



# EXPLANATORY STATEMENT

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*If you have sold or otherwise transferred all your shares in AXA Mansard Insurance Plc (“AXA Mansard”), please give this document and the accompanying proxy forms to the purchaser or transferee or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee whose name is duly entered into the register of members of AXA Mansard. In the alternative, kindly return this document to the Registrars – DataMax Registrars Limited at 2C Gbagada - Oworonshoki Express Way, Gbagada, Lagos.*

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## **EXPLANATORY STATEMENT ON THE PROPOSED INCREASE IN SHARE CAPITAL, BONUS ISSUANCE, AND SHARE RECONSTRUCTION FOR AXA MANSARD INSURANCE PLC**

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*The notice convening the Extraordinary General Meeting (“EGM”) of the shareholders of AXA Mansard is attached to this circular. To be valid, the Proxy Form must be completed, signed and duly stamped by the Commissioner of Stamp Duties, Federal Inland Revenue Services, where applicable (together with the powers of attorney or other authority, if any, under which it is signed and in accordance with the instructions printed thereon) and must be returned to the Registrar of AXA Mansard, not later than 48 hours before the time set for the meeting.*

### **EXPLANATORY NOTE TO SHAREHOLDERS OF AXA MANSARD INSURANCE PLC (“AXA MANSARD”) ON MATTERS TO BE DISCUSSED AT THE EXTRA-ORDINARY GENERAL MEETING ON 7TH DECEMBER 2020, IN RESPECT OF THE PROPOSED INCREASE IN SHARE CAPITAL AND BONUS ISSUANCE OF SHARES; AND THE SHARE RECONSTRUCTION/ REDENOMINATION OF ITS NOMINAL SHARE VALUE**

This Explanatory Statement has been prepared to provide information to all the shareholders of AXA Mansard Insurance Plc (“AXA Mansard” or “Company”), in respect of the Special Business to be considered at the Extra-Ordinary General Meeting that has been convened for Monday, 07 December 2020 as indicated in the attached Notice of Extra-Ordinary General Meeting. This Explanatory Memorandum should be read in conjunction with the accompanying Notice convening the Extraordinary General Meeting.

#### **1. INTRODUCTION**

As you are aware, the National Insurance Commission (“NAICOM”) by a circular dated 20 May 2019, introduced new capital requirements for insurance companies in Nigeria, with a deadline of 30 June 2020. This was followed by another circular dated 30 December 2019, extending the deadline for the

recapitalisation to 31 December 2020.

Following the incidence of the COVID-19 pandemic, NAICOM carried out another revision of the recapitalisation deadline, with a decision to segment and extend the recapitalisation process into two phases as follows:

Phase 1 – 50% of the Minimum capital for insurance companies must be met by 31<sup>st</sup> December 2020; and

Phase 2 – all insurance companies to comply with the approved minimum paid-up capital not later than 30 September 2021.

Please see summary table on segmentation and timelines for recapitalisation below.

	Existing Minimum Paid Up Capital	Minimum PaidUp Capital by 31st December 2020 (Phase 1)	Minimum PaidUp Capital by 30th September 2021 (Phase 2)
Life	N 2.0 bn	N 4.0 bn	N 8.0 bn
General	N 3.0 bn	N 5.0 bn	N 10.0 bn
Composite	N 5.0 bn	N 9.0 bn	N 18.0 bn
Reinsurance	N 10.0 bn	N 12.0 bn	N 20.0 bn

## 2. AXA MANSARD'S CURRENT CAPITALISATION LEVEL

In line with the NAICOM definition, the components of minimum paid-up capital, include

- a. Existing paid-up share capital;
- b. Cash payment for new shares;
- c. Retained earnings (capitalised);
- d. Payment in kind (e.g. properties, T-Bills, Shares, Bonds) for new shares issued, which must be converted to cash not later than three (3) months to the recapitalisation deadline; and
- e. Share premium (capitalised).

AXA Mansard's paid-up capital as at its December 2019 audited accounts is N5.25bn (see audited balance sheet as at 31 December 2019 below), and the Company will be securing an additional N12.75bn to meet the new capital requirement of N18bn for composite insurance companies.

**Consolidated Statement of Financial Position as at 31 December 2019**

<b>ASSETS</b>	
Cash and cash equivalents	16,133,274
<i>Investment securities:</i>	
– Fair value through profit or loss	5,302,005
– Available-for-sale assets	22,032,646
Financial assets designated at fair value	4,154,695
Trade receivables	1,224,373
Reinsurance assets	8,895,612
Deferred acquisition cost	321,055
Other receivables	801,891
Loans and receivables	882,168
Investment property	1,350,000
Investment in subsidiaries	3,537,247
Intangible assets	215,450
Property and equipment	1,784,543
Right of use	462,082
Statutory deposit	500,000
<b>TOTAL ASSETS</b>	<b>67,597,041</b>
<b>LIABILITIES</b>	
Insurance liabilities	17,491,746
<i>Investment contract liabilities:</i>	
– At amortised cost	4,275,765
– Liabilities designated at fair value	4,154,695
Trade payables	16,478,545
Other liabilities	1,894,835
Current income tax liabilities	203,650
Borrowings	-
Deferred tax liability	-
<b>TOTAL LIABILITIES</b>	<b>44,499,236</b>
<b>EQUITY</b>	
Share capital	5,250,000
Share premium	4,443,453
Contingency reserve	4,270,458
Other reserves	2,652,077
Treasury shares	(304,924)
Fair value reserves	923,562
Retained earnings	5,863,179
<b>SHAREHOLDERS' FUNDS</b>	<b>23,097,805</b>
Total equity attributable to the owners of the parent	23,097,805
Non-controlling interest in equity	-
<b>TOTAL EQUITY</b>	<b>23,097,805</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>67,597,041</b>

### 3. AXA MANSARD STEPS TOWARDS RECAPITALISATION

We highlight that per the accounts above, AXA Mansard has enough reserves across retained earnings, share premium and other capital reserves to meet the regulatory capital requirements for composite insurers.

AXA Mansard plans to meet these requirements by implementing a plan (the “**Recapitalisation Plan**”) to:

- Effect the capitalisation of the relevant capital reserve balances including Share Premium, Retained Earnings and Other Reserves (“**Qualifying Reserves**”), as noted in the Proforma Recapitalisation table below. The table utilises the capital reserve balances from AXA Mansard's audited accounts as at 31 December 2019 and will enable the company satisfy the NAICOM capital requirements for composite insurance companies of N18 billion.

The Board of Directors, by a resolution dated 17 November 2020, approved the Recapitalisation Plan, for recommendation to the shareholders

#### PROFORMA RECAPITALISATION TABLE (USING 31 DECEMBER 2019 FINANCIALS)

Equity (N'000)	Pre-capitalisation	Reserves to be capitalised	Post-capitalisation
<b>Share capital</b>	<b>5,250,000</b> <sup>1</sup>	<b>12,750,000</b>	<b>18,000,000</b> <sup>2</sup>
Share premium	4,443,453	(4,443,453)	0
Contingency reserve	4,270,458	0	4,270,458
Other reserves	2,652,077	(2,500,000)	152,077
Treasury shares	-304,924	0	(304,924)
Fair value reserves	923,562	0	923,562
Retained earnings	5,863,179	(5,806,547)	56,632

Note 1: Per NAICOM's qualifying share capital as referenced section 2 above, AXA Mansard's current qualifying capital is N5.25bn

Note 2: Post-capitalisation and bonus issuance, qualifying share capital is N18bn

### 4. SHARE RECONSTRUCTION/REDENOMINATION OF NOMINAL SHARE VALUE

The capitalisation of the reserves (retained earnings, share premium and other reserves), to meet the paid-up capital requirements, via a bonus issue of shares as highlighted above, would result in an increase in AXA Mansard's outstanding shares from 10.5 billion to 36.0 billion shares, significantly increasing the number of shares outstanding for the company.

When the process of the capitalisation of reserves is completed, the increased number of shares outstanding will impact the per share metrics of AXA Mansard shares, including Earnings Per Share, amongst other metrics.

In order to proactively manage such an outcome, AXA Mansard is proposing a redenomination of the nominal share value of the AXA Mansard shares from N0.50, to N2.00.

## **PROFORMA RECONSTRUCTION ANALYSIS**

<b>PRE-SHARE RECONSTRUCTION</b>			
A	Current share capital	5,250,000,000	N
B	Nominal value pre -construction	0.50	N
<b>C</b>	<b>Existing shares outstanding</b>	<b>10,500,000,000</b>	<b>Units</b>
<b>PROFORMA: POST RECAPITALISATION PRE -SHARE RECONSTRUCTION</b>			
A	Post reconstruction share capital	18,000,000,000	N
B	Nominal value pre -construction	0.50	N
<b>C</b>	<b>Post-reconstruction shares outstanding</b>	<b>36,000,000,000</b>	<b>Units</b>
<b>PROFORMA : POST RECAPITALISATION POST -SHARE RECONSTRUCTION</b>			
A	Post reconstruction share capital	18,000,000,000	N
B	Nominal value post -reconstruction (N0.50 to N2.00 or 4 for each 1)	2.00	N
<b>C</b>	<b>Post-reconstruction shares outstanding</b>	<b>9,000,000,000</b>	<b>Units</b>

### **BENEFITS OF THE SHARE RECONSTRUCTION:**

The share reconstruction would help your company achieve the following:

- 1. Reduce the number of shares outstanding:** If the recapitalisation process earlier highlighted is concluded without a share reconstruction, the total number of shares outstanding for AXA Mansard, post recapitalisation to N18 billion, would be 36 billion shares (at a nominal share value of N0.50). If the proposed share reconstruction is implemented, AXA Mansard will have 9 billion shares outstanding (at a nominal value of N2.00 each).
- 2. Reduce costs:** This would also help to reduce the qualitative and quantitative costs of managing a larger shareholder register
- 3. Capacity to raise additional capital:** Having a relatively large number of shares outstanding impedes a company's ability to issue bonus shares or raise additional capital.

### **TREATMENT OF SHARES POST SHARE RECONSTRUCTION:**

All shares shall continue to rank equally in all respects and shall continue to form a single class of ordinary issued shares of AXA Mansard. The Share Reconstruction will not result in any change to the substantive rights and obligations of existing shareholders.

The Board of Directors, by a resolution dated 17 November 2020, approved the Reconstruction, for recommendation to the shareholders.

#### **5. NEXT STEPS – IMPLEMENTATION OF AXA MANSARD RECAPITALISATION**

In order to commence the implementation of the Recapitalisation plan, the resolutions to be approved by shareholders have been clearly presented in the Notice of the EGM for your approval. Upon your approval of the resolutions, the following will be effected:

- The issued share capital of the company will be increased to N18 billion, to provide sufficient headroom for the proposed capitalisation of the Qualifying Reserves.
- N12.75 billion of the Company's qualifying capital reserves balance as at 31 December 2019 will be capitalised, through the issuance of bonus shares to all existing shareholders, in the ratio of 17 new shares for every 7 previously held.
- The nominal share value of AXA Mansard shares will be reconstructed from N0.50 to N2.00, resulting in a

consolidation of every 4 shares outstanding into 1 share.

## **6. PROCESS AND TIMELINE**

At the EGM scheduled for Monday, 07 December 2020 the shareholders will consider and, if thought fit approve the resolutions required to implement the capitalisation of reserves, increase in share capital, bonus issuance and the share reconstruction.

The required notifications will be made to the Nigerian Stock Exchange, Corporate Affairs Commission, the Financial Reporting Council of Nigeria and the Securities and Exchange Commission.

Following the receipt of the relevant approvals, the bonus shares will be credited to the CSCS accounts of shareholders, by the Registrars.

## **7. BOARD RECOMMENDATION**

The Directors unanimously recommend that shareholders vote in favour of the proposed resolutions for the reasons outlined in this Explanatory Memorandum.