



FIRST MUTUAL PARK

FIRST MUTUAL HOLDINGS LIMITED
FINANCIAL RESULTS PRESENTATION FOR THE YEAR ENDED
31 DECEMBER 2019

FIRST MUTUAL
HOLDINGS LIMITED
Go Beyond

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Outline of Presentation



Economic Overview – Zimbabwe
Economic Overview – Botswana
Economic Overview – Impact on FMHL Operations



Consolidated Financial Highlights
Unconsolidated SBU Performance Highlights



Functional & Presentation Currency
Audited Consolidated Financial Results
Dividend & Going Concern
Outlook & Priorities

Economic Overview – Zimbabwe

Real GDP growth (%)	2018	2019
World	3.6	2.9
Emerging markets	4.5	3.7
Sub-Saharan Africa	3.2	3.3
Botswana	4.5	3.5
China	6.6	6.1
Malawi	3.2	4.5
Mozambique	3.3	1.8
South Africa	0.8	0.4
Zimbabwe (IMF)	3.5	-8.3
Zimbabwe (WB)	0.5	-6.8
Zimbabwe (MoF)	4.0	-7.0

Source: IMF WEO April 2020 Update, World Bank October 2019 & Ministry of Finance

Estimated 2019 GDP decline of 7.0% (2018: 4.0%) driven by:

- ✓ Lower Agriculture output due to drought and Cyclone Idai
- ✓ Lower mining output due to power shortages despite recovery of prices
- ✓ Foreign currency shortages

Economic Overview - Zimbabwe

- ❑ Y-o-Y Inflation was 521% as at 31 December 2019 (FY2018: 42%) mainly driven by exchange rate depreciation and the alignment of fuel and electricity prices to the exchange rate
- ❑ Average return on money market investments stood at 6% (FY 2018: 3%) compared to average annual inflation of 237.2%.
- ❑ The interbank exchange rate as at 31 December 2019 was USD1:ZWL16.77, and 85% depreciation since the removal of ZWL:USD parity in February 2019.
- ❑ ZSE All Share Index returned 57% (FY2018: 51%), the sub-inflationary attributed to
 - ✓ Diminished foreign investor participation
 - ✓ Declining volume performance by some major listed entities

Economic Overview - Botswana

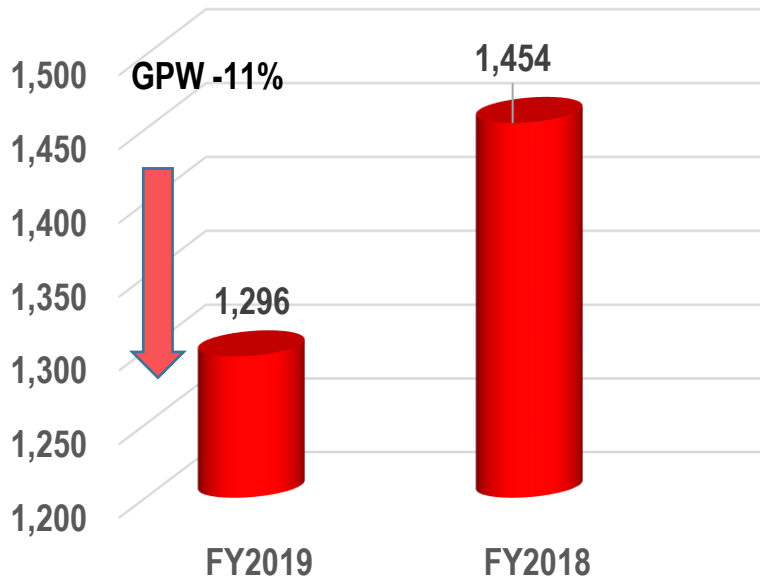
- ❑ The IMF estimates Botswana's GDP at 3.5% in 2019 (2018: 4.5%)
- ❑ The outlook for price stability remains positive as inflation is forecast to be within the 3% to 6% objective range in the medium term. Bank rate was maintained at 5%
- ❑ Year-on-Year Inflation was 2.2% as at December 2019 (FY2018: 3.5%)
- ❑ Overall, the economy is expected to operate close to, but below full capacity in the medium term.

Economic Overview – Impact on FMHL Operations

- ❑ Increase in ZWL revenue particularly for short term insurance business
 - ✓ Revision of sums insured
 - ✓ Some clients initially migrated to USD policies – repealed by SI142 in June 2019
- ❑ Increase in costs driven by inflation as a result of depreciating currency
 - ✓ Claims for short-term insurance business
 - ✓ Administration expenses
- ❑ Whilst expenses grew in line with inflation, some Group companies were not able to adjust revenue at the same pace – Life assurance (Basic salaries increases have generally not matched inflation)
- ❑ Delays in discharging foreign obligations – Legacy obligations
 - ✓ Exchange losses having negative impact on operating profitability
- ❑ Loss of value on monetary prescribed assets and other monetary assets required for regulatory compliance – Returns averaging 6% versus an inflation rate of 521% as at 31 December 2019

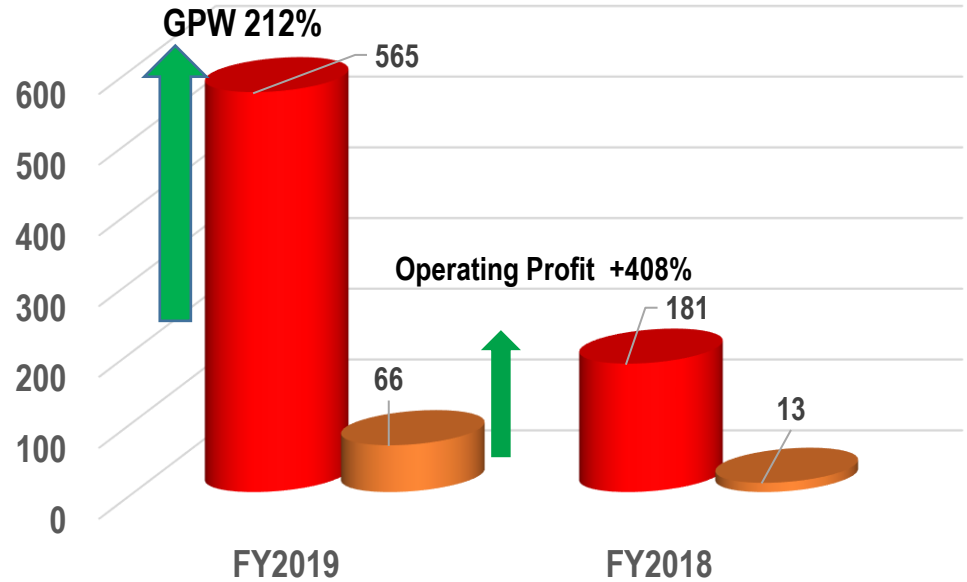
Financial Highlights – Consolidated

Inflation Adjusted \$m



■ GPW \$million

Historical in \$m



■ GPW \$m ■ Oper Profit \$m

Consolidated Financial Highlights

	Inflation Adjusted (\$m)			Historical (\$m)		
	FY2019	FY2018	Change	FY2019	FY2018	Change
Contribution to GWP						
Gross Premium Written	1,295	1,454	-11%	565	181	212%
Pensions and savings business	101	224	-55%	44	28	57%
Life assurance	46	126	-63%	20	16	25%
Health insurance	306	506	-40%	134	63	113%
Property and Casualty	842	598	41%	367	74	396%
Profit before income tax	416	(167)	149%	933	25	3,632%
Profit after income tax	28	(213)	113%	658	18	3,556%
BEPS (cents)	(10.72)	(33.13)	66%	48.36	2.34	1,967%
Total Assets	2,405	2,447	-2%	2,308	392	489%
Cash flow from operating activities	92	334	-41%	190	28	579%

Group Consolidated KPIs

Key Performance Indicators	2019	2018	2017	2016
Staff costs to income ratio	13.6%	13.0%	12.9%	13.5%
Other Admin costs to income ratio	14.4%	10.8%	10.3%	9.2%
Total Admin costs to income ratio	28.0%	23.8%	23.2%	22.7%
Operating profit margin	13.2%	8.0%	9.4%	9.2%

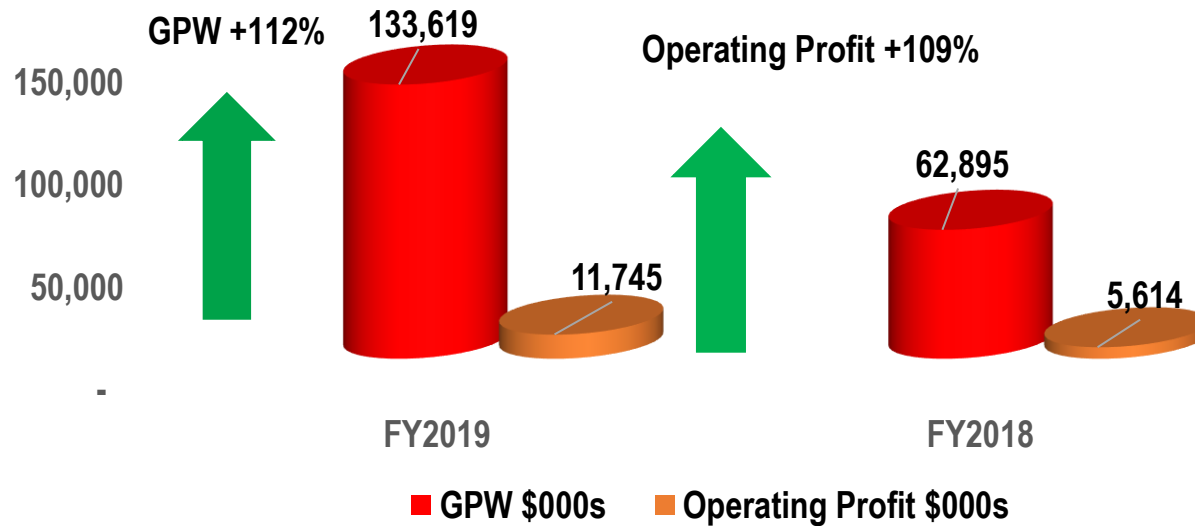
Despite economic challenges, the Group has maintained KPIs owing to:

- ✓ Some success in aligning revenue and expense growth
- ✓ Service excellence and product innovation
- ✓ Strengthening regional footprint and USD earnings for some local business

Creating value through
**Risk Management,
Wealth Creation and
Wealth Management**

Unconsolidated SBU Performance Highlights (Historical)

First Mutual Health Highlights

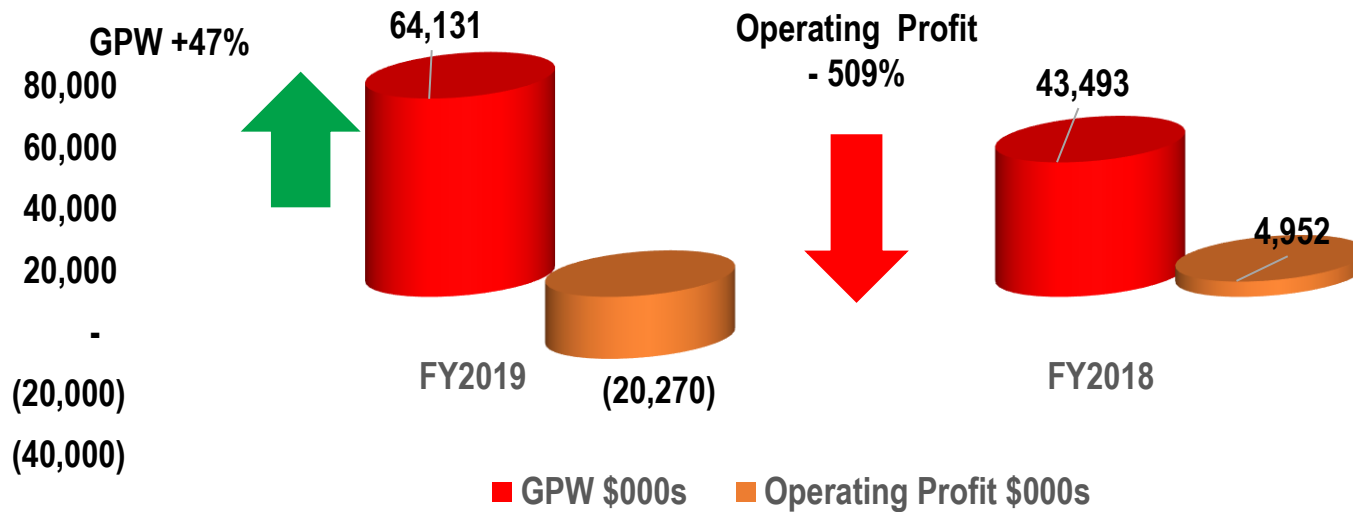


Key Performance Indicator	FY2019	FY2018	% change
Membership	144,255	135,999	6%
Claims ratio	83%	78%	5%
Admin cost to income ratio	19%	12%	7%
Combined ratio	101%	90%	11%
Operating profit margin	21.4%	8.9%	12.5%

First Mutual Health Review

- GPW went up by 112% to ZW\$133.6 million (FY2018: ZW\$62.9 million) driven by price adjustments, organic growth on corporate clients and acquisition of new business
- Claims ratio increased on account of upward reviews in reimbursement tariffs levels and drug prices.
- Membership increased by 6% to 144,000 despite subdued incomes due to adverse economic conditions reflecting market confidence in the product offering
- The company continues to roll out the bio-metric system countrywide to improve customer convenience and enhance efficiency of claims processing and settlement

First Mutual Life Highlights

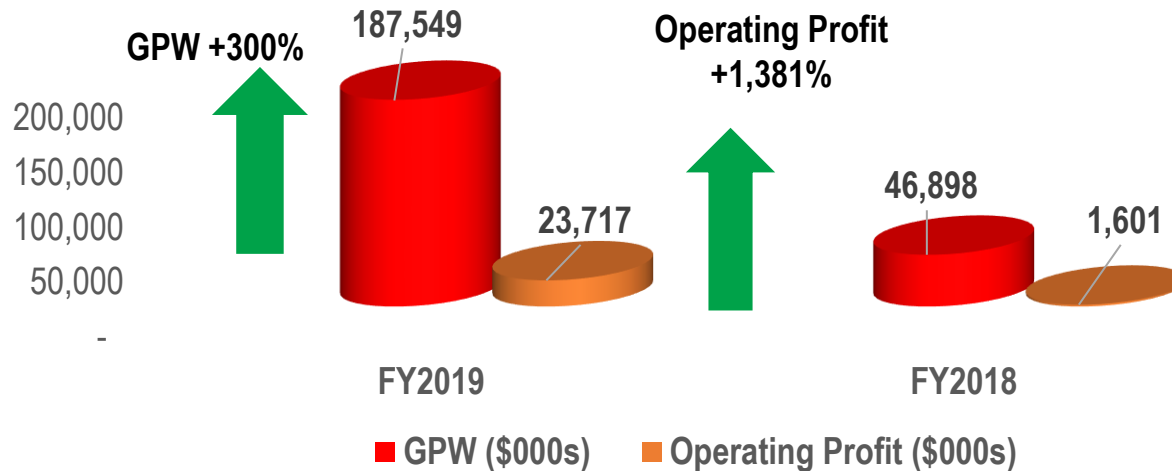


Key Performance Indicators	FY2019	FY2018	% Change
Claims Ratio- Risk Business	22%	27%	5%
Claims Ratio- Savings Business	40%	40%	0%
Commission ratio	4%	4%	0%
Admin expenses to income ratio	84%	52%	32%
Combined ratio	122%	83%	39%
Operating profit margin	-37.9%	11.4%	-49.3%

First Mutual Life Review

- Total GPW was up by 47% to \$64.1 million (FY:2018 - \$43.5 million) driven by growth in Savings Business
- The growth is significantly below inflation reflecting the lag in the adjustment of salaries with employers preferring to pay non-pensionable allowances to cushion against inflation
- **Pensions & Savings – Policyholder (PH)**
 - ✓ GPW at \$44 million was 58% higher than prior year attributed to single premium and pensions business.
- **Life assurance – Shareholder (SH)**
 - ✓ GPW at \$20.2 million was 29% above prior year attributed to the GLA premiums premised on basic salary adjustment albeit lagging behind inflation.
 - ✓ Time lag in adjusting the FCP and e-FML product policy covers to match inflation.
 - ✓ The claims ratio was declined to 22% compared to last year mainly due lower claims ratios across all product lines and decrease in claims incidences.

NicozDiamond Highlights

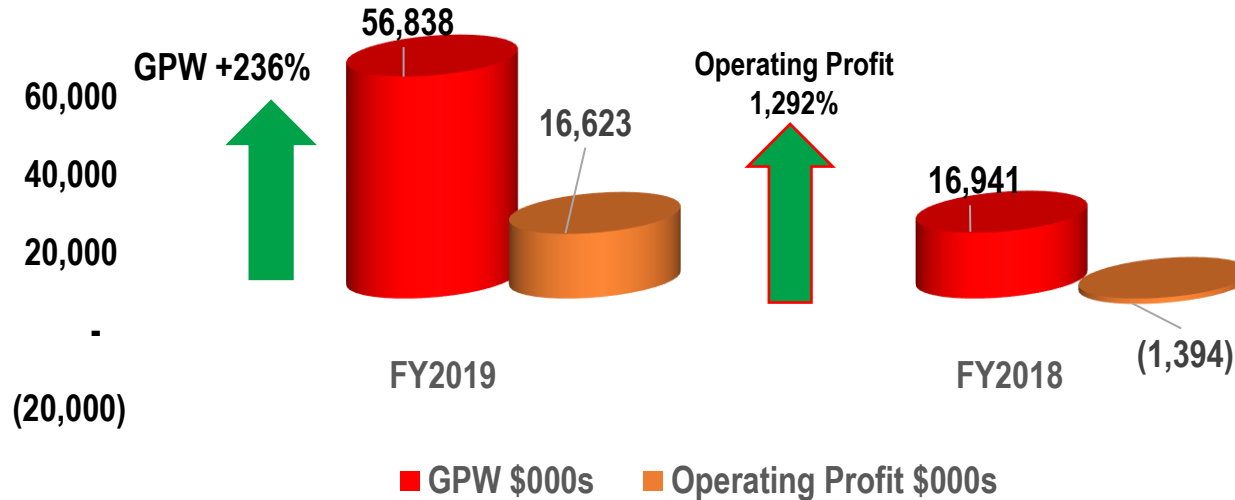


Key Performance Indicators	FY2019	FY2018	% Change
Claims ratio	46%	51%	-5%
Commission ratio	-1%	9%	-10%
Admin expense ratio	31%	31%	0%
Combined ratio	76%	91%	-15%
Operating profit margin	19.5%	3.4%	16.1%

NicozDiamond Review

- GPW growth of 300% (compared to average Year-on-Year inflation of 237%), to \$187.5 million (HY2018: \$46.9 million) due to:
 - ✓ Quarterly revision of sums insured, particularly on the motor class
 - ✓ USD business converted to ZWL using official interbank exchange rates
 - ✓ Client retention
- Commission ratio declined due to significant inward commission earned on USD business which was mainly fronted.
- Claims ratio was lower at 46% (FY2018: 51%) owing to slower growth in claims than in premiums
- In absolute terms claims were higher than prior year on account of weakening local exchange rate and therefore pass through effect on average cost per claim
- Operations of TristarInsurance were merged into NicozDiamond effective 1 January 2019

First Mutual Reinsurance Highlights

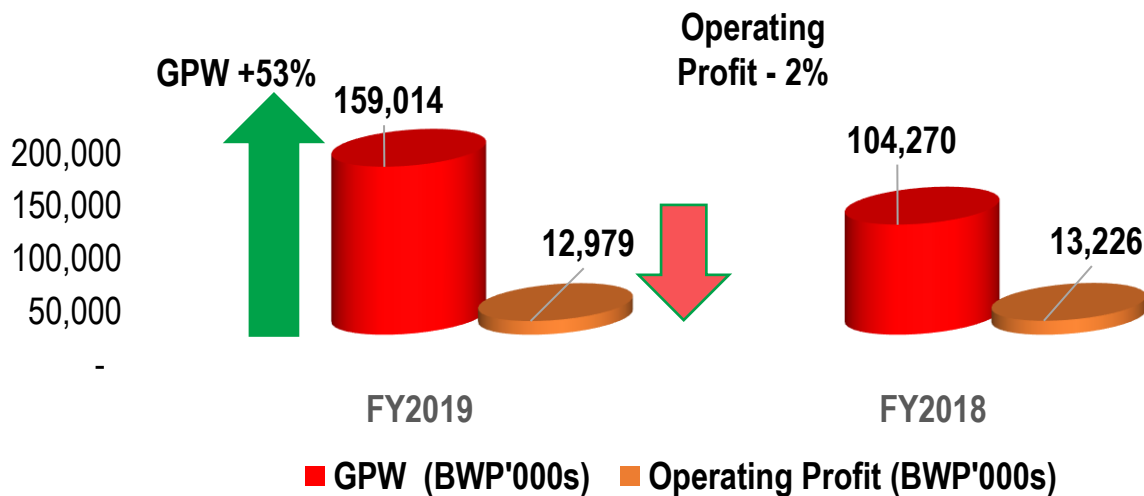


Key Performance Indicators	FY2019	FY2018	% Change
Claims ratio	52%	59%	-12%
Commission ratio	17%	25%	-8%
Admin cost to income ratio	32%	23%	9%
Combined ratio	101%	107%	6%
Operating profit margin	72.0%	(8.2%)	80.2%

First Mutual Reinsurance Review

- GPW for the period was \$56.8 million (FY2018: \$16.9 million), a 236% increase due to:
 - ✓ Growth due to revision of sums insured
 - ✓ USD business converted to ZWL at interbank exchange rates up to June 2019
- Decline in regional business due to concerns about Zimbabwe's capacity to discharge foreign obligations and regional business diverted to FMRE Botswana
- Improvement in the claims ratio from 59% FY2018 to 52% FY2019, as a result of
 - ✓ Lower claims in agricultural class and less exposure to this sector
 - ✓ Higher net earned premium driven by USD business
 - ✓ Revaluation of sums assured

FMRE P&C Botswana Highlights



Key Performance Indicators	FY2019	FY2018	% Change
Claims ratio	41%	29%	12%
Commission ratio	28%	24%	4%
Admin cost to income ratio	14%	22%	8%
Combined ratio	83%	75%	8%
Operating profit margin	8.2%	12.7%	-4.5%

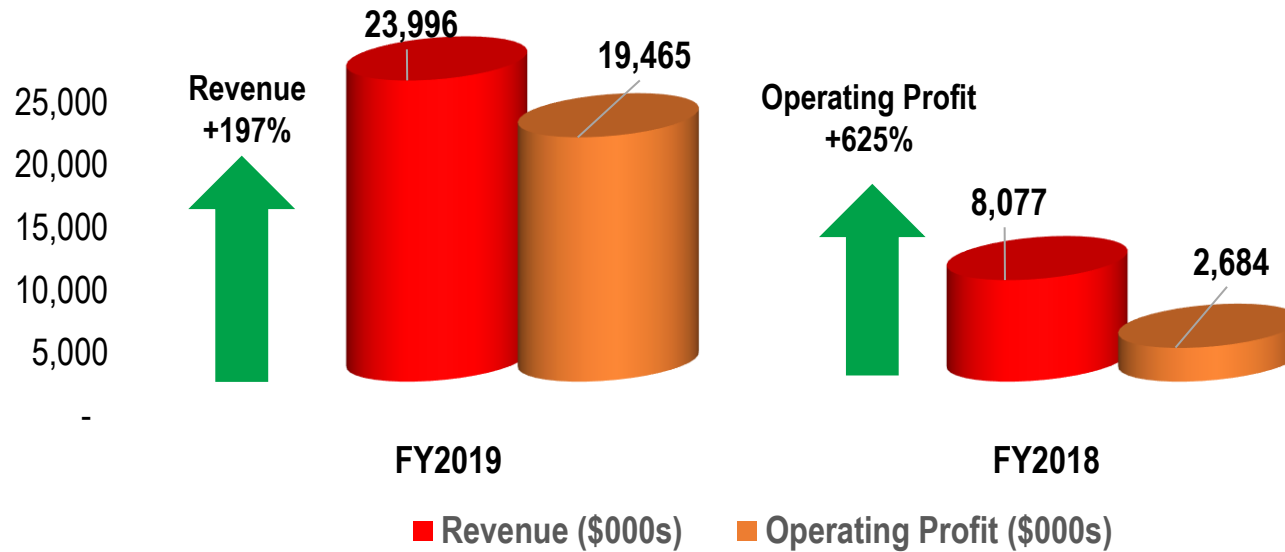
FMRE P&C Botswana Review

- The Botswana highlights and commentary reflected in BWP to facilitate like-for-like comparison
- 53% growth in GPW in BWP and 437% in ZWL driven by
 - ✓ Redirected business from Zimbabwe due to lack of capacity to write USD business by First Mutual Reinsurance Zimbabwe

Segment	FY2019 BWP000	FY2018 BWP000	% Growth
Local	69,779	46,598	50%
Regional	89,235	57,612	55%
Total	159,014	104,270	53%
Regional as % of total	56%	55%	

- Positive outturn in regional business driven by
 - ✓ business from Zimbabwe
 - ✓ New business from markets such Lesotho, South Africa and Namibia
- Local business grew by 50% attributed to new clients and organic growth from major clients
- Claims ratio at 41% was higher than 29% in prior year as business aligned to industry trends

First Mutual Properties Highlights

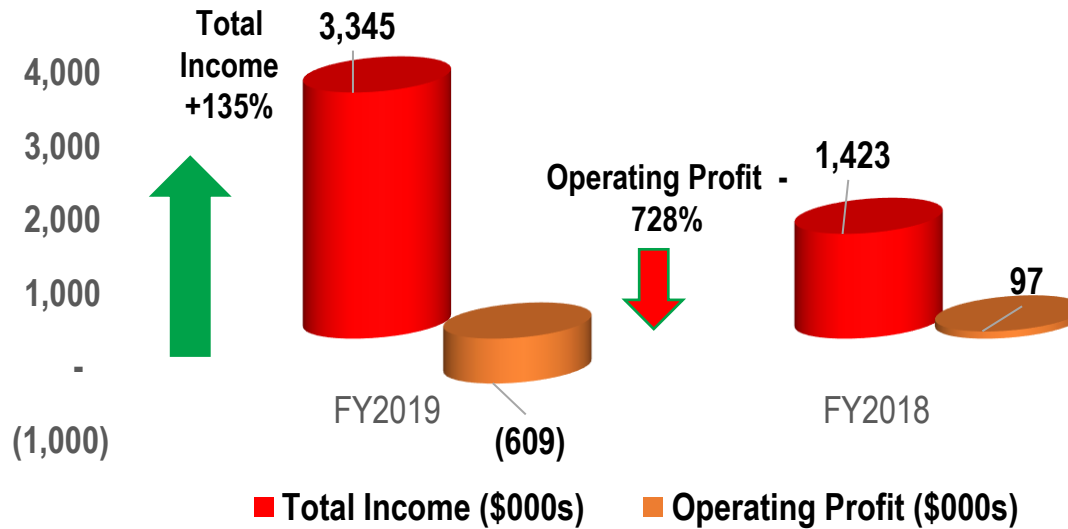


Key Performance Indicators	FY2019	FY2018	% Change
Admin expenses ratio	30%	45%	-15%
Operating profit margin	83.8%	55.0%	28.8%
Rental/square metre (ZW\$)	23.8	7.3	225%
Occupancy rate	86%	76%	10%

First Mutual Properties Commentary

- Revenue for the year increased by 197% to \$24.0 million (FY2018: \$8.01 million)
 - ✓ New lettings in high value space
 - ✓ Rental rate reviews effected on ZWL tenant base
 - ✓ Increased turnover based rentals in retail properties
 - ✓ USD rental income converted at interbank rate
(USD rentals 2019 – USD 1.13m vs 2018 rentals – USD1.3m)
- Occupancy level improved to 86% (FY2018: 76%) including increased occupancy in the CBD due to more reliable power supply
- Average rental/square metre increased to \$23.80 (FY2018: \$7.30) attributed to:
 - ✓ Benefits of creating and maintaining diversified property portfolio
 - ✓ Active asset management strategies to sustain performance in the challenging environment

First Mutual Wealth Highlights



Key Performance Indicators	FY2019	FY2018	% Change
Admin cost to income ratio	118%	93%	25%
Operating margin	-18%	7%	-25%

First Mutual Wealth Commentary....

- Increase in revenue by 135% attributed to increase in Funds Under Management (FUM) and marginal gains on stock market
- Cost to income ratio increased mainly due to the below inflation performance of some components of funds under management especially local quoted equities.
- During the year, the business made significant strides in attracting third-party funds and this trend is expected to continue

Consolidated Financial Results

for the year ended 31 December 2019



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Basis of presentation

- ❑ The Group changed its functional currency to ZWL effective 1 October 2018 – presentation currency also changed to ZWL
- ❑ The comparative period is USD and ZWL transactions at 1:1 – No restatements incorporated in the accounts for the period 1 October 2018 to 31 December 2018.
- ❑ The USD denominated business from 1 January to 21 February 2019 was converted at USD1:ZWL2.5, the initial exchange rate on the interbank market at 22 February 2019.
- ❑ All exchange gains and/or losses on conversion from US\$ to ZWL have been recognised in the income statement in line with the requirements of IAS 21 – Effects of Changes in Exchange rates.
- ❑ IAS 29 came into effect on 1 July 2019, hence 30 Sept 2019 was reported in inflation adjusted together with the year ended 31 December 2019.

Statement of Comprehensive Income – Inflation adjusted

All figures in ZWL000	Audited 31-Dec-19	Audited 31-Dec-18	% Change
Gross Premium Written	1,295,799	1,454,442	-11%
Retrocession	(312,253)	(184,682)	-69%
Net Premium Written	983,546	1,269,760	-23%
Unearned Premium Reserve	(34,067)	(23,774)	-43%
Net Earned Premium	949,479	1,245,986	-24%
Rental income	52,485	51,160	3%
Fair value adjustments - investment property	506,592	(289,504)	275%
Investment income	(392,848)	207,402	-289%
Interest income	18,051	21,845	-17%
Fee income	33,049	42,521	-22%
Other income	118,799	22,631	425%
Monetary gain/(loss) - IAS29	(262,034)	(462,547)	43%
Total income	1,023,573	839,494	
Expenditure			
Net insurance claims and benefits	(453,067)	(724,115)	37%
Movement in insurance and investment contract liabilities	256,551	101,347	153%
Acquisition of insurance and investment expenses	(77,492)	(101,552)	24%
Allowances for expected credit losses	(22,713)	(5,601)	-306%
Administration expenses	(305,533)	(277,554)	-10%
Finance costs from lease liabilities	(673)	(444)	-52%
Profit before share of profit from associates	420,646	(168,425)	350%

Statement of Comprehensive Income – Inflation adjusted continued...

All figures in ZWL000	Audited 31-Dec-19	Audited 31-Dec-18	% Change
Profit before share of profit from associates	420,646	(168,425)	350%
Share of profit from associates	(4,238)	1,330	-419%
Profit/(loss) before income tax	416,408	(167,095)	349%
Income tax expense	(388,771)	(46,200)	-741%
Profit for the year	27,637	(213,295)	113%
Other comprehensive income	61,432	162	37821%
Total comprehensive income/(loss)	89,069	(213,133)	
Profit/(loss) attributable to:			
Non-controlling interest	104,962	6,832	
Equity shareholders of the parent	(77,325)	(220,127)	
	27,637	(213,295)	
Comprehensive income/(loss) attributable to:			
Non-controlling interest	104,962	6,832	
Equity shareholders of the parent	(15,893)	(219,965)	
	89,069	(213,133)	
Basis EPS (ZWL cents)	(10.72)	(31.13)	
Diluted EPS (ZWL cents)	(10.70)	(31.05)	

Statement of Comprehensive Income – Historical cost

All figures in ZWL000	Audited 31-Dec-19	Audited 31-Dec-18	% Change
Gross Premium Written	565,162	308,744	83%
Retrocession	(163,873)	(45,807)	-258%
Net Premium Written	401,289	262,937	53%
Unearned premium reserve	(7,898)	(6,457)	-22%
Net Premium Earned	393,391	256,480	53%
Net Claims	(211,159)	(155,676)	-36%
Net commission	(32,976)	(11,778)	-180%
Acquisition expenses	(5,573)	(3,891)	-43%
Total direct expenses	(249,708)	(171,345)	-46%
Fee income	15,838	6,564	141%
Motor pool dividend income	1,361	129	952%
Movement in insurance contract liabilities	(23,982)	(19,475)	-23%
Movement in risk reserves	(14,977)	(708)	-2015%
Underwriting result	121,923	71,645	70%
Rental income	23,288	12,964	80%
Other income	1,346	1,534	-12%
Foreign exchange gains/(losses)	64,100	-	100%
Total other income	88,734	14,498	512%
Administration expenses	(120,688)	(63,020)	-79%
Property expenses	(6,691)	(4,661)	-44%
Provision for credit losses	(19,125)	(1,459)	-1210%
Policyholder operating profit in FMP	(8,189)	(1,948)	-320%
Total expenses	(154,693)	(71,088)	-107%
Operating profit before other items	55,964	15,055	301%

Statement of Comprehensive Income – Historical cost continued...

All figures in ZWL000	Audited 31-Dec-19	Audited 31-Dec-18	% Change
Operating profit before other items	55,964	15,055	301%
Rationalisation costs	(1,035)	(1,500)	31%
Foreign exchange gains/(losses) – legacy	(28,102)	-	-100%
Project costs – incl. launch costs for funeral and microfinance businesses and new products	(11,290)	(4,470)	-153%
Operating profit after other items	15,537	9,085	67%
Investment Income	218,080	50,836	329%
Fair value investment property	1,267,558	147,710	758%
Policyholder investment income	(535,880)	(29,954)	-1689%
Movement in investment contract liabilities	(28,847)	(2,646)	-990%
Finance costs	(367)	(416)	12%
Surplus before taxation	936,081	174,615	439%
Taxation	(277,901)	(41,721)	-583%
Profit after tax	658,180	132,894	395%
Profit/(Loss) attributable to:			
Non-controlling interest	309,162	33,754	816%
Equity holders of parent	349,018	99,140	252%
Profit after tax	658,180	132,894	395%

Administration Expenses Analysis – Key movements (Historical)

All figures in ZWL000	Audited 31-Dec-19	Audited 31-Dec-18	% Change
Directors fees	2,420	615	-293%
Marketing expenses	10,823	2,893	-274%
Audit fees	1,558	631	-147%
Computer expenses	11,593	964	-1103%
Depreciation	1,592	211	-654%
IPEC fees	2,035	745	-173%
Staff welfare	2,290	312	-633%
Staff costs	52,971	19,195	-176%

Investment Income Analysis

All figures in \$000	Policyholder	Shareholder	Audited 31-Dec-19	Audited 31-Dec-18	% Change
Interest income - third parties	17,528	2,514	20,042	2,948	113%
Dividend income	5,712	2,288	8,000	2,212	55%
Gain on disposal – equity	13,637	2,194	15,831	543	2,815%
Fair value gain/(loss) – equity	28,955	7,309	36,264	30,579	54%
Fair value gain – Afrexim	15,642	20,297	35,939	-	100%
Foreign exchange gain - Afrexim	72,725	51,995	124,720	-	100%
Investment expenses	(8,764)	(4,783)	(13,547)		
Capital guarantee fee	(9,188)	-	(9,188)	(2,006)	358%
Net Investment profit	136,247	81,814	218,061	34,276	

Statement of Financial Position - 31 Dec 2019 - Historical

All figures in ZWL000	Unaudited 31-Dec-19	Audited 31-Dec-18	% Change
ASSETS			
Property, plant & equipment	24,260	11,437	112%
Investment properties	1,413,176	145,170	870%
Equity investments	180,201	96,803	90%
Equity investments – Afrexim	168,566	7,907	2032%
Investment in associates	10,352	1,491	780%
Debt securities at amortised cost	9,416	29,799	-68%
Inventory	6,309	804	685%
Deferred acquisition costs	7,648	2,934	161%
Insurance & other receivables	208,465	34,848	489%
Cash and balances with banks	279,516	61,084	358%
TOTAL ASSETS	2,307,908	392,277	488%
Equity			
Shareholders' equity	497,817	90,430	469%
Non-controlling interests	350,636	42,225	736%
Total Equity	848,453	132,655	554%
Liabilities			
Insurance contracts liabilities	730,505	153,005	373%
Investment contracts liabilities	45,639	28,010	63%
Borrowings	(0)	92	-100%
Tax liabilities (deferred & current)	282,558	16,491	1536%
Insurance contracts liabilities – short term	311,634	50,573	516%
Trade & other payables	89,118	11,451	663%
Total Liabilities	1,459,455	259,622	454%
TOTAL EQUITY & LIABILITIES	2,307,908	392,277	488%

Consolidated Statement of Cash Flows for Year Ended 31 Dec 2019

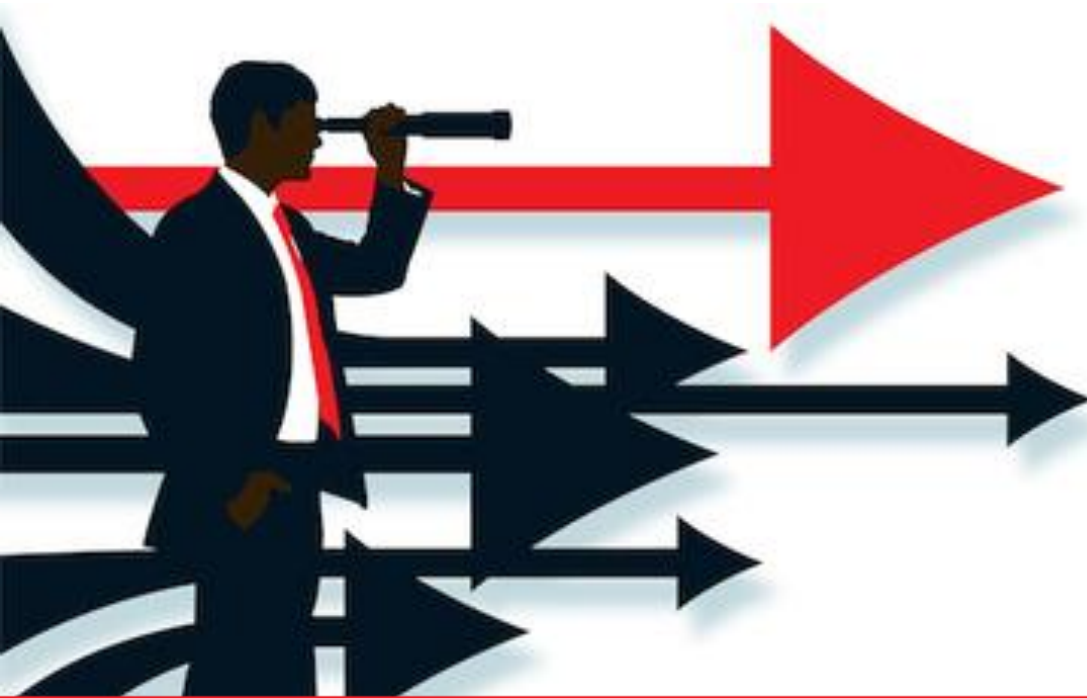
	Inflation adjusted		Historical cost	
	Audited 31-Dec-19	Audited 31-Dec-18	Audited 31-Dec-19	Audited 31-Dec-18
All figures in ZWL000				
Profit before income tax	416,406	(167,095)	933,313	24,815
Total non- cash and separately disclosed items	(365,527)	833,576	(891,235)	2,031
Operating cash flows before working capital changes	50,879	666,481	42,078	26,846
Working capital changes	51,200	(329,395)	150,781	1,916
Cash (utilised in) / generated from operations	102,179	337,086	192,859	28,762
Finance costs on borrowings	(673)	(327)	(367)	(53)
Interest received	18,051	18,716	5,641	3,013
Tax paid	(27,405)	(21,057)	(8,564)	(3,750)
Net cash flows(utilised in) / generated from operating activities	92,052	334,418	189,569	27,972
Net cash flow generated from / (used in) investing activities	(109,503)	(374,664)	(5,392)	(17,502)
Net cash flow used in financing activities	(10,693)	(12,887)	(4,066)	(2,075)
Net increase / (decrease) in cash and cash equivalents	(28,144)	(53,133)	180,111	8,395
Cash and cash equivalents at the beginning of the year	274,016	329,387	61,084	53,028
Effects of changes in foreign exchange rates	33,644	(2,238)	38,321	(339)
Cash and cash equivalents at the end of the year	279,516	274,016	279,516	61,084

Dividend and Going Concern

At a meeting held on 9 April 2020, the Directors recommended a final dividend of ZWL 0.34 cents bringing total dividend to ZWL0.55 cents after an interim dividend of ZWL0.21 cents paid in September 2019. The final dividend amounts to ZWL2.5 million, thus total dividend of \$4.0 million for the year.

The Directors assessed the ability of the Group to continue as a going concern, including impact of the Corona virus (COVID-19) pandemic and believe the Group will continue operating into the foreseeable future.

Outlook & Priorities



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Outlook & Priorities

- ❑ COVID-19 response
- ❑ Continue with balance sheet preservation strategies

- ❑ Taking advantage of measures being put in place to address the economic challenges
 - ✓ Fiscal and monetary measures
 - ✓ Regulatory changes (USD premiums)

- ❑ Use of digital technology to increase interaction with clients, process efficiencies and savings

- ❑ Revenue growth and cost containment

- ❑ To Go Beyond in delivering value to stakeholders through commitment, innovation, cost optimisation and focus on profitable product lines

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