



FIRST MUTUAL PARK

# First Mutual Holdings Limited

Unaudited Financial Results Presentation for the six months ended

**30 June 2017**

**FIRST MUTUAL**

HOLDINGS LIMITED

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# Outline of Presentation



**Environmental Overview**  
**Operational Highlights**



**Consolidated Financial Highlights**  
**Unconsolidated SBU Performance Highlights**

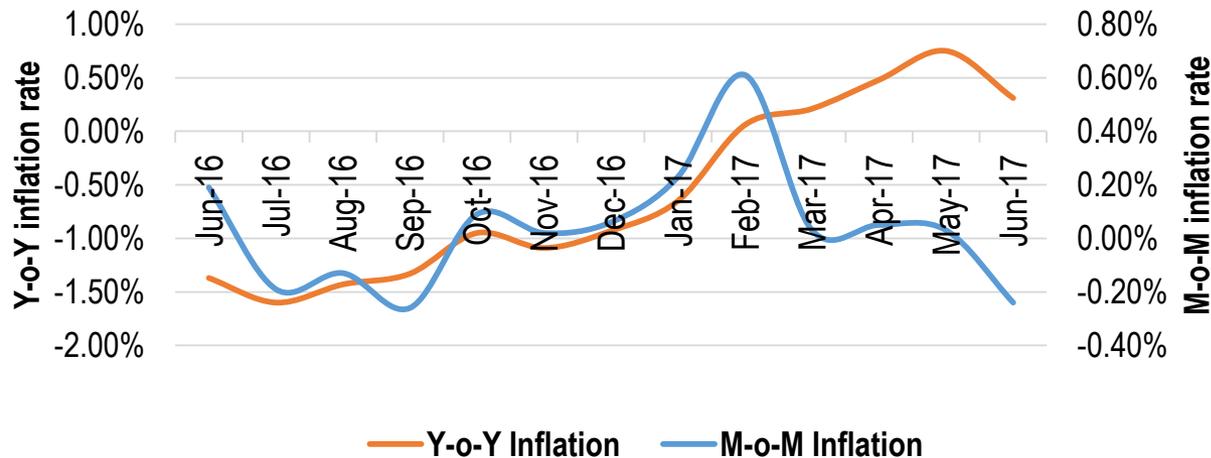


**Unaudited Consolidated Financial Results**  
**Outlook & Priorities**

# Environmental Overview

	2016	2017F	2018F	2022F
<b>World</b>	3.10%	3.50%	3.60%	2.90%
<b>Emerging Markets</b>	4.10%	4.50%	4.80%	5.00%
<b>China</b>	6.70%	6.60%	6.20%	5.70%
<b>Sub Saharan Africa</b>	1.40%	2.60%	3.50%	3.90%
<b>Botswana</b>	2.90%	4.10%	4.20%	4.10%
<b>Swaziland</b>	-0.40%	0.30%	0.30%	0.70%
<b>Zimbabwe</b>	0.70%	2.80%	0.80%	0.90%

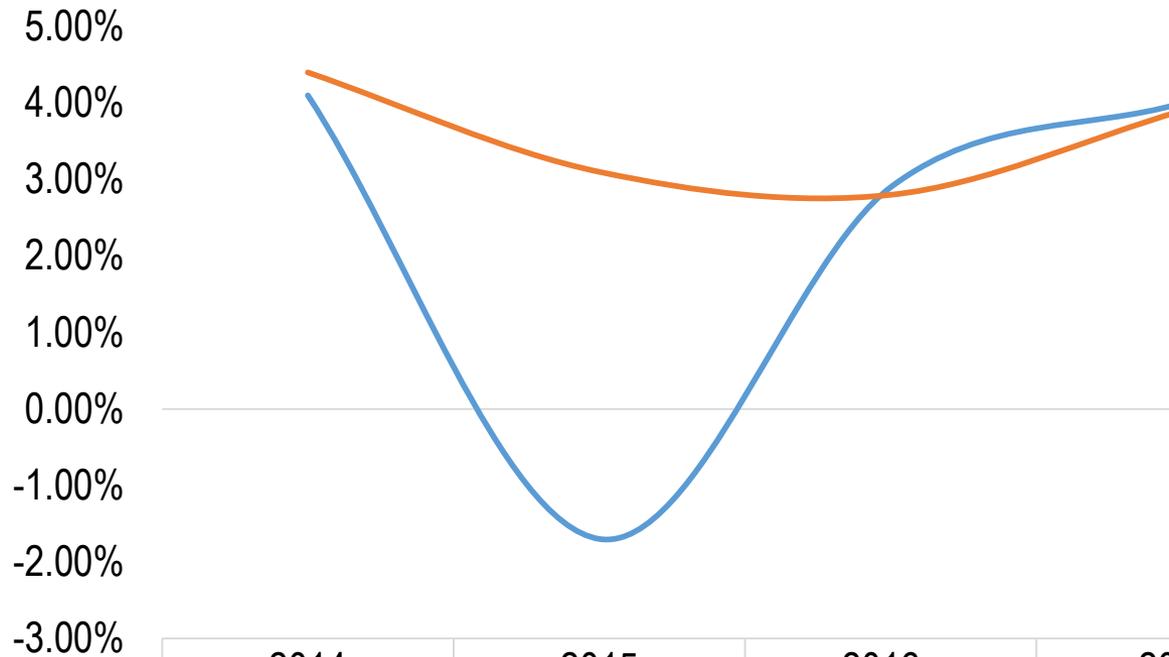
Source: World Economic Outlook Report



## Environmental Overview cont'd...

- The Gross Domestic Product for 2017 is projected to grow by 3.7% from an initial forecast of 1.7%
- Weak aggregate demand
- Persistent foreign currency shortages.
- Year on year inflation stood at 0.31% in June 2017 having crossed into the positive territory in February 2017
- The Zimbabwe Stock Exchange traded in the positive to 30 June 2017 with the mainstream Industrial Index registering a growth of 36% while the Mining Index grew by 19%
- Property market fundamentals remained depressed due to low demand for rental space, increased voids and downward rental review requests from tenants.

# Environmental Overview - Botswana



Inflation is forecast to be low and close to the lower bound of 3% - 6% in the medium term.

World bank projects Botswana's GDP at 4% in 2017 before averaging 4.25% in period 2018 -19

	2014	2015	2016e	2017f
GDP	4.10%	-1.70%	2.90%	4.00%
Inflation	4.40%	3.10%	2.80%	3.90%

# Financial Highlights-Consolidated

Income Stat & Cash Flow	30-Jun-17	30-Jun-16		Change
	\$000	\$000		%
<b>Gross Premium Written</b>	<b>61,490</b>	<b>60,588</b>		<b>1%</b>
Pensions and savings business	9,435	11,565		<b>-18%</b>
Life assurance	7,277	6,824		7%
Health insurance	28,069	26,046		8%
Property and casualty	16,709	16,153		3%
Underwriting result	11,250	13,185		<b>-15%</b>
Operating profit	1,642	4,226		<b>-61%</b>
Profit before income tax	4,880	2,558		<b>91%</b>
Profit after income tax	4,284	2,633		<b>63%</b>
Cash generated from operating activities	6,753	8,302		<b>-19%</b>

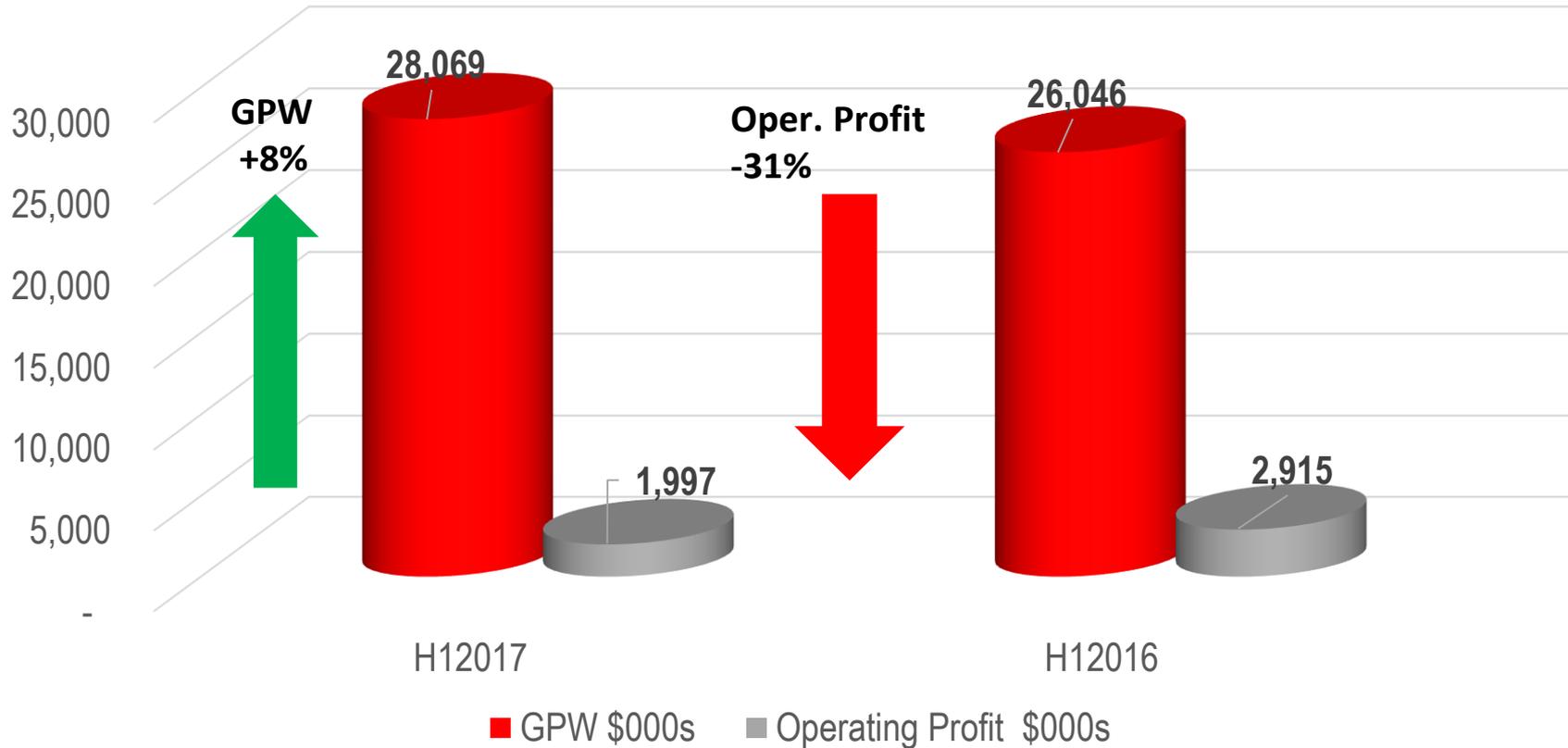
# Operational Highlights

- GPW increases in health business, life assurance, and property and casualty offset by the decline in pensions and savings business
- Operating profit went down 61% due to high agriculture business claims under property and casualty reinsurance business and a higher claims ratio in health insurance business
- Investment profit of US\$13 million compared to US\$0.5 million to 30 June 2016 largely due to an increase in fair values of counters held by the Group
- Cash and cash equivalents increased significantly owing to management efforts to restructure money market investments to shorter maturities in line with the investment portfolio restructuring initiative group wide
- Group achieved an overall profit after tax of US\$4.3 million compared to US\$2.6 million for the same period last year

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

Unconsolidated SBU Performance Highlights

# First Mutual Health Highlights

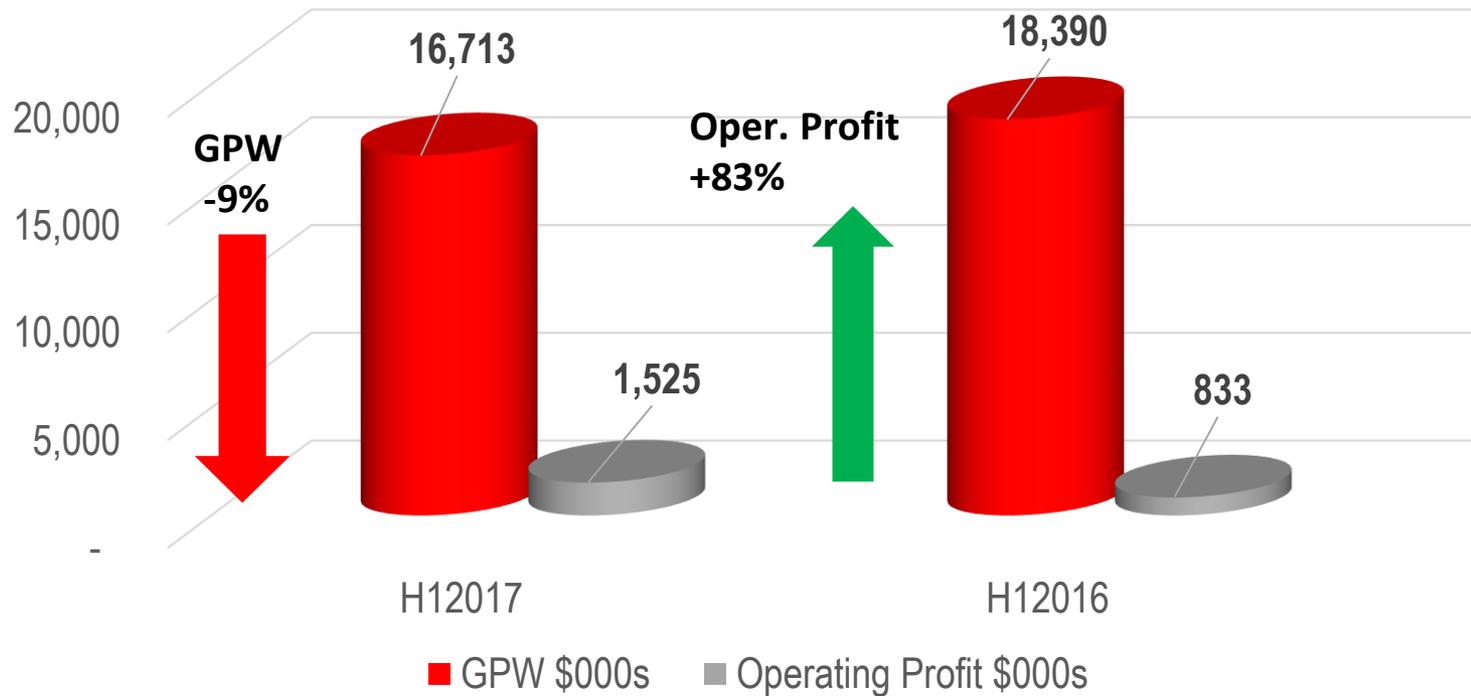


	30-Jun-17	30-Jun-16	% Change
Membership	116,166	114,314	2%
Claims ratio	82%	78%	-4%
Administration cost to income ratio	10%	11%	1%

# First Mutual Health Commentary...

- 8% growth in GPW mainly attributable to an increase in corporate membership.
- Launched mobile application during the period to improve customer convenience
- First Mutual brand becoming more prominent in the market
- Company continues to seek new business through
  - ❑ Providing quality service
  - ❑ Demonstrated claims paying ability
  - ❑ Wellness campaigns
  - ❑ Innovative products and
  - ❑ Competitive pricing

# First Mutual Life Highlights



All figures in US\$000	30-Jun-17	30-Jun-16	% Change
Risk Business	7,277	6,824	7%
Savings Business	9,436	11,565	-18%
Total Premium	16,713	18,390	-9%

# First Mutual Life Commentary...

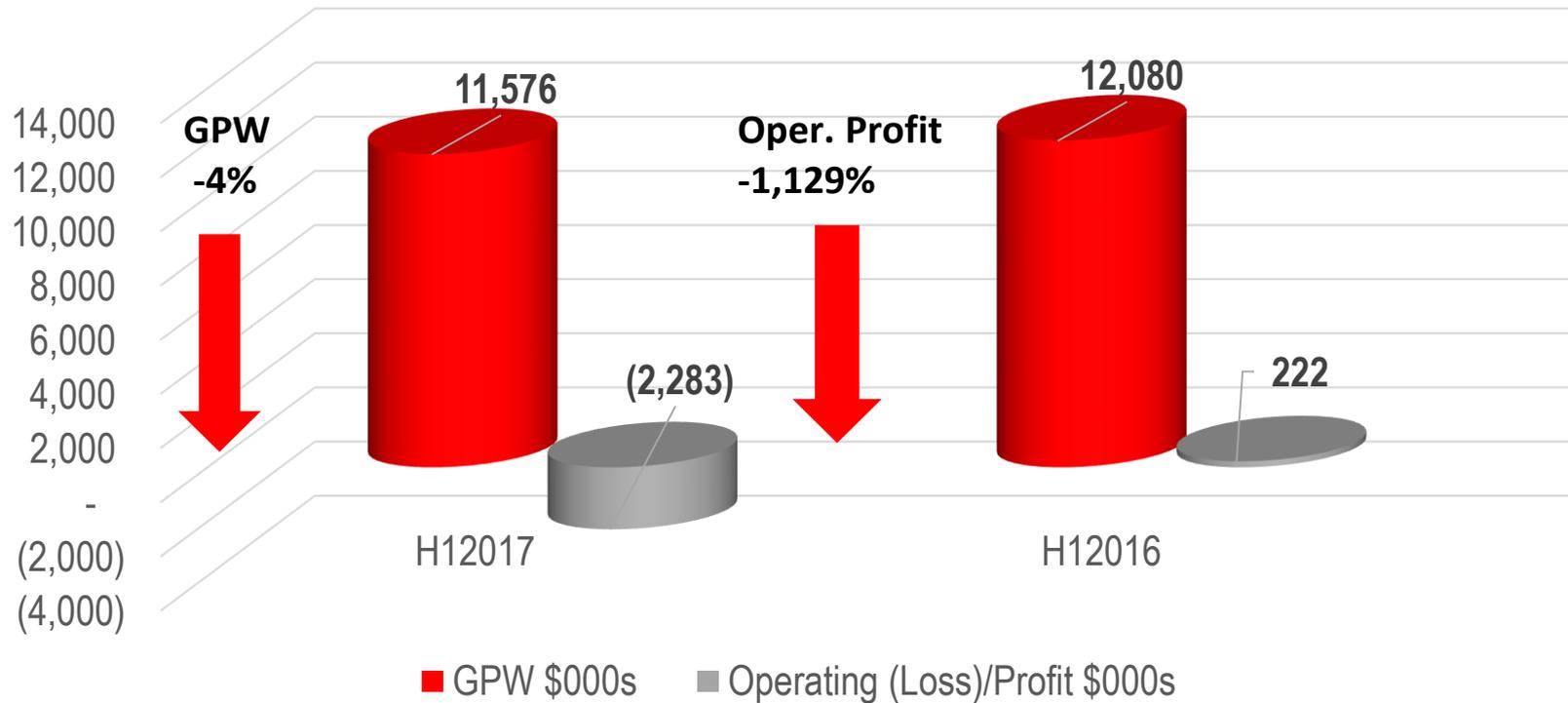
## ● Life Assurance

- 7% increase in shareholder risk business GPW driven by eFML, a mobile based product launched in 2014.
- Slight decline in Group Life Assurance (GLA) GPW due to rate reductions

## ● Pensions & Savings

- Pensions and savings GPW decline of 18% was a result of 41% fall in single premiums:
  - ✓ Decline in single premiums was partially offset by the 16% growth in Individual Life Business cash accumulations.

# First Mutual Reinsurance Highlights



	30-Jun-17	30-Jun-16	% Change
Reinsurance ratio	38%	40%	2%
Claims ratio	82%	43%	-39%
Administration cost to income ratio	23%	24%	1%
Regional business	7%	22%	-15%

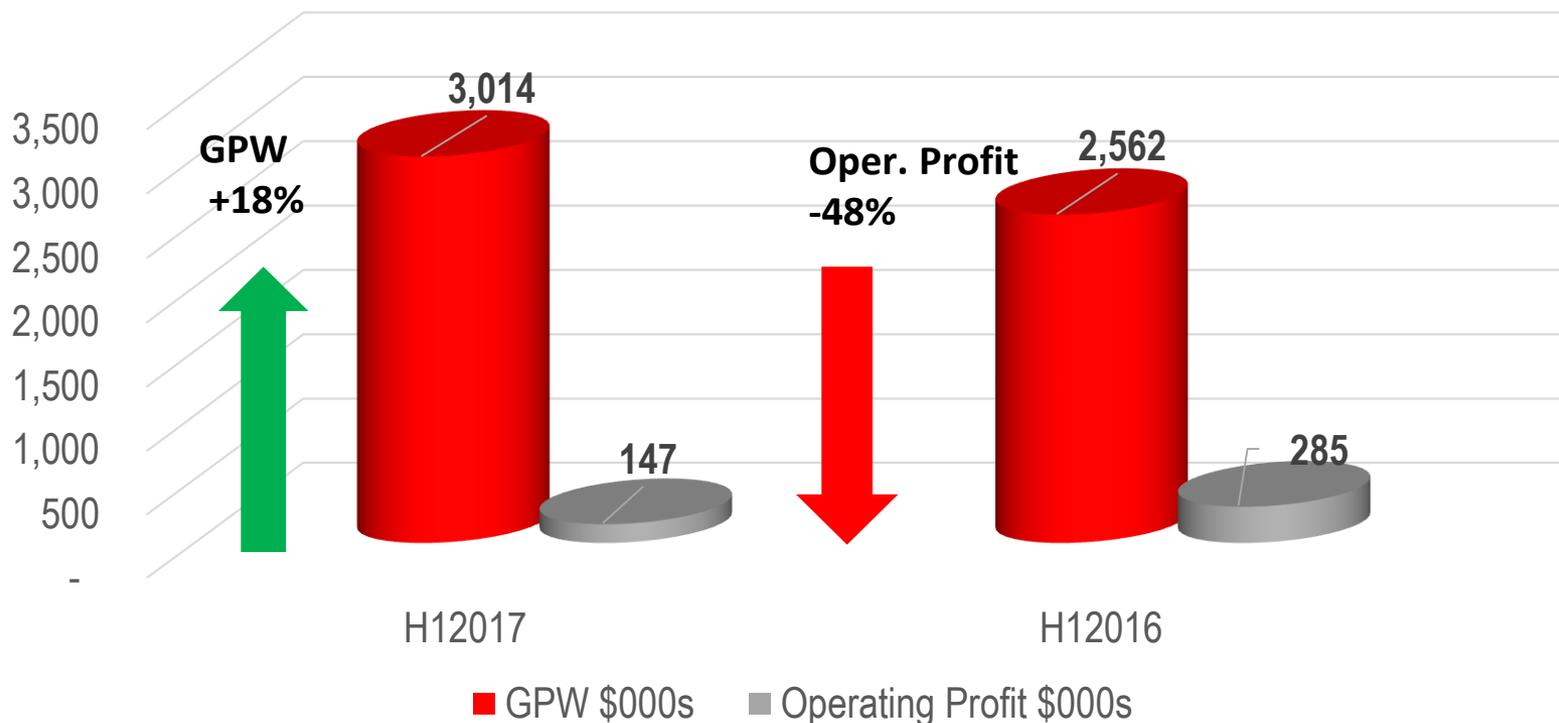
# First Mutual Reinsurance Commentary - Property & Casualty

- Marginal increase in GPW
  - Growth in local business through increased participation in agriculture business mitigated impact of the decline in regional business
  - Uncertainty around remittance of funds from Zimbabwe impacting negatively on regional business
- Operating loss of US\$2.3 million compared to a profit of US\$0.2 million in 2016 due to high agriculture business claim after a surge in tobacco hail claims which affected the whole industry.
- The business is expecting a profitable H2 which will reduce the losses incurred in H1

# First Mutual Reinsurance Commentary - Life & Health

- GPW 38% below 30 June 2016 mark as a result of the following:
  - ❑ strategic decision to scale down on regional health business that had high claims. Loss ratio improved from 80% to 20% as a result
  - ❑ Increased retention by cedants
  - ❑ Late conclusion of several treaties
- Despite the decline in GPW, the segment posted an operating profit.

# FMRE Property & Casualty (Bots - US\$) Highlights

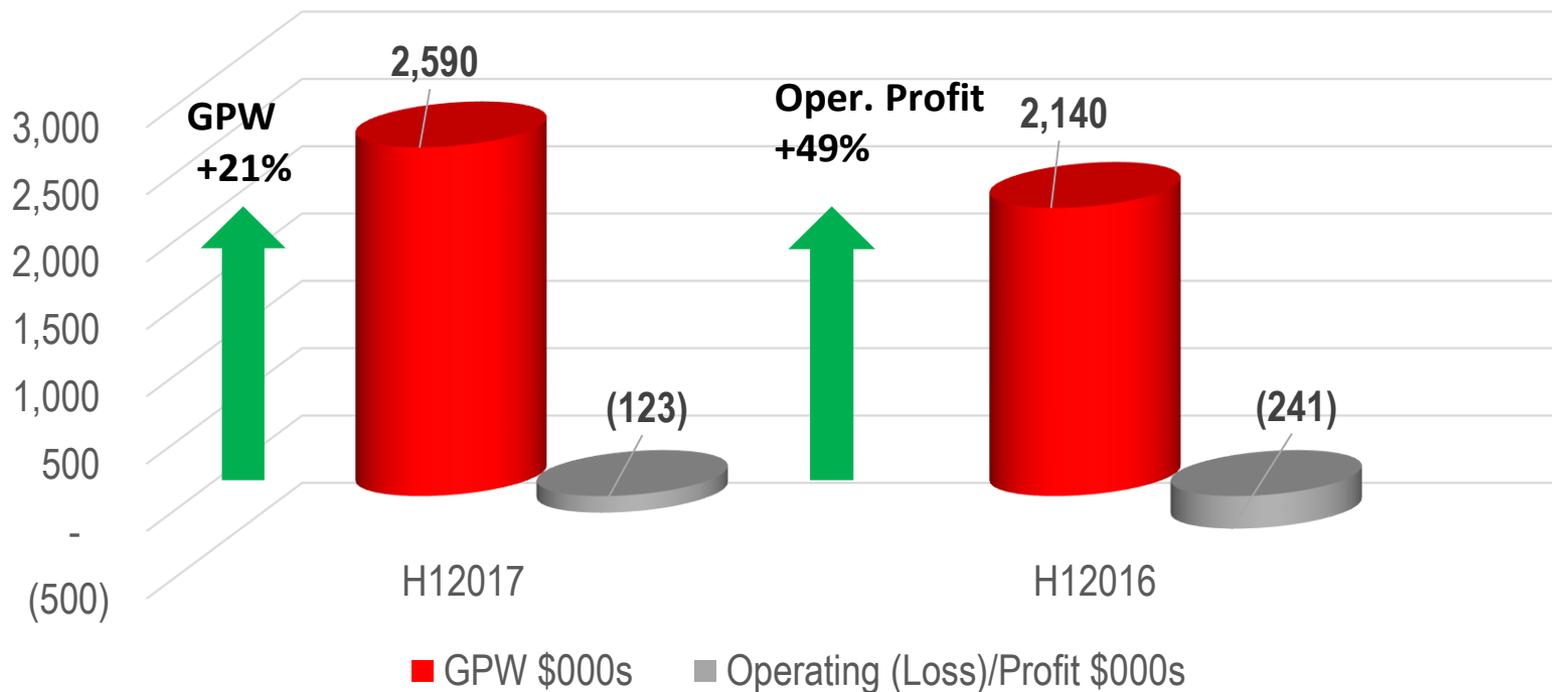


	30-Jun-17	30-Jun-16	% Change
Reinsurance ratio	28%	45%	17%
Claims ratio	39%	29%	-10%
Admin cost to income ratio	20%	29%	9%
Regional business	42%	55%	-13%

# FMRE P&C Botswana Commentary...

- 18% growth in GPW
  - ❑ 52% growth in local business driven by strong support from local cedants
  - ❑ Regional market contributed 42% of the total GPW down from 55% in 2016
  - ❑ Improved GPW contribution from Swaziland, South Africa and Zambian Markets
- Business aims to maintain its business ties intact with both regional and local cedants
- Normalisation of claims ratio as the business matures in line with the long term business model

# TristarInsurance Highlights

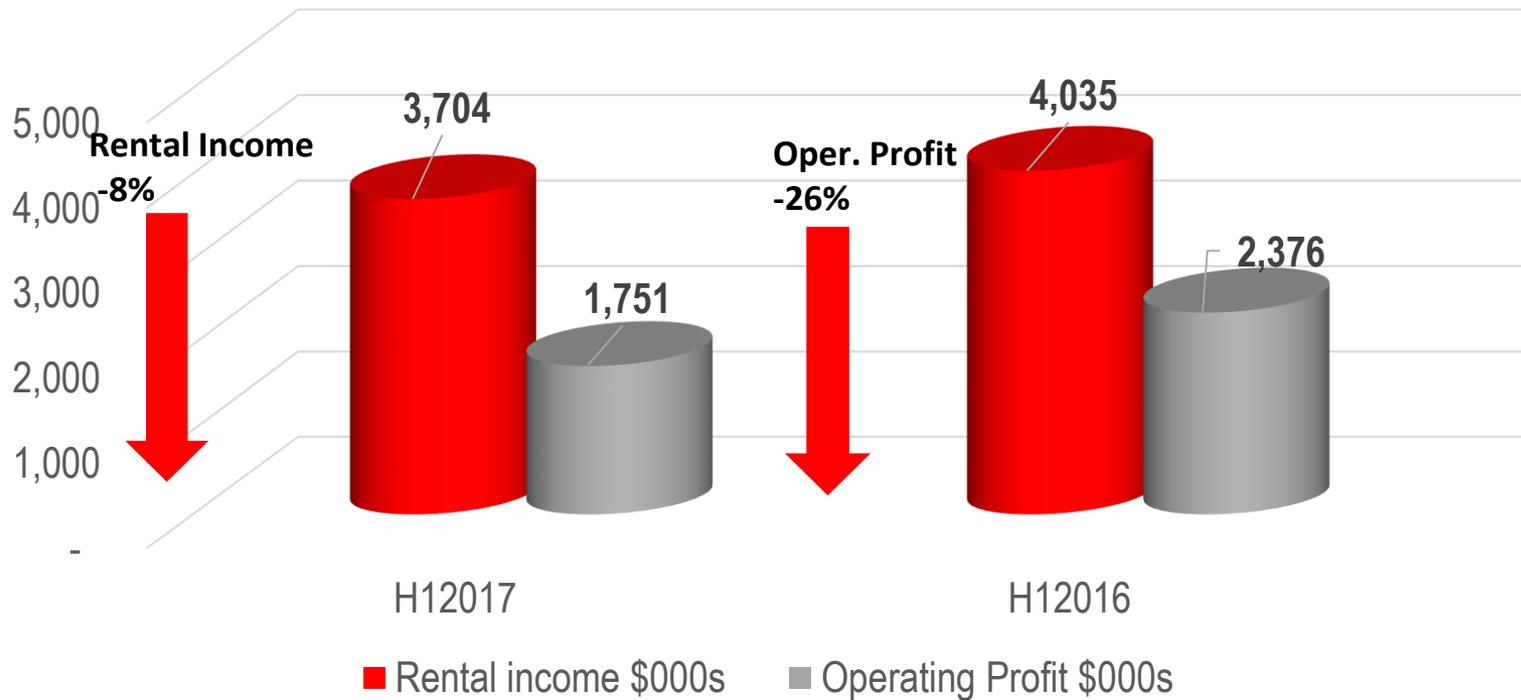


	30-Jun-17	30-Jun-16	% Change
Reinsurance ratio	37%	52%	15%
Claims ratio	40%	45%	5%
Admin cost to income ratio	62%	75%	13%

# TristarInsurance Commentary...

- GPW grew by 21%
  - New business acquired due to increased market confidence
  - Retention of the majority of the existing book
- Operating losses reduced by 47% compared to the same period last year
- The business is migrating to the First Mutual brand and will be trading as **First Mutual Insurance Company Limited**

# First Mutual Properties Highlights

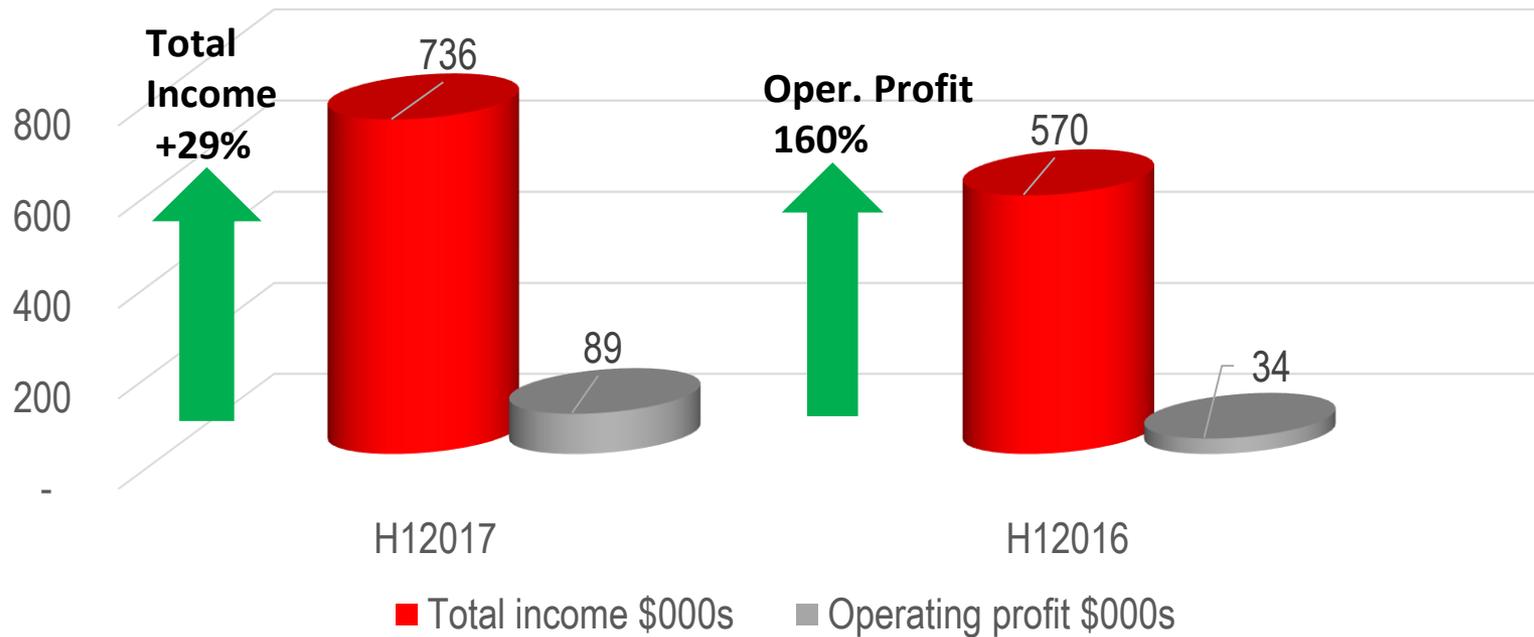


	30-Jun-17	30-Jun-16	% Change
Occupancy Rate	73%	72%	1%
Average rental/ square metre	\$6.94	\$7.02	-1%
Administration cost to income ratio	31%	29%	-2%

# First Mutual Properties Commentary...

- Rental income went down 8% as a result of reduced rental rates across the property portfolio
- The reduction in rates assisted in retaining clients and improving the occupancy levels to 73% (2016: 72%).
- Tenant arrears increased by 8% as a result of liquidity constraints and operating losses posted by some of our clients
- No evidence of significant changes to the market perception on properties between January and June 2017 hence a marginal negative fair value adjustment

# First Mutual Wealth Highlights



- Investment management fees increased by 29% largely attributed to the increase in funds under management.
- Business seeks to increase its portfolio in asset management services - unit trusts and management of segregated and high net worth client portfolios

# Unaudited Consolidated Financial Results

for the period ended 30 June 2017



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# Statement of Comprehensive Income - 30 June 2017

All Figures in US\$000	30-Jun-17	30-Jun-16	% Change
<b>Gross Premium Written</b>	<b>61,490</b>	<b>60,588</b>	<b>1%</b>
Retrocession	(6,017)	(6,435)	6%
<b>Net Premium Written</b>	<b>55,473</b>	<b>54,153</b>	<b>2%</b>
Unearned premium reserve	(898)	(553)	-62%
<b>Net Premium Earned</b>	<b>54,575</b>	<b>53,600</b>	<b>2%</b>
Net Claims	(36,880)	(32,979)	-12%
Net commission	(3,501)	(3,216)	-9%
Acquisition expenses	(719)	(716)	0%
<b>Total direct expenses</b>	<b>(41,099)</b>	<b>(36,911)</b>	<b>-11%</b>
Fee income	2,047	1,824	12%
Motor pool dividend income	63	115	-45%
Mvt. in insurance contract liabilities	(4,335)	(5,116)	15%
<b>Underwriting result</b>	<b>11,250</b>	<b>13,512</b>	<b>-17%</b>
Rental income	3,232	3,520	-8%
Other income	322	351	-8%
<b>Total other income</b>	<b>3,554</b>	<b>3,871</b>	<b>-8%</b>
Administration expenses	(11,396)	(11,487)	1%
Property expenses	(656)	(348)	-88%
Provision for credit losses	(419)	(373)	-12%
Policyholder operating profit in Pearl	(691)	(949)	27%
<b>Total expenses</b>	<b>(12,979)</b>	<b>(12,518)</b>	<b>-4%</b>
<b>Operating profit</b>	<b>1,642</b>	<b>4,226</b>	<b>-61%</b>

# Statement of Comprehensive Income - 30 June 2017...Cont'd

All Figures in US\$000	30-Jun-17	30-Jun-16	% Change
<b>Operating profit</b>	<b>1,642</b>	<b>4,226</b>	<b>-61%</b>
Investment Income	12,983	451	4467%
Gain on disposal of subsidiary	-	334	-
Fair value investment property	(90)	(3,737)	98%
Policyholder investment income	(5,517)	1,596	-246%
Mvt. in investment contract liabilities	(3,986)	(38)	-10420%
Finance costs	(151)	(274)	45%
<b>Surplus before taxation</b>	<b>4,880</b>	<b>2,558</b>	<b>91%</b>
Taxation	(596)	75	-895%
<b>Profit after tax</b>	<b>4,284</b>	<b>2,633</b>	<b>63%</b>
<b>Profit/(Loss) attributable to:</b>			
Non-controlling interest	321	(506)	163%
Equity holders of parent	3,963	3,139	26%
<b>Profit after income tax</b>	<b>4,284</b>	<b>2,633</b>	<b>63%</b>

# Investment Income Analysis - 30 June 2017

All Figures in US\$000	Policyholder	Shareholder	NCI	30-Jun-17	30-Jun-16
Interest income	750	775	30	1,555	1,256
Dividend received	463	(210)	-	253	307
Net disposal loss on equity	-	(131)	-	(131)	(140)
FV gain/(loss)-equity	8,893	2,574	(163)	11,305	(972)
NAV movement	88	(88)		-	-
<b>Net Investment Income</b>	<b>10,195</b>	<b>2,921</b>	<b>(133)</b>	<b>12,983</b>	<b>451</b>

# Administration Expenses Analysis - 30 June 2017

All Figures in US\$000	30-Jun-17	30-Jun-16	% Change
Directors fees	182	169	-8%
Marketing costs	817	596	-37%
Audit Fees	200	255	22%
Computer expenses	831	810	5%
Depreciation	343	396	-7%
Cleaning expenses	36	36	0%
Fees	632	411	-54%
Actuarial fees	226	217	-4%
Bank charges	120	183	35%
Administrative Travel	223	241	7%
Motor vehicle maintenance	141	174	19%
Office consumables	222	206	-8%
Rent and rates	215	219	2%
Subscriptions	97	99	2%
Communication	133	159	15%
Investor relations	135	134	-1%
Other	223	140	-59%
<b>Subtotal</b>	<b>4,786</b>	<b>4,445</b>	<b>-7%</b>
Staff costs	6,610	7,042	6%
<b>TOTAL</b>	<b>11,396</b>	<b>11,487</b>	<b>1%</b>

# Statement of Financial Position as at 30 June 2017

All Figures in US\$000	30-Jun-17	31-Dec-16	% Change
<b>ASSETS</b>			
Property, plant & equipment	9,351	9,310	0%
Investment properties	124,567	124,302	0%
Equity investments	30,689	19,863	55%
Non-current asset – Held for sale	3,590	4,370	-18%
Held to maturity investments	29,437	20,292	45%
Inventory	240	283	-15%
Deferred acquisition costs	1,313	1,086	21%
Insurance & other receivables	13,685	12,544	9%
Cash and balances with banks	34,715	37,657	-8%
<b>TOTAL ASSETS</b>	<b>247,587</b>	<b>229,707</b>	<b>8%</b>
<b>Equity</b>			
Shareholders' equity	28,750	24,224	19%
Non-controlling interests	51,583	51,651	0%
<b>Total Equity</b>	<b>80,334</b>	<b>75,875</b>	<b>6%</b>
<b>Liabilities</b>			
Insurance contracts liabilities	110,406	101,695	9%
Investment contracts liabilities	12,360	8,532	45%
Borrowings	3,712	4,309	-14%
Tax liabilities (deferred & current)	10,682	10,792	-1%
Insurance contracts liabilities – short term	24,295	20,921	16%
Trade & other payables	5,798	7,583	-24%
<b>Total Liabilities</b>	<b>167,254</b>	<b>153,832</b>	<b>9%</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>247,587</b>	<b>229,707</b>	<b>8%</b>

# Statement of Cash Flows - 30 June 2017

All Figures in US\$0000	30-Jun-17	30-Jun-16
<b>Profit before taxation</b>	<b>5,009</b>	<b>2,558</b>
Net non-cash items	2,010	6,429
<b>Operating cash inflows before w/capital changes</b>	<b>7,019</b>	<b>8,987</b>
Working capital changes	(266)	(685)
<b>Cash generated from operations</b>	<b>6,753</b>	<b>8,302</b>
Taxation and interest received	572	520
<b>Net cash flow from operating activities</b>	<b>7,326</b>	<b>8,822</b>
<b>Cash utilised in investing activities</b>	<b>(7,692)</b>	<b>(4,424)</b>
<b>Cash generated / (utilised) in financing activities</b>	<b>(884)</b>	<b>(959)</b>
<b>Increase in cash and cash equivalents</b>	<b>(1,251)</b>	<b>3,439</b>
At beginning of period – 1 January	35,550	13,466
<b>At end of period</b>	<b>34,299</b>	<b>16,905</b>
<b>Disclosed as</b>		
Cash at bank	6,914	6,148
Money market investments <90 days (original Maturity)	27,385	10,757
<b>Total cash and cash equivalents</b>	<b>34,299</b>	<b>16,905</b>
Money market investments >90 days (original Maturity)	416	15,218
<b>Total cash and balances with banks</b>	<b>34,715</b>	<b>32,123</b>

# Outlook & Priorities



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# Outlook & Priorities

- Capital raise and acquisition of NicozDiamond
  - ❑ Repay all borrowings including legacy debts
  - ❑ Enhancing the underwriting capacity of insurance subsidiaries
  - ❑ In view of the above, the directors recommend that no interim dividend be paid from the profits of the Group for the half year to 30 June 2017
- Prudent investment Philosophy
- Renewed focus on risk management framework across the group
- Customer Service Excellence & System efficiencies
- Revenue growth and costs containment
- Impact of foreign currency shortages – Property & Casualty Insurance

# Questions!



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