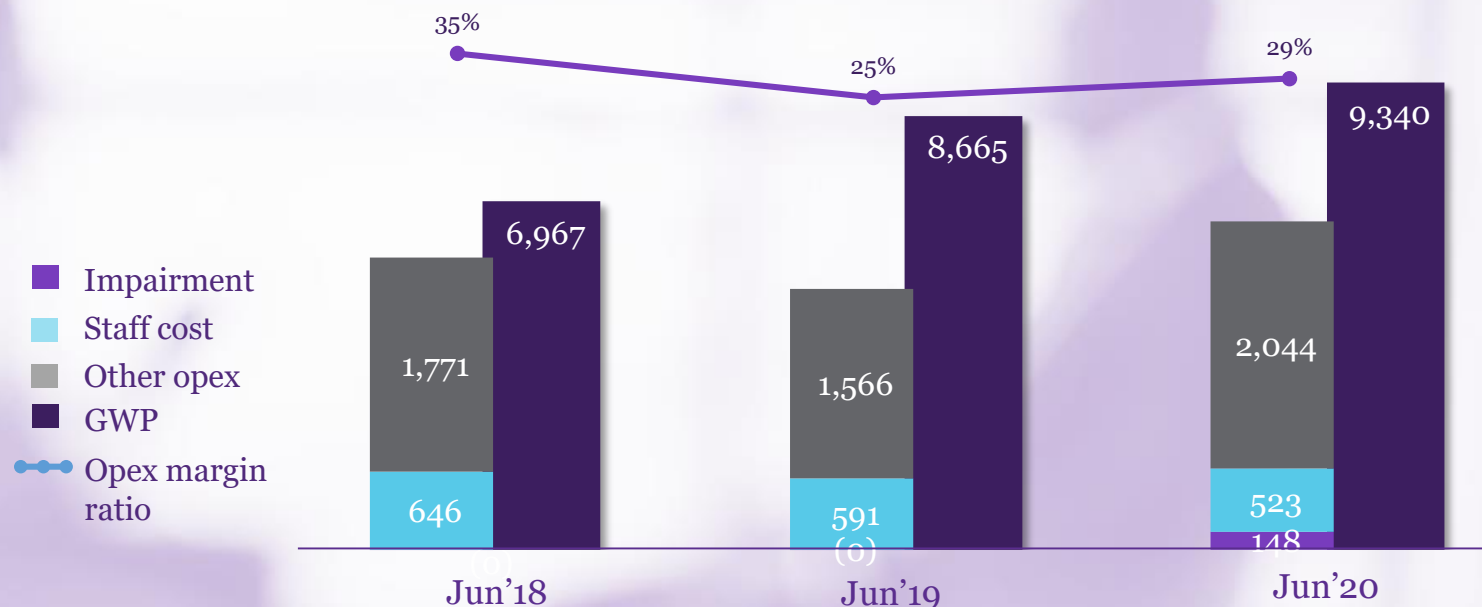
Underwriting exp. ratio: (Underwriting expense less Fees and Commission) / Net Premium Income



NGN million

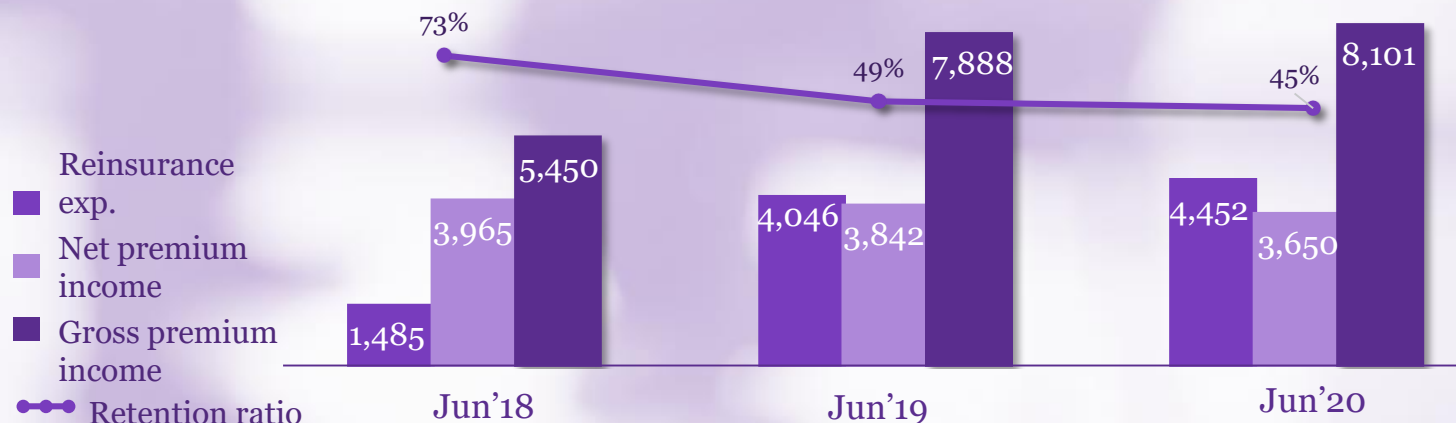
Operating expenses

- Total operating expenses for the company witnessed a 26% YoY growth within the period. Across key components, staff cost declined by 12% y/y, while other opex had a 25% increase. The implementation of some transformation initiatives was a key driver.
- The operating expense margin ratio was relatively flat at 29% in Jun'19, a slight growth from the prior period's position.



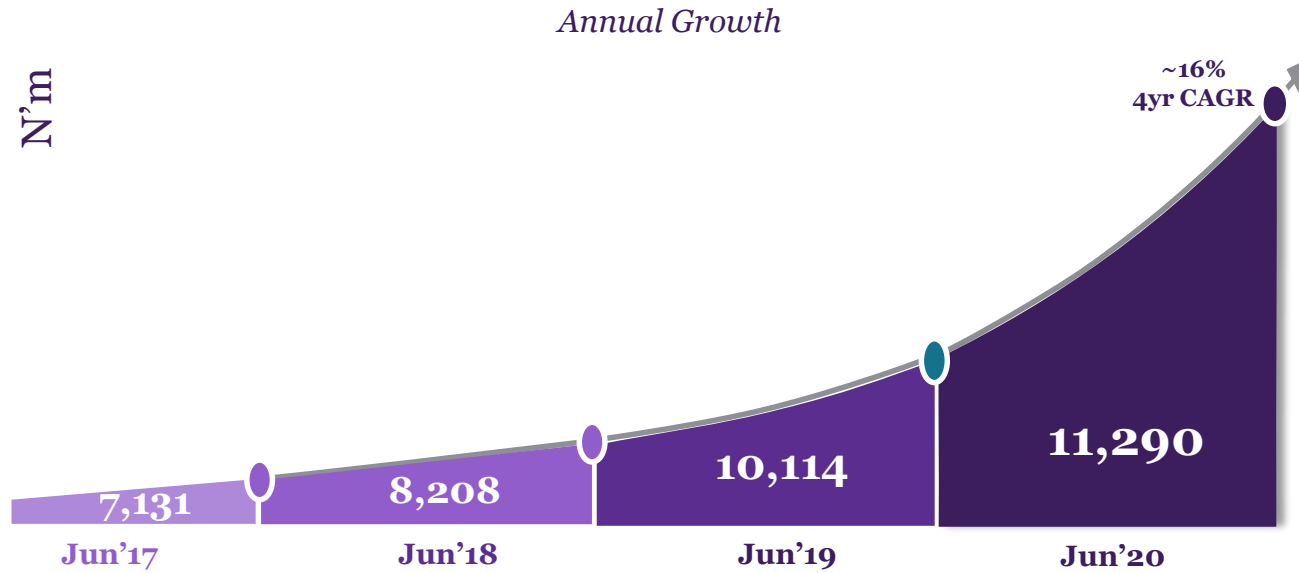
Reinsurance expenses

- Reinsurance expenses grew YoY by 10% to N4.5bn (Jun'19: N4bn). This pushed the retention ratio downward by four notches to 45% at the end of the review period.
- In line with our retention plan, the ceded premiums on big ticket transactions written during the period were major contributors to the growth in reinsurance expense.



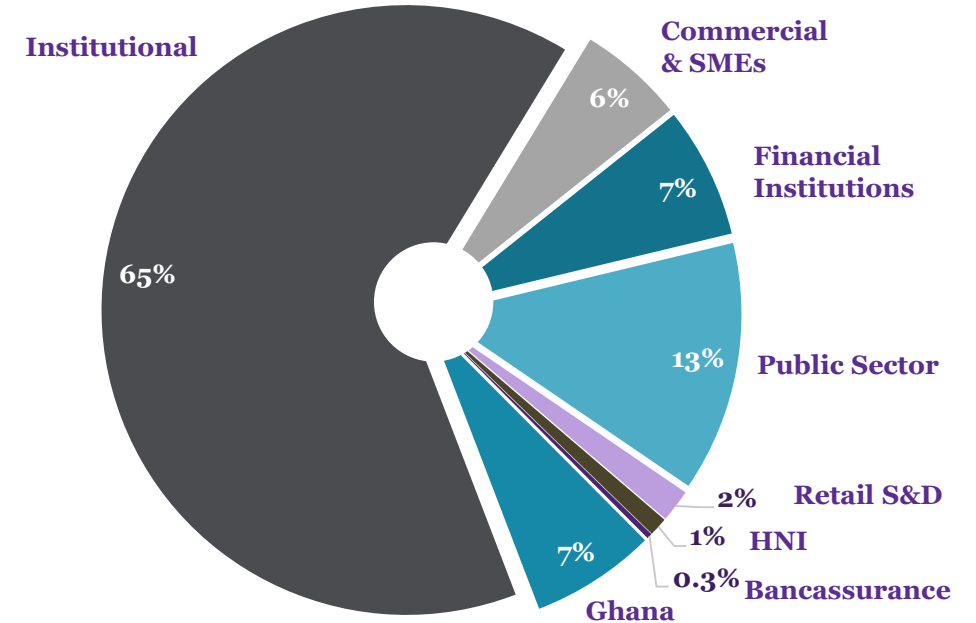


Group Total
Income



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

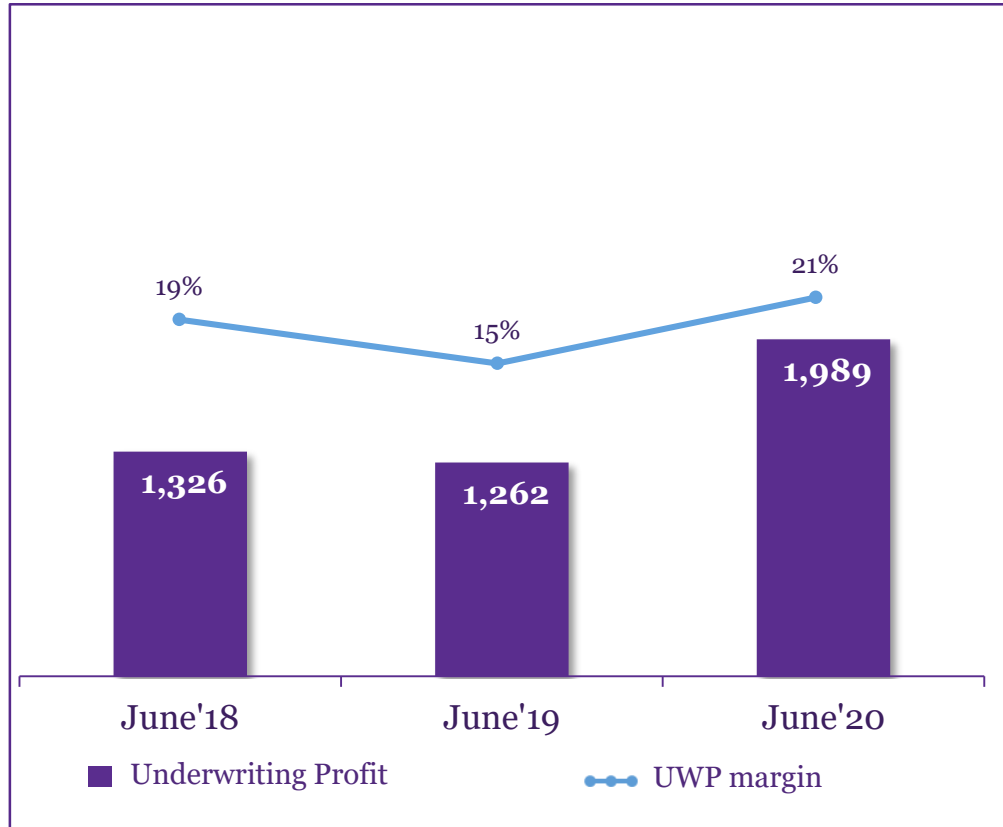
GWP contribution
by Business Groups



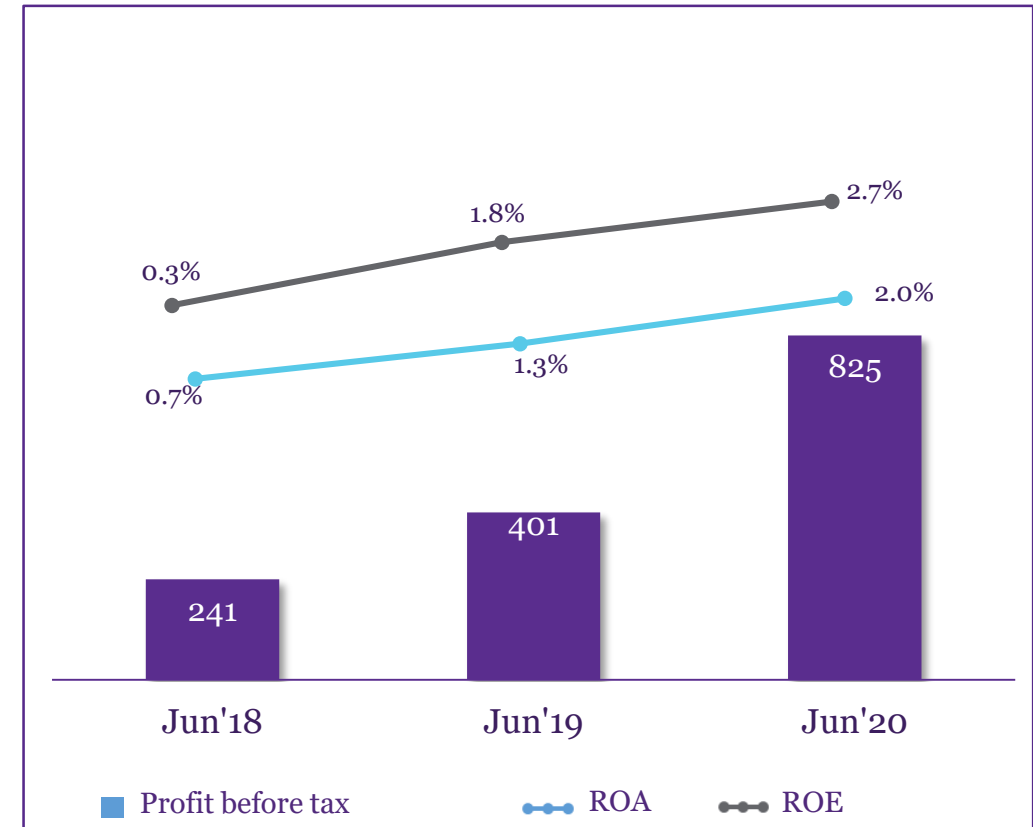
- We recorded a 12% y/y growth in total income for the period and a 4-yr CAGR of 16% from Jun'17 to Jun'20. (Total Income: N11.29bn comprising 83% in premium income and 17% in non-premium income)
- The Institutional business group maintained the highest GWP share at 65%. Other groups, Public Sector, Financial Institutions and Commercial had 13%, 7% and 6% respective contributions.
- Our Bancassurance model is currently being refined as we plan to deliver unrivaled Bancassurance experience to our customers.
- The Ghanaian subsidiary had a 7% respective contribution in GWP to the Group's revenue position.



N'm Underwriting profit



Profit before tax N'm



- Underwriting profit margin ratio moved up six notches to 21%, from the prior year's position of 15% following the 58% growth in underwriting profit for the review period.
- PBT recorded a commendable year on year growth at 105% to close the period at N825m from. This was supported by the underwriting profit position in addition to share of profit of the associate company CMB.
- The PBT position positively impacted the ROA and ROE recorded for the period at 2% and 3% respectively.

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04 ASSETS UNDER MANAGEMENT



Statement of financial position



NGN million		HY'20	FY'19	%Δ
Cash and cash equivalents		2,777	1,152	+141
Financial assets		14,453	9,069	+59
Reinsurance assets		4,341	3,181	+36
Trade receivables		838	60	+1296
Other receivables & Prepayment		178	1,515	-88
Investment property		197	255	-22
Investment in associate		10,485	9,754	+8
Fixed assets and intangibles		3,778	3,943	-4
Other assets		2,067	1,816	+14
Total assets		40,646	30,746	+32
Insurance contract liabilities		11,278	8,699	+30
Investment contract liabilities		1,240	1,256	-1
Trade payables		2,143	298	+620
Provisions & other payables		1,423	1,679	-15
Lease liability		118	103	+15
Current income tax liabilities		292	192	+52
Total liabilities		16,494	12,226	+35
Equity		24,151	18,520	+30
Total equity & liabilities		40,646	30,746	+32

Highlights

- Cash and cash equivalents increased by 141% from the year end 2019 position to N2.8bn (FY:19 N1.2bn). Increases recorded in this asset class was a majorly a result of premium inflows towards the end of the period.
- The increase witnessed in financial assets is largely attributable to the proceeds from the successful rights issues received during the year which are currently invested in these securities. Financial assets grew by 59% from FY'19 to close at N9.1bn.
- Trade receivables made up of outstanding premiums on broker-related businesses showed a major percentage increase from the FY'19 position to close at N838m as at Jun'20. A significant portion of this balances came in at the tail-end of the review period. All balances are adequately backed by a 30day credit note.
- The 620% increase in trade payables position is due to reinsurance obligations, the company will be taking advantage of 90 day payment window to better manage our cash flow.
- Insurance contract liabilities increased by 30% for the period. The adequacy of these reserves are regularly assessed to ensure the company maintains sufficient capacity to settle claims.
- Total assets and shareholders' funds grew by a 32% and 30% respectively as at the end of the period.

Note

Other Assets= Deferred acquisition cost+ Deferred Tax asset +Statutory Deposits

Fixed Assets & intangibles= Property, plant & equipment + Intangible Assets

FVOCI: Fair Value Through Other Comprehensive Income

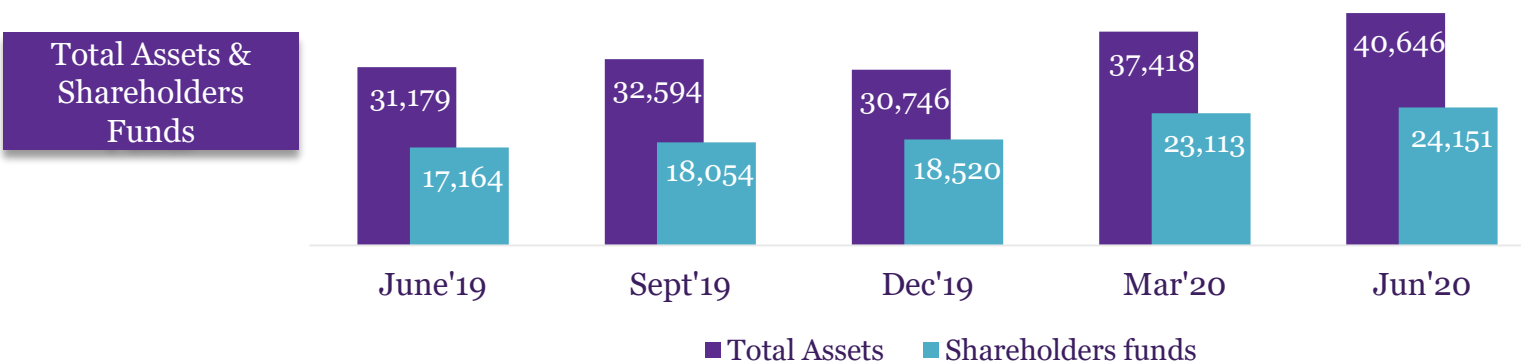
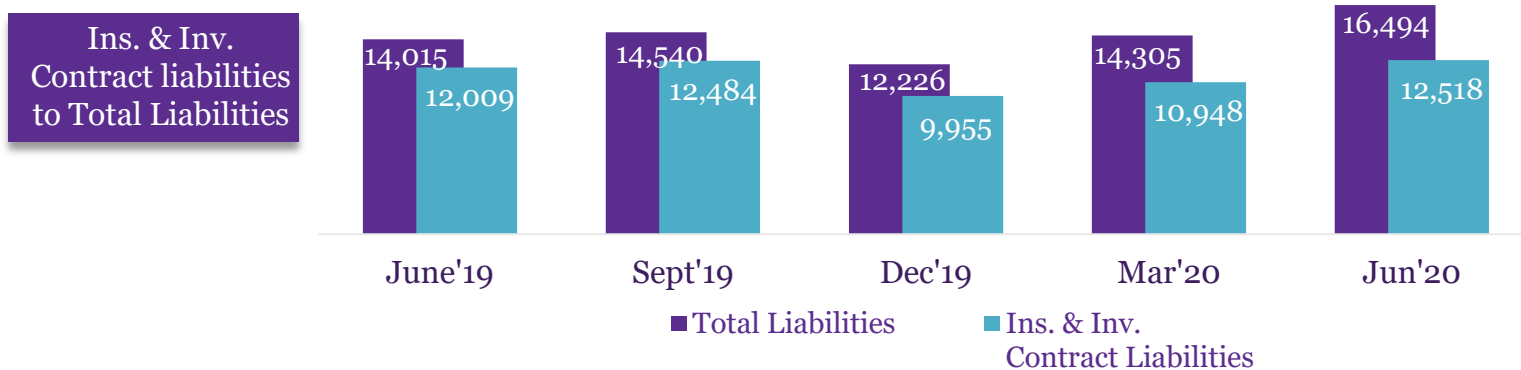
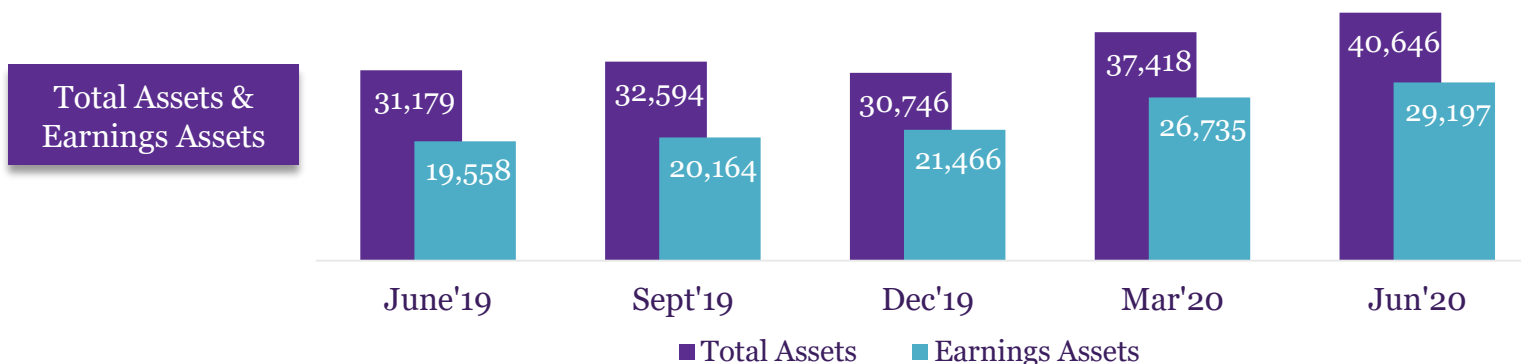
AC: Amortised Cost

RISK INSURED REST ASSURED

Highlights of financial position



NGN million



Highlights

- Earnings assets to total assets ratio grew slightly by 5% from Dec'19 to close at 72% as at HY'20. The growth in financial assets within the period was a major driver.
- Total Asset grew by 32% to N40.6bn (FY'19: N30.7bn) driven largely by the growth in financial assets following funds inflow from the rights issue during the period.
- Insurance and investment contract liabilities made up a 76% proportion of the total liabilities for the period and grew 26% from FY'19. This further impacted the total liabilities position which grew by 35% from the prior year end.
- Shareholders' Funds grew by 30% from the Dec'19 position to N24bn for the period. The ratio of shareholders' funds to total assets for the period closed at 59%.

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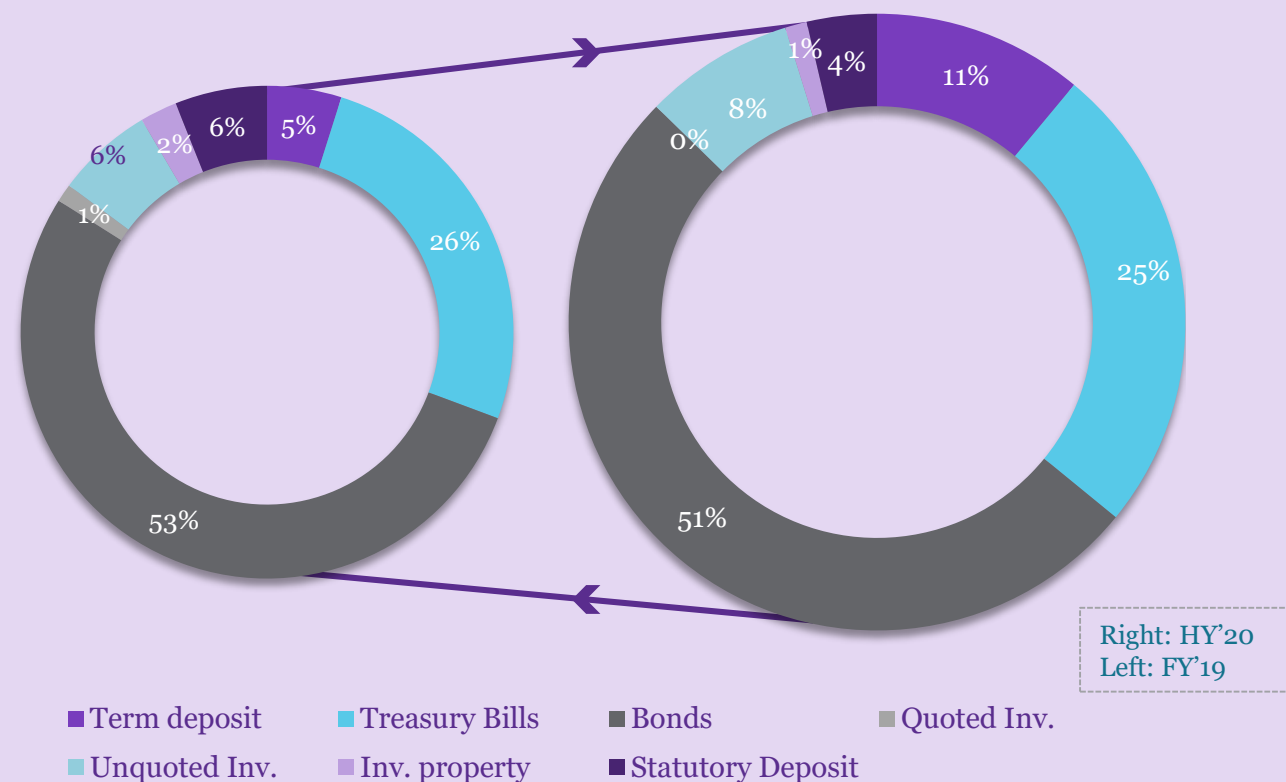
03 FINANCIAL POSITION REVIEW

04 ASSETS UNDER MANAGEMENT





N'm	HY'20	FY'19
Term Deposits	1,906	511
Treasury Bills	4,293	2,701
Bonds	8,872	5,576
Quoted Investments	0.02	124
Unquoted Investments	1,361	668
Investment Property	197	255
Statutory Deposit	633	633
Total	17,263	10,468



- Investments in Bonds had a growth of 59% to close at N8.9bn for the period following additional investments from premium inflows.
- The growths in term deposits and treasury bills are largely attributable to the increase in underwriting portfolio and additional investment of the company's rights issue proceeds during the year.
- Quoted investments declined by a 100%, a reflection of portfolio rebalancing into other asset categories for higher returns.
- Investment property recorded a 22% decline as at Jun'20. Our strategy is to fully exit the legacy properties with more focus on investments with higher yields.
- Total AUM grew by 65% year on year, on the back of positive effects of the additional capital raised through rights issue proceeds, exchange gain on dollar assets and increased investments from premiums inflows during the period.



FINANCIAL	<ul style="list-style-type: none"> ▪ We are relentless in delivering our strategic targets for the next five years. We remain focused on our GWP growth drive this year in line with our revised growth expectations following the impact of the global pandemic on insurance operations. ▪ We would continue to optimize efficiency and flexibility in our underwriting operations through business process automation across service levels. ▪ With the success of our digital transformation, we would constructively harness the opportunities that abound during this period with the aid of technology.
OPERATIONAL	<ul style="list-style-type: none"> ▪ We would continue the enforcement of all preventive measures as contained in our business continuity plan in response to the COVID'19 pandemic. So far, we have zero cases in Wapic. ▪ We continue to drive the implementation of the group's digital strategy including digital marketing, channels management and data analytics & intelligence. ▪ Our Transformation program remains a key enabler for delivering our 5-year growth strategy. We have 14 business projects that have been prioritized for delivery in the year 2020.
SALES	<ul style="list-style-type: none"> ▪ We are currently fine tuning the financial, business and operating model of our bancassurance partnership. We are well on the way to deliver unrivalled bancassurance experience to customers. ▪ We would continue the expansion of our agency sales structure country-wide, solidifying our direct sales business strategy for topline growth. ▪ We will continue to deepen our insurance services into the commercial and SME space, thereby, further diversifying our market share and earning base. We will also further consolidate our drive for leadership status within the large corporate space.
PEOPLE	<ul style="list-style-type: none"> ▪ Our new set of trainees are currently undergoing a four months job rotation period (2 phases of 8 weeks each) to have a vast understanding of the organisation, broaden their skill set and align competencies with organisational requirements among others. ▪ We are committed to becoming a great place to work, building future champions, transforming economies and investing in our communities. ▪ We would continue to engage and inspire our staff to become high performers with high potential - having the right people in the right jobs, rewarding and developing them well.



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Q&A

Thank You



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