

# FIRST MUTUAL PARK



## FIRST MUTUAL HOLDINGS LIMITED FINANCIAL RESULTS PRESENTATION FOR THE SIX MONTHS ENDED 30 JUNE 2019

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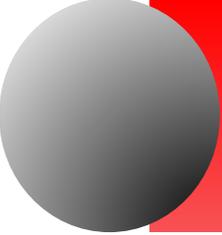
# Outline of Presentation



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



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



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

# Economic Overview - Zimbabwe

GDP TRENDS (%)	2017E	2018F	2019F	2020F	2021F	2022F	2023F
World	3.7	3.7	3.3	3.7	3.6	3.6	3.6
Emerging Markets and dev. economies	4.7	4.7	4.4	4.9	4.9	4.8	4.8
Sub-Saharan Africa	2.7	2.8	3.3	3.7	3.8	3.7	4.0
Botswana	2.4	4.6	3.9	4.0	4.1	4.2	5.5
China	6.9	6.6	6.3	6.2	6.0	5.8	5.6
South Africa	1.3	0.8	1.2	1.7	1.8	1.8	1.8
Zimbabwe (IMF)	4.7	3.4	-5.2	3.3	4.4	4.0	4.0
Zimbabwe (World bank)	3.2	3.0	-3.4	4.0	4.0	-	-
Zimbabwe (Ministry of Finance)	3.7	3.1	-2.1	7.5	7.7	-	-

MoF projects GDP growth rate at -2.1% for 2019.

Projected 2019 GDP decline of 2.1% (2018: 3.1%) driven by:

- ✓ Lower Agriculture output due to below normal rainfall
- ✓ Lower year on year mining output
- ✓ Recent power cuts – negative impact on production

# Economic Overview - Zimbabwe

- ❑ Y-o-Y Inflation was 175.66% as at 30 June 2018 (HY2018:10.62%)
- ❑ Average return on money market investments stood at 4% (HY 2018:3%)
- ❑ The RBZ USD/ZWL\$ exchange rate as at 30 June 2019 was 6.62 (Average YTD 4.56)
- ❑ ZSE traded in the positive to 30 June 2019
  - ✓ Industrial Index registered a Y-o-Y growth of 40.3% (HY2018 : 2.9%)
  - ✓ Mining Index registered a Y-o-Y growth of 12.1 % (HY2018 : 13.3%)

# Economic Overview - Botswana

- ❑ The IMF projects Botswana's GDP at 3.9% in 2019 (2018: 4.6%)
- ❑ The outlook for price stability remains positive as inflation is forecast to be within the 3% – 6% objective range in the medium term. Bank rate was maintained at 5%
- ❑ Y-o-Y Inflation was 2.8% in June 2019 (HY2018: 3.1%)
- ❑ 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
  - ✓ USD revenue contributed 44% of total ZWL Gross premium (Zimbabwe USD9.2 million, Botswana USD6.2 million)
- ❑ Increase in costs driven by inflation and parallel market rates
  - ✓ Claims for short-term insurance business
  - ✓ Administration expenses
- ❑ While expenses grew in line with inflation, some Group companies were not able to adjust revenue at the same pace – Life assurance (Salaries increases have generally not matched inflation)
- ❑ Delays in discharging foreign obligations – Legacy obligations
  - ✓ Exchange losses having negative impact on operating profitability
  - ✓ Applications for USD3 million submitted to RBZ - foreign currency legacy debt owed to creditors to be taken over by RBZ
  - ✓ Net USD Group exposure excluding FMRE Botswana and Afreximbank shares is USD1.3 million
- ❑ Loss of value on prescribed assets and other monetary assets required for regulatory compliance – Returns averaging 4% versus an inflation rate of 175.66% as at 30 June 2019

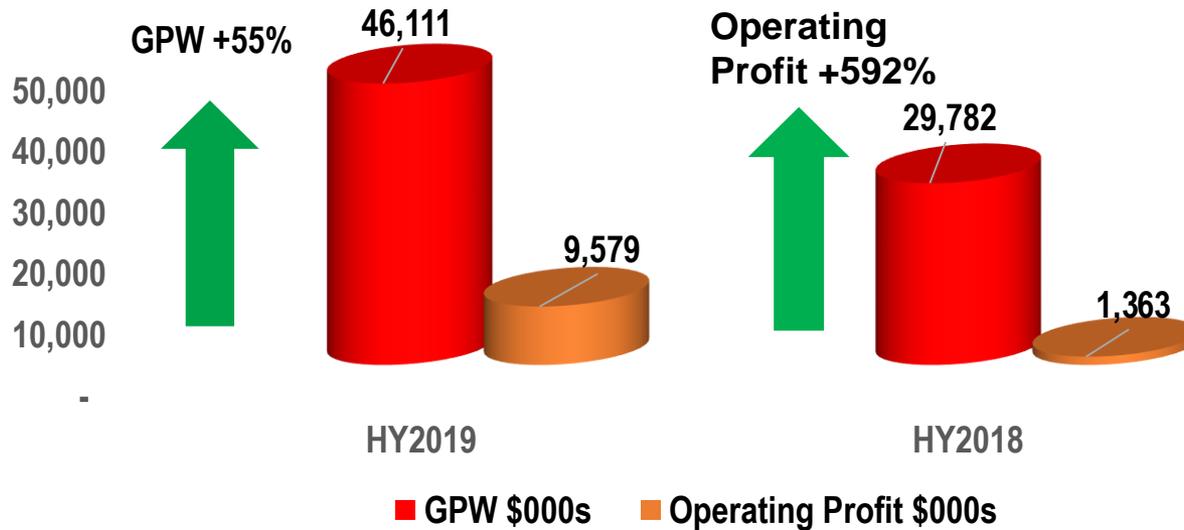
# Consolidated Financial Highlights

All Figures in \$000	Unaudited 30-Jun-19	Unaudited 30-Jun-18	% Change
<b>Gross Premium Written</b>	<b>157,597</b>	<b>84,724</b>	<b>86%</b>
Health Insurance	46,111	29,782	55%
Pension and Savings	18,745	11,659	61%
Life Assurance	7,806	8,378	-7%
Reinsurance - Zimbabwe	13,662	8,140	68%
Reinsurance - Botswana	19,897	4,705	323%
Short-term insurance	51,376	22,061	133%
<b>Operating profit</b>	<b>4,509</b>	<b>5,376</b>	<b>-16%</b>
Profit before income tax	247,816	11,193	2114%
<b>Profit for the year</b>	<b>201,690</b>	<b>8,662</b>	<b>2228%</b>

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

Unconsolidated SBU Performance Highlights

# First Mutual Health Highlights

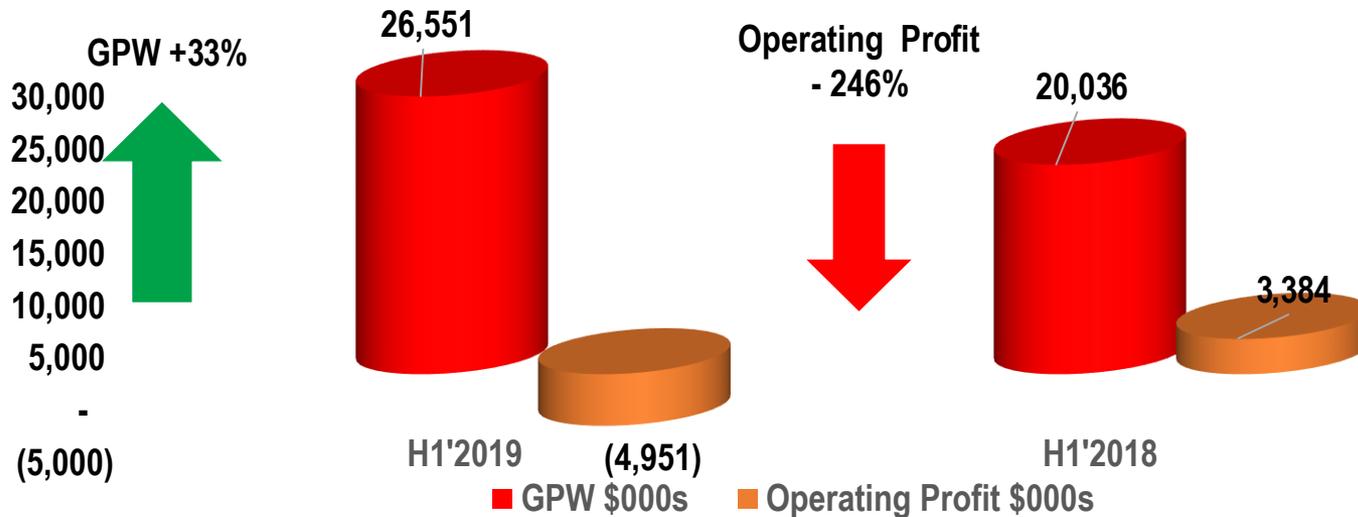


	HY2019	HY2018	% Change
Membership	136,729	126,747	8%
Claims ratio	69%	84%	15%
Admin cost to income ratio	15%	11%	-4%

# First Mutual Health Commentary.....

- GPW went up by 55% to \$46.1 million (HY2018: USD29.8 million) driven by organic growth on corporate clients and acquisition of new business
- Claims ratio for the period was 68.65% compared to 83.81% HY2018 with claims payments increasing from \$24.9 million to \$31.7 million
- Membership increased by 10,000 in this difficult operating environment
- The company continue to roll out the bio-metric system countrywide to improve customer convenience and enhance efficiency of claims processing and settlement
- Admin cost to income ratio negatively impacted by inflationary trends particularly in Q4 2018

# First Mutual Life Highlights



	HY2019	HY2018	% Change
GPW - Pension and Savings (\$'000)	18,745	11,659	61%
GPW - Risk business (\$'000)	7,806	8,378	-7%
<b>Total GPW (\$'000)</b>	<b>26,551</b>	<b>20,036</b>	<b>33%</b>
Claims ratio – Risk business	20%	23%	3%

# First Mutual Life Commentary....

- The business recorded an operating loss of \$5 million due to increases in administration costs and shareholder risk reserves, both driven by inflation

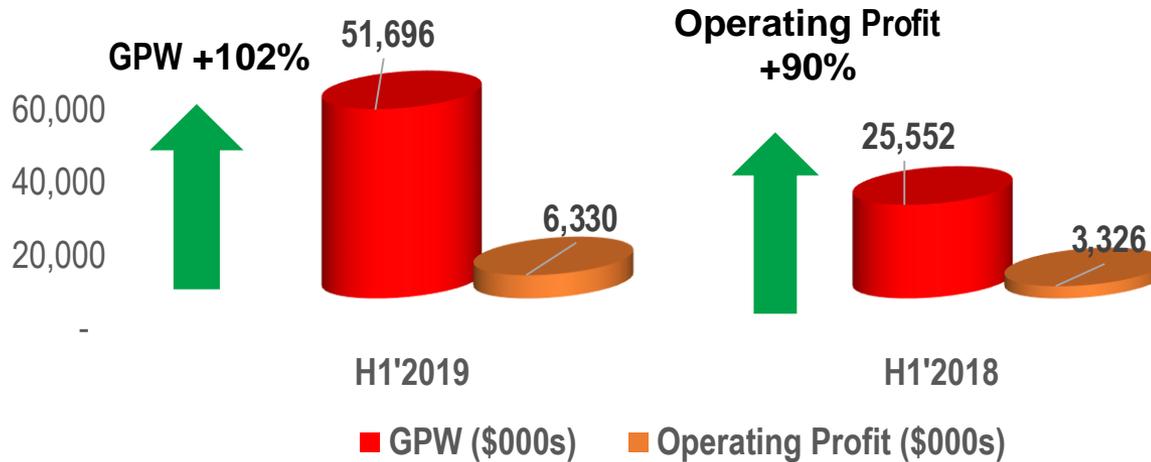
## **Pensions & Savings – Policyholder (PH)**

- - ✓ GWP was 61% higher than same period last year driven by higher single premiums.
  - ✓ Group pension recurring business grew by 11% contributing to the increase in policyholder business

## **Life assurance – Shareholder (SH)**

- - ✓ 7% decline in premium – policyholders struggling to sustain premium payments under the ongoing economic challenges – basic salaries growth was lower than the inflation rate with companies opting for cushioning allowances or similar incentives

# NicozDiamond Highlights

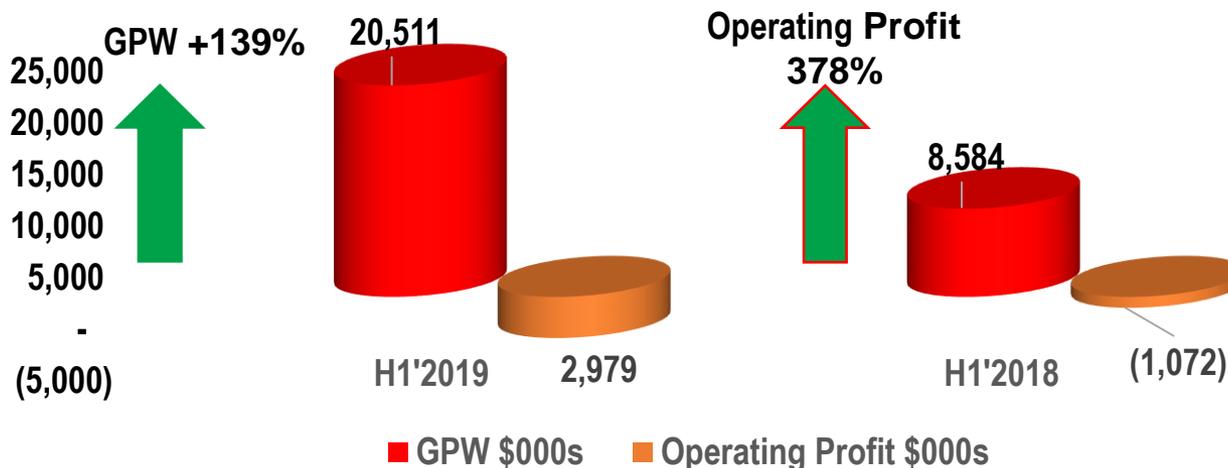


	HY2019	HY2018	% Change
Claims ratio	49%	52%	3%
Reinsurance ratio	55%	30%	-25%
Commission ratio	0%	15%	15%
Administration cost to income ratio	35%	34%	-1%

# NicozDiamond Commentary....

- 102% growth in GPW to \$51.7 million (HY2018: \$25.6 million) due to:
  - ✓ Revision of sums insured
  - ✓ USD business converted to ZWL using official interbank exchange rates
  - ✓ Organic growth.
  - ✓ Client retention
- Motor class contributed 53% to GPW (2018: 51%)
- Increase in motor claims mitigated by relatively lower claims of 3<sup>rd</sup> party motor business
- Following Ministry of Finance approval in January 2019, operations of TristarInsurance were merged into NicozDiamond effective 1 January 2019
  - ✓ Elimination of duplicated costs
  - ✓ Integration and project costs were \$1.9 million

# First Mutual Reinsurance Highlights

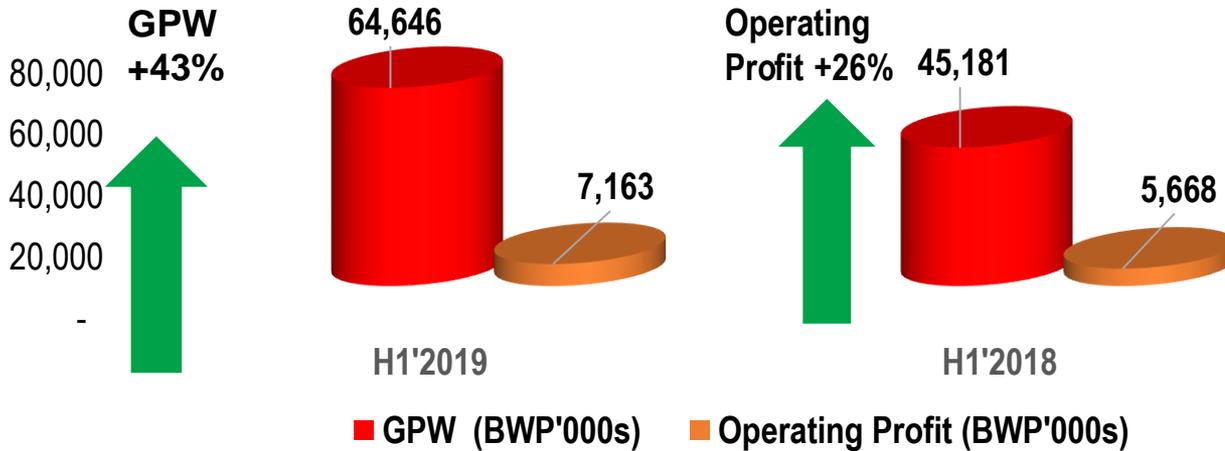


	HY2019	HY2018	% Change
Claims ratio	39%	65%	26%
Reinsurance ratio	54%	25%	-29%
Commission ratio	19%	27%	8%
Administration cost to income ratio	20%	23%	3%

# First Mutual Reinsurance Commentary....

- GPW for the period was \$20.5million (HY2018: \$8.6 million)
  - ✓ Revision of sums insured
  - ✓ USD business converted to ZWL at interbank exchange rates
- Decline in regional due to concerns about Zimbabwe's capacity to discharge foreign obligations
- Improvement in the claims ratio from 65% HY2018 to 39% HY2019, as a result of lower agricultural losses.
- Reduction in operating losses attributed to reduced agriculture losses.
- The company incurred exchange losses arising from USD/ZWL received at 1:1 prior to the segregation of USD and ZWL balances in October 2018

# FMRE P&C Botswana Highlights



	HY2019	HY2018	% Change
Claims ratio	29%	27%	-2%
Reinsurance ratio	53%	50%	-3%
Commission ratio	26%	21%	-5%
Administration cost to income ratio	21%	28%	7%

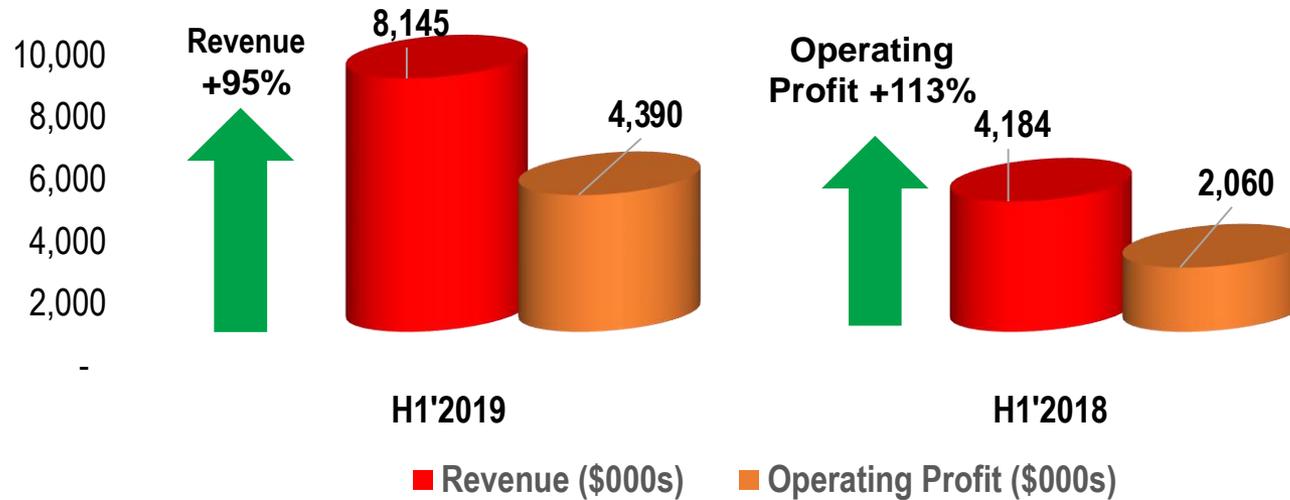
# FMRE P&C Botswana Commentary....

- ❑ The Botswana highlights and commentary reflected in BWP to facilitate like for like comparison
- ❑ 43% growth in GPW
  - ✓ New business acquired from major cedants
  - ✓ Strong performance in regional business
- ❑ Contributions between regional and local market in USD

	2019 BWP000	2018 BWP000	Change %
Local	34,701	23,348	49%
Regional	29,945	21,833	37%
<b>Total</b>	<b>64,646</b>	<b>45,181</b>	<b>43%</b>
<b>Regional as % of total</b>	<b>46%</b>	<b>48%</b>	

- ❑ Positive outturn in regional business in markets such as South Africa, Zambia, Zimbabwe and Namibia
- ❑ Operating profit went up 19% in BWP owing to a combination of lower claims ratio and higher net premium earned
- ❑ Regional business lost in Zimbabwe due to challenges in discharging foreign obligation retained through Botswana.

# First Mutual Properties Highlights

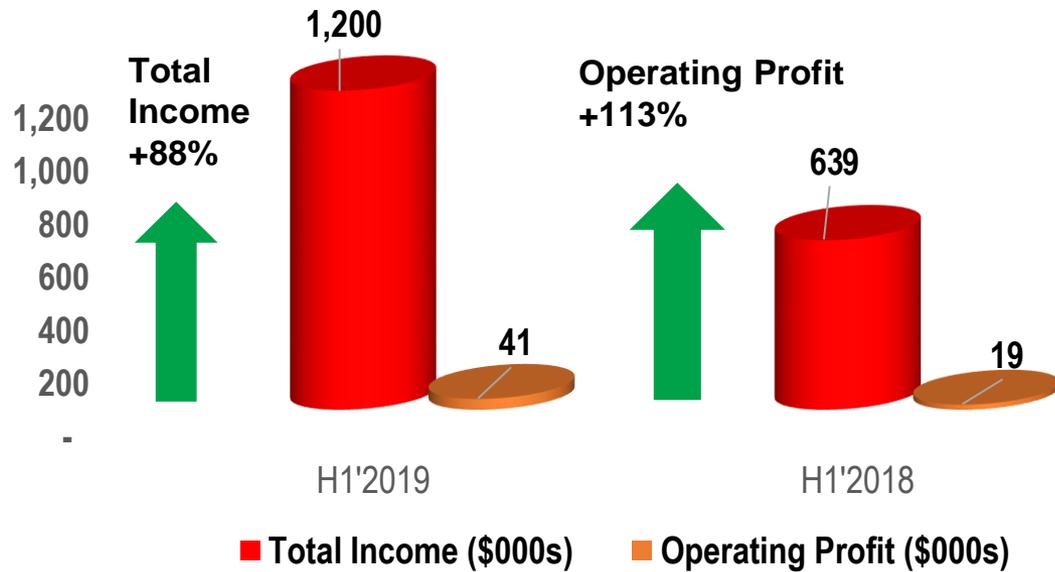


	HY2019	HY2018	% Change
Occupancy rate	83%	76%	7%
Rental per square metre (\$)	12.81	8.89	44%
Administration cost to income ratio	34%	32%	2%

# First Mutual Properties Commentary....

- Revenue for the year increased by 95% to \$8.1 million
  - ✓ New lettings in high value space
  - ✓ Rental rate reviews
  - ✓ Increased turnover based rentals in retail properties
- Occupancy level improved to 82.65% (HY2018: 75.83%) owing to significant leasing efforts
- Average rental/square metre increased to \$12.81 (HY2018: \$6.94) 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



	HY2019	HY2018	% Change
Admin cost to income ratio	97%	97%	-

# Unaudited Consolidated Financial Results

for the six months ended 30 June 2019



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# Functional and presentation currency

- ❑ The Group changed its functional currency to ZWL effective 22 February 2019 – presentation currency also changed to ZWL
- ❑ The comparative period is USD and ZWL at 1:1 – No restatements incorporated in the accounts.
- ❑ While Statutory Instrument 33 of 2019 was effective on 22 February 2019, the USD business for January and February 2019 was converted at USD1:ZWL2.5
- ❑ All exchange gains and/or losses on conversion from USD to ZWL have been recognised in the income statement in line with the requirements of IAS 21.
- ❑ Foreign operations, (Botswana, Diamond Seguros and UGI Malawi) converted to ZWL using the interbank exchange rates – Business written in January and February also converted to ZWL at USD1:ZWL2.5

# Statement of Comprehensive Income

All figures in \$000	Unaudited 30-Jun-19	Unaudited 30-Jun-18	% Change
<b>Gross Premium Written</b>	<b>157,597</b>	<b>84,724</b>	<b>86%</b>
Retrocession	(40,465)	(10,390)	-289%
<b>Net Premium Written</b>	<b>117,131</b>	<b>74,335</b>	<b>58%</b>
Unearned Premium Reserve	(5,996)	(3,133)	-91%
<b>Net Earned Premium</b>	<b>111,135</b>	<b>71,202</b>	<b>56%</b>
Net claims	(56,000)	(43,727)	-28%
Net commission and acquisition expenses	(6,800)	(5,882)	-16%
<b>Total operating expenses</b>	<b>(62,799)</b>	<b>(49,609)</b>	<b>-27%</b>
Fee income	3,828	2,358	62%
Movement in insurance contract liabilities	(14,814)	(5,593)	-165%
<b>Underwriting result</b>	<b>37,350</b>	<b>18,358</b>	<b>103%</b>
Rental income	6,638	3,791	75%
Other income	615	602	2%
Foreign exchange loss	(821)	-	-100%
<b>Total other income</b>	<b>6,432</b>	<b>4,392</b>	<b>46%</b>
Administration expenses	(32,759)	(15,486)	-112%
Project costs	(1,702)	(215)	-691%
Property expenses	(1,295)	(934)	-39%
Provision for credit losses	(1,731)	(382)	-353%
Policyholder operating profit in FM Properties	(1,785)	(357)	-400%
<b>Total expenses</b>	<b>(39,272)</b>	<b>(17,375)</b>	<b>-126%</b>
<b>Operating profit</b>	<b>4,509</b>	<b>5,376</b>	<b>-16%</b>

# Statement of Comprehensive Income.....Cont'd

All figures in \$000	Unaudited 30-Jun-19	Unaudited 30-Jun-18	% Change
<b>Operating profit</b>	<b>4,509</b>	<b>5,376</b>	<b>-16%</b>
Investment income	93,615	1,804	5088%
Fair value adjustment - investment property	302,702	5,619	5287%
Policyholder investment income	(137,922)	(1,700)	-8015%
Movement in investment contract liabilities	(15,087)	132	-11529%
Finance costs	-	(39)	99%
<b>Profit before income tax expense</b>	<b>247,816</b>	<b>11,193</b>	<b>2114%</b>
Income tax expense	(46,127)	(2,531)	-1723%
<b>Profit after tax</b>	<b>201,690</b>	<b>8,662</b>	<b>2228%</b>
<b>Profit attributable to:</b>			
Non-controlling interest	72,469	1,963	3592%
Equity holders of parent	129,221	6,699	1829%
<b>Profit after tax</b>	<b>201,690</b>	<b>8,662</b>	<b>2228%</b>

## Administration Expenses Analysis – Key movements

All figures in \$000	Unaudited 30-Jun-19	Unaudited 30-Jun-18	% Change
Marketing expenses	2,516	1,054	-139%
Computer expenses	3,311	1,240	-167%
IPEC fees	553	459	-21%
Actuarial fees	763	217	-252%
Office consumables	669	330	-103%
Depreciation & amortisation of software	669	548	-22%
Rent and rates	351	319	-10%
Staff costs	15,176	8,595	-76%

# Investment Income Analysis

All figures in \$000	Policyholder	Shareholder	NCI	Unaudited 30-Jun-19	Unaudited 30-Jun-18	% Change
Interest income	399	991	5	1,396	1,234	13%
Dividend received	1,148	2,463	1	3,612	696	419%
Net disposal gain on equity	4,444	958	-	5,402	20	26912%
Fair value gain – equity	52,117	32,301	-	84,418	698	11994%
Capital guarantee fees	(1,213)	-	-	(1,213)	(843)	44%
<b>Net investment income</b>	<b>56,895</b>	<b>36,714</b>	<b>6</b>	<b>93,615</b>	<b>1,805</b>	<b>5086%</b>

# Operating Profit Analysis

All Figures in \$000	Unaudited 30-Jun-19	Unaudited 30-Jun-18	% Change
<b>Operating profit before other items</b>	<b>18,986</b>	<b>5,200</b>	<b>265%</b>
Integration – NicozDiamond & Tristar	(1,054)	-	-
Additional IFRS 9 impairment	-	410	-
Foreign exchange gains/(losses) - legacy	(10,976)	-	-
Intermediated money transfer tax	(745)	-	-
Prior year's tax covered tax amnesty	-	(19)	100%
Project costs	(1,702)	(215)	-691%
<b>Operating profit after other items</b>	<b>4,509</b>	<b>5,376</b>	<b>-16%</b>

# Profit After Tax Analysis

All Figures in \$000	Equity holder		NCI		Total	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
Operating profit	4,799	3,539	852	426	5,650	3,965
Investment income	31,999	1,255	2	4	32,002	1,259
Fair value gains - IP	92,423	1,905	71,615	1,533	164,038	3,438
<b>Total</b>	<b>129,221</b>	<b>6,699</b>	<b>72,469</b>	<b>1,963</b>	<b>201,690</b>	<b>8,662</b>

# Statement of Financial Position as at 30 June 2019

All figures in \$000	Unaudited 30-June-19	Audited 31-Dec-18	%Change
<b>ASSETS</b>	<b>\$000</b>	<b>\$000</b>	
Property, plant & equipment	12,275	11,437	7%
Investment properties	447,964	145,170	209%
Investment in associates	1,178	1,491	-21%
Equity investments	219,682	104,710	110%
Debt securities held at amortised cost	33,909	29,799	14%
Insurance & other receivables	106,457	38,586	176%
Cash and balances with banks	122,714	61,084	101%
<b>TOTAL ASSETS</b>	<b>944,179</b>	<b>392,277</b>	<b>141%</b>
<b>Equity</b>			
Shareholders' equity	249,434	90,430	176%
Non-controlling interests	113,900	42,225	170%
<b>Total Equity</b>	<b>363,334</b>	<b>132,655</b>	<b>174%</b>
<b>Liabilities</b>			
Insurance and investment contracts liabilities	341,827	169,345	102%
Shareholder risk reserve	15,487	11,670	33%
Borrowings	334	92	263%
Tax liabilities (deferred & current)	59,833	16,491	263%
Insurance contracts liabilities – short term	142,172	50,573	181%
Trade & other payables	21,191	11,451	85%
<b>Total Liabilities</b>	<b>580,845</b>	<b>259,622</b>	<b>124%</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>944,179</b>	<b>392,277</b>	<b>141%</b>

# Consolidated Statement of Cash Flows.....30 June 2019

All figures in \$000	Unaudited 30-Jun-19	Audited 31-Dec-18
<b>Profit before taxation</b>	<b>247,817</b>	<b>24,815</b>
Net non-cash items	(218,291)	2,052
<b>Operating cash inflows before w/capital changes</b>	<b>29,526</b>	<b>26,867</b>
Working capital changes	21,060	1,916
<b>Cash generated from operations</b>	<b>50,586</b>	<b>28,783</b>
Taxation and interest received	(460)	(790)
<b>Net cash flow from operating activities</b>	<b>50,126</b>	<b>27,993</b>
<b>Cash generated from/(utilised in) investing activities</b>	<b>13,590</b>	<b>(17,862)</b>
<b>Cash utilised in financing activities</b>	<b>(2,086)</b>	<b>(2,075)</b>
<b>Increase in cash and cash equivalents</b>	<b>61,630</b>	<b>8,056</b>
At beginning of period	61,084	53,028
<b>At end of period</b>	<b>122,714</b>	<b>61,084</b>
<b>Disclosed as</b>		
Cash at bank	67,633	18,268
Money market investments <90 days (original Maturity)	55,081	42,816
<b>Total cash and cash equivalents</b>	<b>122,714</b>	<b>61,084</b>
Money market investments >90 days (original Maturity)	-	-
<b>Total cash and balances with banks</b>	<b>122,714</b>	<b>61,084</b>

# Dividend and Going Concern

- At a meeting held on 30 August 2019, the Directors recommended a dividend of ZW\$ 0.21 cents representing a total interim dividend of ZW\$ 1.5 million (HY2018: nil)
- The Directors assessed the ability of the Group to continue as a going concern, including impact of SI33 and SI142, and believe the Group will be able continue to operate for the foreseeable future

# Outlook & Priorities



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# Outlook & Priorities

- ❑ Continue with balance sheet preservation strategies launched in 2016
- ❑ Taking advantage of measures being put in place to address the economic challenges
  - ✓ Fiscal and monetary measures
- ❑ Launching Microfinance and Funeral service businesses
- ❑ Use of digital technology to increase interaction with clients, process efficiencies and savings
- ❑ NicozDiamond acquired a controlling stake in Diamond Seguros Mozambique after a recapitalisation of the company – inline with Group strategy to increase regional presence
- ❑ Revenue growth and cost containment
- ❑ To Go Beyond in delivering value to stakeholders through commitment, innovation, cost optimisation and focus on profitable product lines

# Questions!





# THANK YOU

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