

FIRST MUTUAL PARK



FIRST MUTUAL HOLDINGS LIMITED FINANCIAL RESULTS PRESENTATION FOR THE HALF YEAR ENDED 30 JUNE 2020

FIRST MUTUAL
HOLDINGS LIMITED
Go Beyond

LIFE | HEALTH | INSURANCE | REINSURANCE | SAVINGS | PROPERTY

Outline of Presentation



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



Basis of preparation
Consolidated Financial Highlights
Unconsolidated SBU Performance Highlights



Audited Consolidated Financial Results
Dividend & Going Concern
Outlook & Priorities

Economic Overview – Zimbabwe

Real GDP growth (%)	2019	2020F
World	2.8	-4.4
Emerging markets	3.7	-3.3
Sub-Saharan Africa	3.2	-3.0
Botswana	6.9	2.0
China	6.1	1.9
Malawi	4.5	0.6
Mozambique	2.3	-0.5
South Africa	0.2	-0.8
Zimbabwe	-6.5	-10.4

Source: IMF WEO October 2020 Update

Estimated 2020 GDP decline of range **-10.4%** (2019: **-6.5%**) driven by:

- ✓ Policy responses to limit the effects of the novel COVID-19 pandemic.
- ✓ Lower tourism & mining sector foreign currency earnings.
- ✓ High inflation, lower disposable incomes and lower aggregate demand.

Economic Overview - Zimbabwe

- ❑ Y-o-Y inflation was 737.3% as at 30 June 2020 mainly driven by exchange rate depreciation and the re-alignment of prices to the exchange rate. Y-O-Y inflation started declining and was 659.4 % at 30 September 2020.
- ❑ Average returns on money market investments stood at 11% (HY 2019: 8%) compared to average annual inflation of 700.1%.
- ❑ The Monetary Policy Committee revised the policy rate up from 15% to 35% effective 01 July 2020.
- ❑ The RBZ foreign exchange rate as at 30 June 2020 was USD1:ZWL63.7442 representing a 281% depreciation of the ZWL since the beginning of the year.
- ❑ ZSE All Share Index returned 677.46% versus YTD inflation of 162%. The above inflationary return was attributed to
 - ✓ Investor hedging against currency weakness.
 - ✓ Asset migration from money market funds to equities due to low returns.

Economic Overview - Botswana

- ❑ The AFDB estimates Botswana's GDP growth at **-5.5%** in 2020 (2019: 3%).
- ❑ The outlook for price stability remains positive as inflation is forecast to be within the 3% to 3.8% objective range in the medium term. The Bank rate was eased to 4.25%.
- ❑ Year-on-Year Inflation was 2.8% as at June 2020 (HY2019: 2.0%).
- ❑ Overall, the disruption on global supply chains and lower aggregate demand is expected to have an adverse impact on Botswana's Diamond and Tourism industries which account for 80% and 13.4% of the country's exports respectively.

Economic Overview – Impact on FMHL Operations

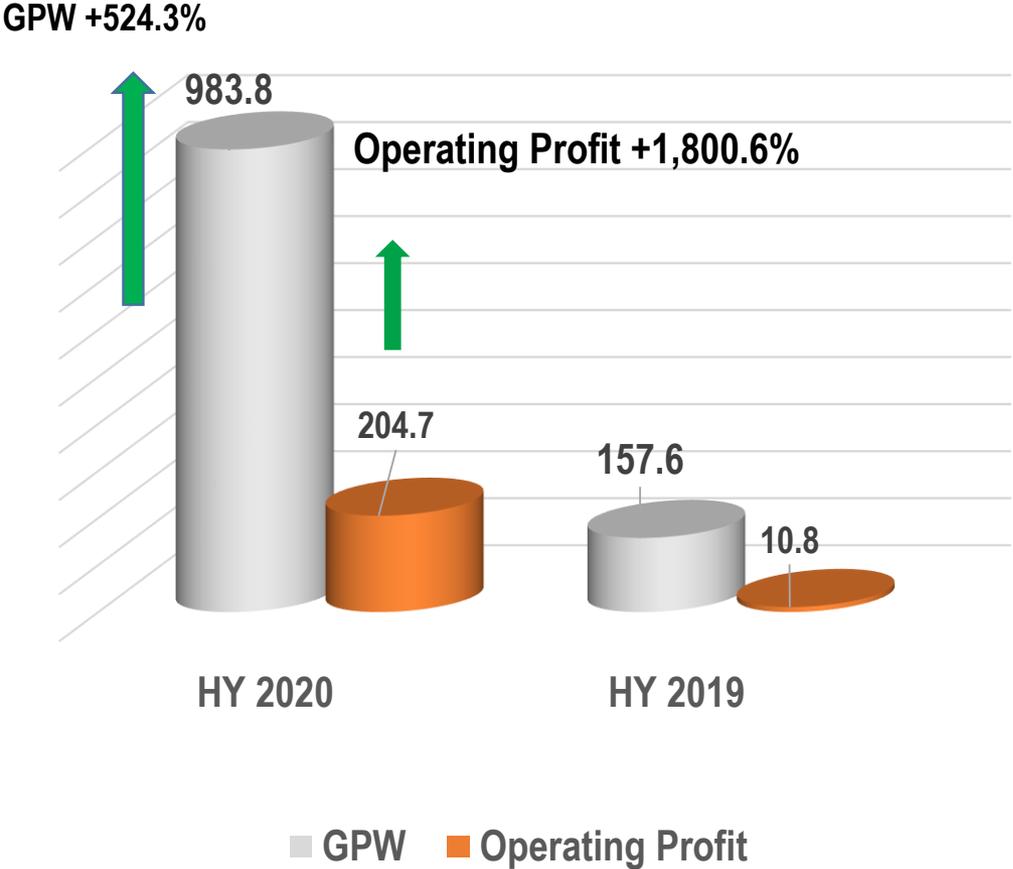
- ❑ Sub-inflationary increase in consolidated ZWL revenue due to:
 - ✓ Limited capacity of clients to absorb premium increases in line with ZWL inflation
 - ✓ Lower ZWL on foreign currency revenue due to fixed exchange rate for Q2 2020 till 23 June 2020
- ❑ Sub-inflationary increases in major cost drivers
 - ✓ Claims – declining claims ratios except for reinsurance units.
 - ✓ Administration expenses – Expenses grew by 639% against average inflation of 700%, despite some expense growing inline with depreciation of the ZWL on the alternative market.
 - ✓ General focus on maintaining KPIs also suppressed cost increases
- ❑ Above inflation growth in investment income
 - ✓ Underpinned by increased listed equity values
 - ✓ Gains on investment property revaluations.

Basis of presentation

- ❑ This presentation is prepared on the basis of statutory records that are maintained under the historical cost convention, inline with how the performance of the Group is measured by management.
- ❑ For IFRS compliant financial statements, please refer to the results publication prepared in accordance with IAS 29 “Financial Reporting in Hyperinflationary Economies”. The publication can be accessed on the First Mutual Holdings Limited website [www.firstmutual.co.zw] and also on the Zimbabwe Stock Exchange website [www.zse.co.zw].

Financial Highlights – Consolidated

Historical in \$m



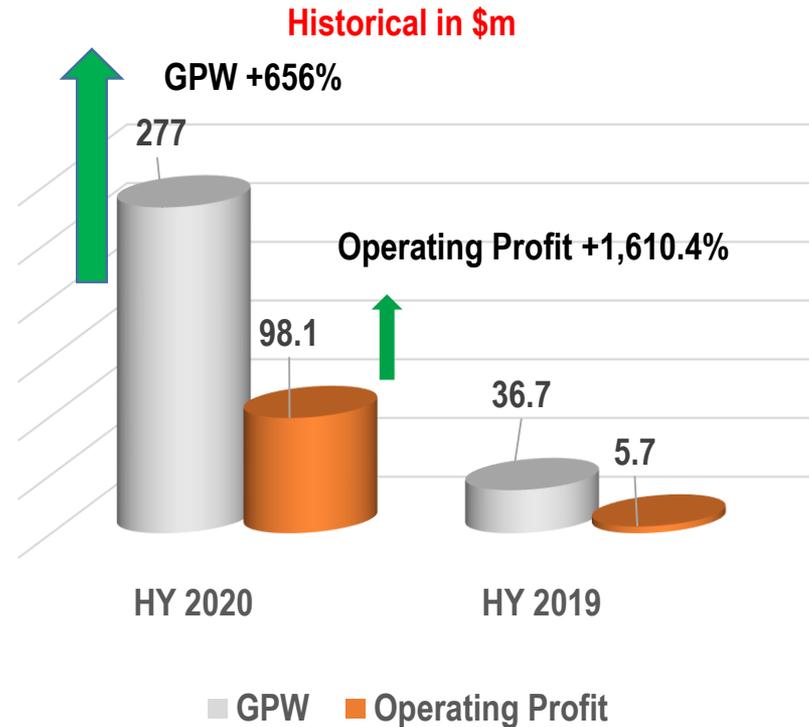
Consolidated Financial Highlights

Contribution to GPW	Historical (\$m)		
	HY 2020	HY 2019	Change
Gross Premium Written	984	158	524%
First Mutual Health	277	46	502%
NicozDiamond Insurance	310	51	503%
FML- Risk	32	8	309%
First Mutual Reinsurance	58	14	324%
FMRE P &C Botswana	245	20	1,133%
FML Savings	62	19	229%
Operating Profit	170	5	3,127%
Cash from Operating Activities	913	57	1,489%
	HY 2020	FY 2019	Change
Total Assets	2,553	532	380%

Creating value through
Risk Management,
Wealth Creation and
Wealth Management

Unconsolidated SBU Performance Highlights (Historical)

First Mutual Health Highlights

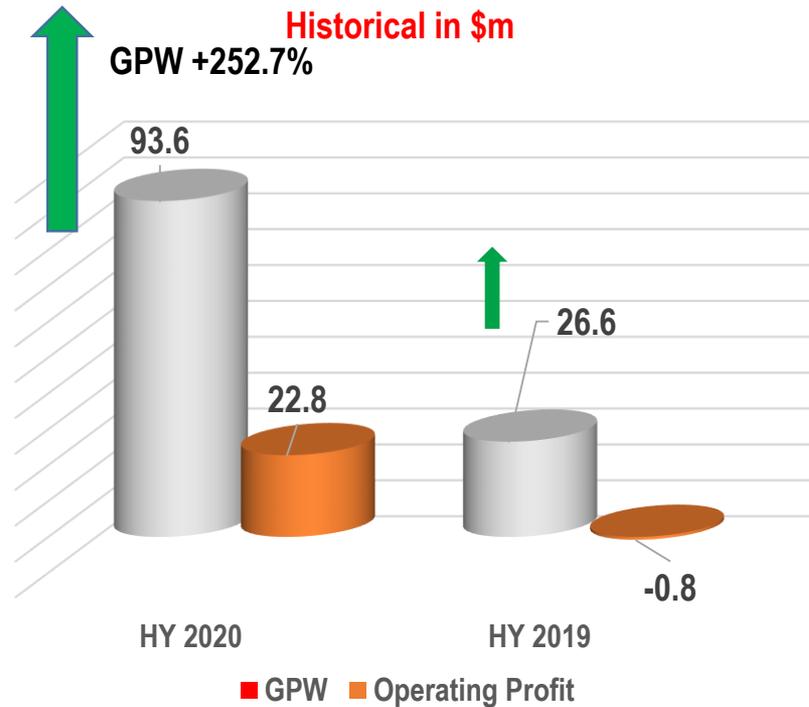


Key Performance Indicator	HY 2020	HY 2019	% Change
GPW - \$m	277	36.7	656%
Membership	144,215	137,000	5%
Claims Ratio	67%	71%	4%

First Mutual Health Review

- GPW went up by 13% to \$436 million (HY2019: \$386 million) driven by premium rate adjustments and and organic growth.
- The claims ratio declined by 4% on account of lockdown measures and increased emphasis on COVID-19 emergencies ahead of normal medical claims.
- Membership increased by 5% to 144,215 due to brand loyalty and consistent marketing efforts.
- The company continues to roll out the bio-metric claims processing system countrywide to improve customer convenience and enhance efficiency of claims processing and settlement.

First Mutual Life Highlights



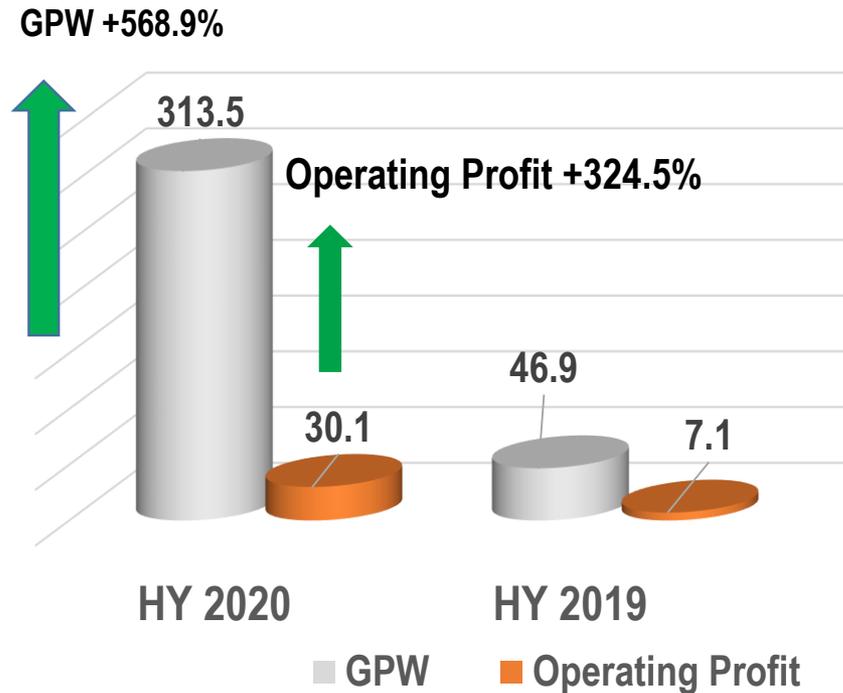
Key Performance Indicator	HY 2020	HY 2019	% change
Claims ratio	18%	22%	-4%
Commission ratio	2%	7%	-5%
Admin/income ratio	72%	68%	4%

First Mutual Life Review

- Total GPW grew by 253% to \$93.6 million
- **Pensions & Savings – Policyholder (PH)**
 - ✓ GPW at \$61.7million was 230% ahead of prior year reflecting the pass through effects of salary adjustments that drive pension contributions. However, growth was lower than inflation growth as employers preferred to increase cushioning allowances at the expense of pensionable salaries.
- **Life assurance – Shareholder (SH)**
 - ✓ GPW at \$31.9 million was 309% above prior year due to sub-inflationary increases in Group Life Assurance and funeral assurance policy cover values

NicozDiamond Highlights

Historical in \$m

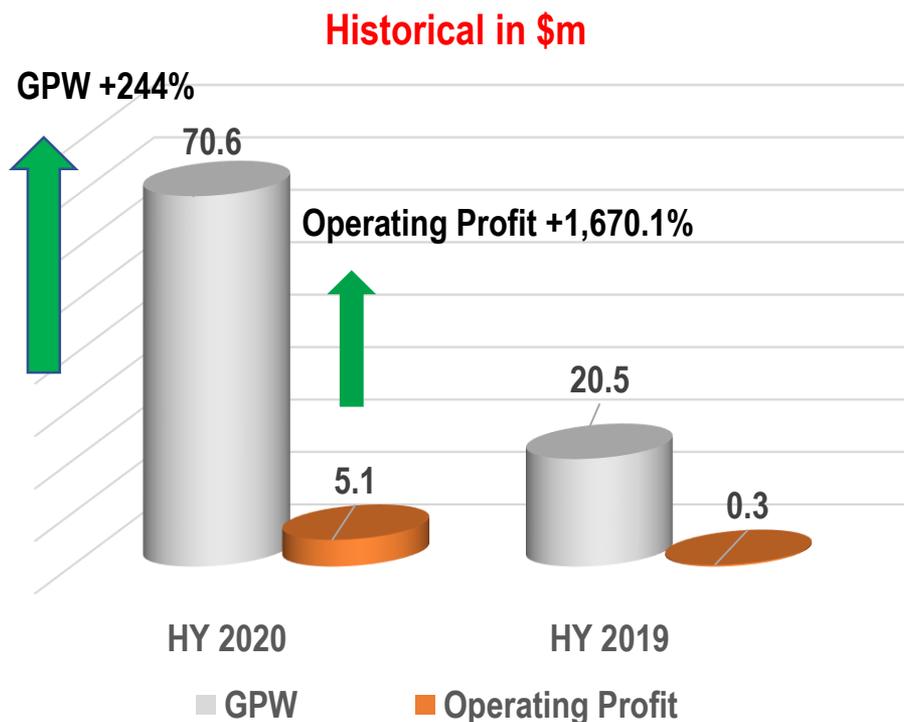


Key Performance Indicator	HY 2020	HY 2019	% change
Claims ratio	46%	51%	5%
Operating Profit Margin	22%	16%	7%
Admin/income ratio	15%	20%	5%

NicozDiamond Review

- GPW grew by 503% to \$309.6 million due to:
 - ✓ New business
 - ✓ Organic growth
 - ✓ Revaluation of sums insured.
- The claims ratio was lower at 48% (HY2019: 51%) owing to lower activity in Q2 2020, particularly for motor class, due the COVID-19 lockdown
- The net commission ratio increased to 4% (HY 2019 – 0%) there was less inward commission on fronted USD business following the introduction of the mono-currency environment from June 2019

First Mutual Reinsurance Highlights



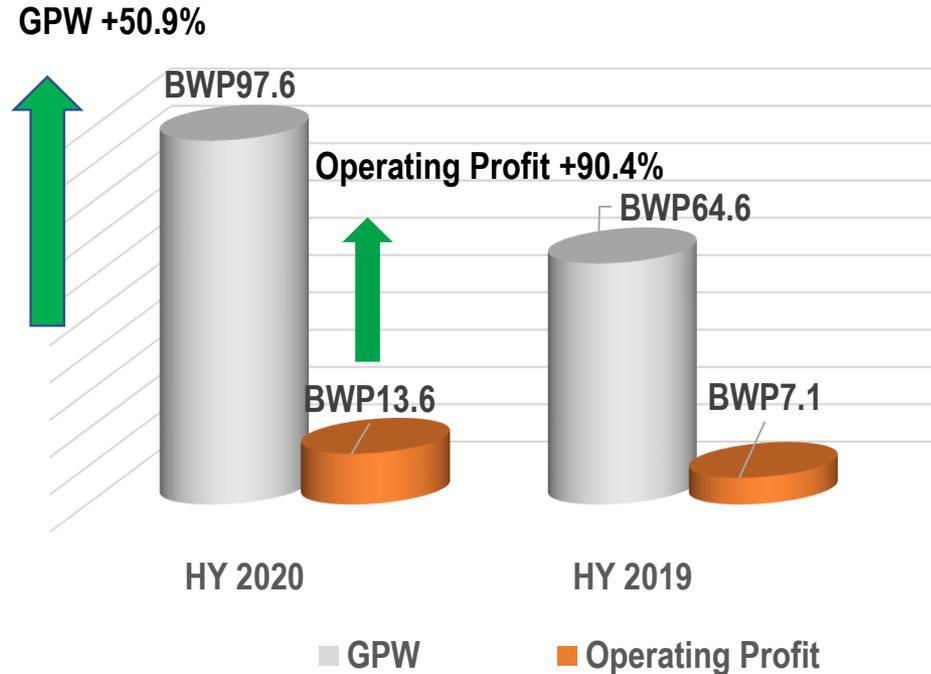
Key Performance Indicator	HY 2020	HY 2019	% change
Claims ratio	52%	39%	14%
Commission Ratio	25%	21%	4%
Admin/income ratio	27%	30%	3%

First Mutual Reinsurance – Zimbabwe

- GPW for the period grew by 324% to \$57.9 million due revision of sums insured inline with the inflationary environment.
- Growth lower than inflation due to:
 - ✓ Higher retentions on ZWL business by direct insurers following the introduction of the mono-currency environment in June 2019
 - ✓ Limited ability by clients to match the exchange rate conversions of USD sums insured.
 - ✓ No regional business written due to concerns about payment of foreign claims from Zimbabwe
- Business continued to refer regional business and local USD business to FMRE P&C Botswana.

FMRE P&C Botswana Highlights

Historical in BWP m



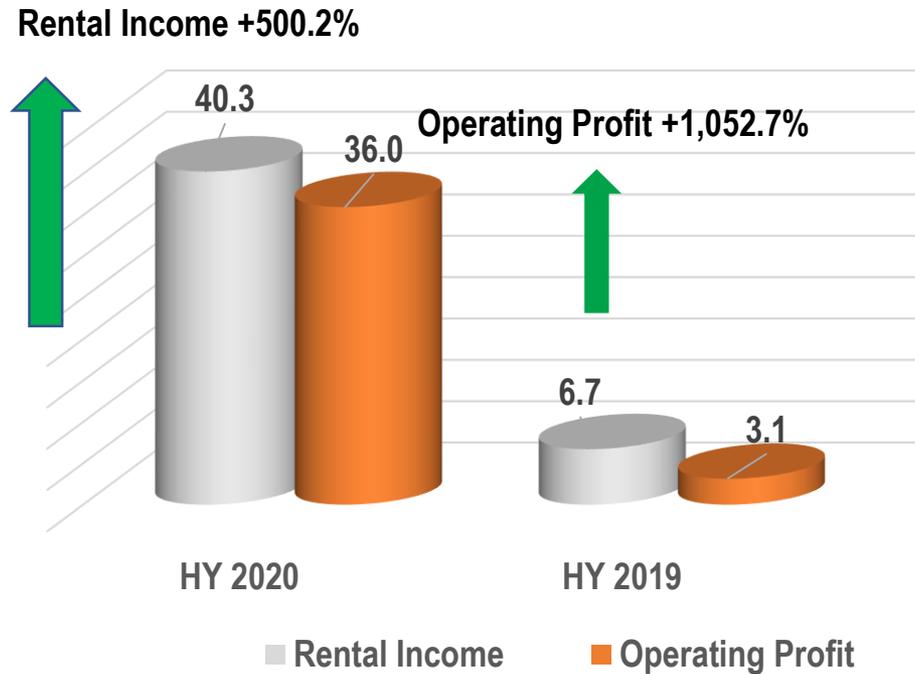
Key Performance Indicator	HY 2020	HY 2019	% change
Claims ratio	40%	29%	11%
Commission Ratio	26%	27%	0.5%
Admin/income ratio	5%	12%	7%
Regional Business Contribution to GPW	25%	14%	11%

FMRE P&C Botswana Review

- The Botswana highlights and commentary reflected in BWP to facilitate like-for-like comparison
- GPW grew by 51% in BWP driven by:
 - ✓ Improved local treaty participation reflecting improving market profile
 - ✓ Growth of specialist lines of business under the casualty segment
 - ✓ Increased regional support from countries such as Namibia
- GPW generated from Zimbabwe was BWP21.5m (FY 2019 – BWP19.2m)
- Claims ratio grew to 40% from 29% this is in line with long term industry trends
- Historically, in ZWL, GWP grew by 1034% to \$245.3m with corresponding growth in operating profit of 2232% to \$35.7m

First Mutual Properties Highlights

Historical in \$ m



Key Performance Indicator	HY 2020	HY 2019	% change
Occupancy	88%	82%	6%
Staff Cost to Income ratio	15%	16%	1%
Admin/income ratio	17%	19%	2%

First Mutual Properties Commentary

- Revenue for the year increased by 500% in real terms to \$69 million (HY2019: \$6.7 million) due to:
 - ✓ New lettings in high value space
 - ✓ Higher occupancy level
 - ✓ Rental rate reviews effected on ZWL tenant base
 - ✓ USD rental income converted at auction rate
- Occupancy level improved to 89% (HY2018: 76%) as the business continued to attract and retain clients due to focused refurbishments
- Independent investment property valuations as at 30 June 2020 resulted in significant increases in the portfolio value.

Consolidated Financial Results

for the year ended 30 JUNE 2020



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Statement of Comprehensive Income – Historical cost

	30-Jun-20	30-Jun-19	
	Actual	Actual	Growth
	\$000	\$000	%
Gross Premium Written	983,836	157,597	524%
Retrocession	(269,676)	(40,465)	-566%
Net Premium Written	714,160	117,131	510%
Unearned premium reserve	(83,142)	(5,996)	-1287%
Net Earned Premium	631,018	111,135	468%
Claims	(292,461)	(56,000)	-422%
Commission	(41,433)	(4,908)	-744%
Acquisition expenses	(9,450)	(1,891)	-400%
Total operating expenses	(343,343)	(62,799)	-447%
Fee income	55,157	3,421	1512%
Motor pool dividend income	2,173	407	434%
Movement in other insurance contract liabilities	(47,195)	(10,997)	-329%
Movement in risk reserves	(4,845)	(3,817)	-27%
Underwriting result	292,965	37,350	684%
Rental income	38,755	6,638	484%
Other income	8,842	615	1338%
Foreign exchange gains/(losses) - current	135,900	(821)	10864%
Total Other Income	183,497	6,432	2753%
Administration expenses	(249,050)	(33,716)	-639%
Property expenses	(13,239)	(1,295)	-923%
Provision for credit losses	(17,908)	(1,731)	-934%
Policyholder operating profit in First Mutual Life	(26,733)	(1,785)	-1398%
Total expenses	(306,930)	(38,527)	-697%
Operating profit	169,533	5,254	3127%

Statement of Comprehensive Income – Historical cost continued...

	30-Jun-20	30-Jun-19	
	Actual	Actual	Growth
	\$000	\$000	%
Operating profit	169,533	5,254	3127%
Investment income	1,086,369	93,615	1060%
Share of profit/(loss) of associate	1,701	-	100%
Fair value - investment property	6,266,397	302,702	1970%
Policyholder investment income	(2,404,601)	(137,922)	-1643%
Movement in investment contract liabilities	(278,849)	(15,087)	-1748%
Finance costs	(1,156)	-	-100%
Surplus before taxation	4,839,393	248,562	1847%
IMMT - 2% tax	(6,216)	(745)	-734%
Taxation	(1,427,404)	(46,127)	-2995%
Profit after tax	3,405,773	201,690	1589%
Profit/(Loss) attributable to:			
Non-controlling interest	1,382,531	72,469	1808%
Equity holders of parent	2,023,242	129,221	1466%
Profit after tax	3,405,773	201,690	1589%

Investment Income Analysis

All figures in \$000	Policyholder	Shareholder	30-Jun-20	30-Jun-19	%	Change
Interest income - third parties	1,137	4,572	5,709	7,568	↓	(25)%
Investment expenses	(46,205)	(34)	(46,239)	(16,709)	↑	177%
Dividend income	1,303	21,825	23,128	760	↑	2,943%
Gain on disposal – equity	32,349	6,438	38,787	-		100%
Fair value gain/(loss) – equity	410,080	306,084	716,164	143,506	↑	399%
Fair value gain – Afrexim	32,251	26,387	58,639	97,046	↓	(40)%
Foreign exchange gain - Afrexim	160,809	131,571	292,380	-		100%
Net Investment profit	591,725	496,843	1,086,369	232,171	↑	368%

Statement of Financial Position 30 JUNE 2020 – Historical

All figures in \$000	30-Jun-20	31-Dec-19	% Change
ASSETS			
Property, plant & equipment	29,069	24,260	20%
Investment properties	7,679,597	1,413,176	443%
Equity investments	1,057,396	180,201	487%
Equity investments - Afrexim	519,344	168,566	208%
Investment in associates	66,916	10,352	546%
Debt securities at amortised cost	20,199	9,416	115%
Inventory	8,568	6,309	36%
Deferred acquisition costs	57,803	7,648	656%
Insurance & other receivables	642,425	208,465	208%
Cash and balances with banks	881,340	279,516	215%
TOTAL ASSETS	10,962,942	2,307,908	375%
Equity			
Shareholders' equity	2,753,214	497,817	453%
Non-controlling interests	1,733,167	350,636	394%
Total Equity	4,486,381	848,453	429%
Liabilities			
Insurance contracts liabilities	3,173,321	730,505	334%
Investment contracts liabilities	321,369	45,639	604%
Tax liabilities (deferred & current)	1,704,648	282,555	503%
Insurance contracts liabilities – short term	950,618	307,555	209%
Trade & other payables	326,606	93,200	250%
Total Liabilities	6,476,561	1,459,455	344%
TOTAL EQUITY & LIABILITIES	10,962,942	2,307,908	375%

Consolidated Statement of Cash Flows for period ended 30 June 2020

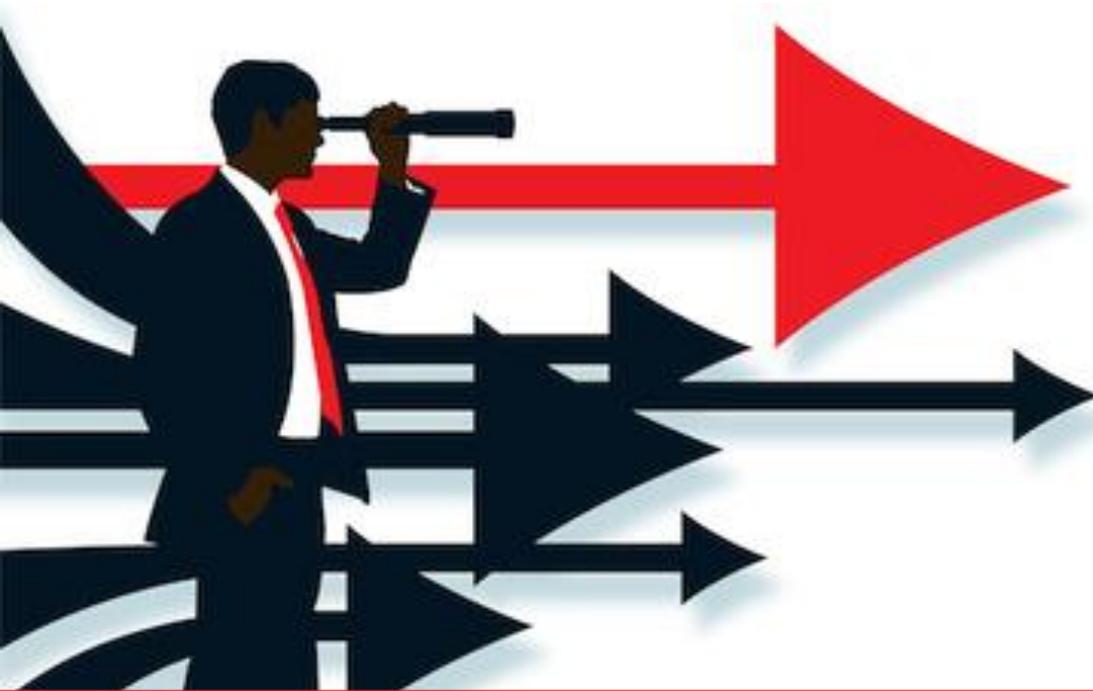
All figures in \$000	Historical cost	
	Reviewed	Reviewed
	HY 2020	HY 2019
Profit before income tax	4,833,459	247,815
Total non- cash and separately disclosed items	(4,299,475)	(197,833)
Operating cash flows before working capital changes	533,984	49,982
Working capital changes	378,743	7,477
Cash (utilised in) / generated from operations	912,727	57,460
Finance costs on borrowings	(540)	(4)
Interest received	5,987	1,710
Tax paid	(556,376)	(2,170)
Net cash flows (utilised in) / generated from operating activities	361,798	56,999
Net cash flow generated from / (used in) investing activities	(239,369)	13,591
Net cash flow used in financing activities	(3,744)	(2,086)
Net increase / (decrease) in cash and cash equivalents	118,685	68,505
Cash and cash equivalents at the beginning of the year	279,516	61,084
Effects of changes in foreign exchange rates	483,139	(6,879)
Cash and cash equivalents at the end of the year	881,340	122,715

Dividend and Going Concern

- The Board resolved that an interim dividend of ZWL20 million, being 2.76 cents (two point seven six Zimbabwe cents) per share be declared from the profits of the Group for the half year ended 30 June 2020.

Dividend	Last Day of Registration	Payment Date
2.76	16 October 2020	30 October 2020

Outlook & Priorities



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Outlook & Priorities

- ❑ Global and local economy expected to continue to be adversely affected by COVID related lockdown measures
- ❑ Higher than normal rainfall in 2020/21 agricultural season presents opportunity for national economic recovery
- ❑ Group will continue to expand use of technology to improve processes, maintain client contact and enhance customer experience
- ❑ Retain focus on balance sheet preservation and maintaining operating margins
- ❑ Continue to invest in areas that complement our product offering
- ❑ Further investment in our regional businesses (particularly Botswana and Mozambique) to diversify Group revenue base
- ❑ Reinsurance unit poised for major growth on completion of capital raising exercise
- ❑ To Go Beyond in delivering value to stakeholders through innovation, cost optimisation and focus on profitable product lines

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