

# FIRST MUTUAL

HOLDINGS LIMITED

Go Beyond

## Audited Financial Results Presentation for the year ended 31 December 2015

23 March 2016



# Outline of Presentation

- Environmental Overview
- Group Performance and Operational Review
- Consolidated Financial Results
- Outlook and Priorities
- Questions

# Environmental Review

## ❑ Limited economic growth

- ✓ Weak aggregate demand & deflationary pressures
- ✓ Economy yet to receive significant direct budgetary support
- ✓ Impact of global economic turmoil.

## ❑ Insurance Industry Trends

- ✓ Life, health & funeral have been resilient, while general insurance products have seen flat performance
- ✓ Pensions businesses affected by corporate closures and retrenchments.
- ✓ High premium arrears
- ✓ Sub optimal consumption of short term insurance products
- ✓ Resultant price competition to attract consumers

# Environmental Review Contd...

## ❑ Money & Capital Market Trends

- ✓ Continued erosion of value in equities market
- ✓ Pronounced decline in term deposit rates
- ✓ Lack of activity in the secondary bond market

## ❑ Property Market

- ✓ Downward pressure on rentals
- ✓ Persistent voids and rental arrears










# 2015 Key Highlights

- ❑ Concluded major phase of the organizational transformation programme
- ❑ Focus on continuous enhancement of systems efficiency, business processes and customer service excellence
- ❑ Migration to new ICT operating systems by the health and wealth management businesses
- ❑ Disposed off the entire stake in the actuarial business
- ❑ RTG no longer a strategic investment - Reclassified RTG investment from strategic to non current asset held for sale
- ❑ Efficient claims management

# 2015 Operational Highlights

- ❑ **Group posted operating profit driven by:**
  - ✓ Revenue growth
  - ✓ Reduction in management and administration expenses
  - ✓ Reduction in claims particularly health related
  
- ❑ **Sustainability of the Performance**
  - ✓ Management expects to defend revenue at current levels
  - ✓ Expenses of management are not anticipated to increase
  - ✓ Claims experience unlikely to deteriorate

# Financial Highlights-Consolidated

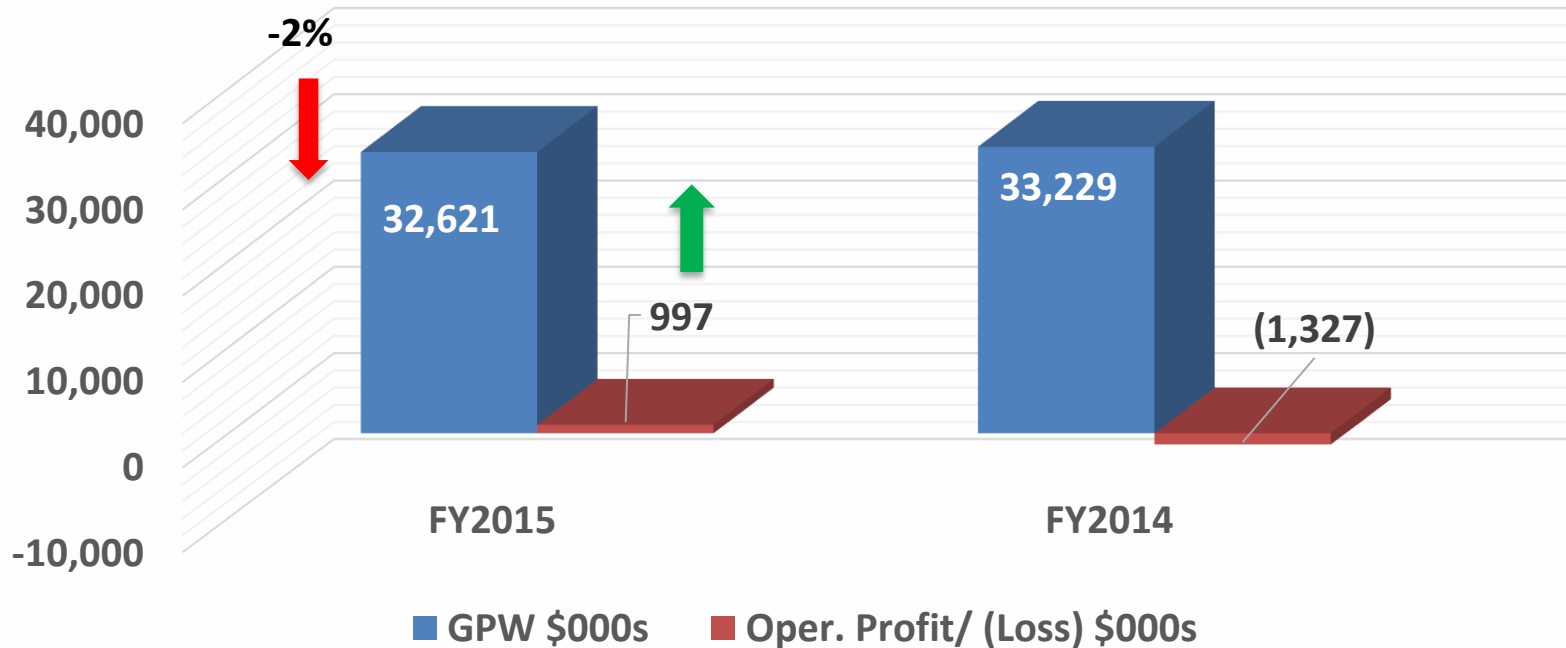
Financial highlights for the year ended:	31-Dec-15	31-Dec-14	% Δ
GPW-Life assurance and pensions	35,792	36,191	 -1%
GPW – Direct insurance & reinsurance	27,822	28,946	 -4%
GPW - Health insurance	52,481	50,192	 5%
<b>Gross Premium Written</b>	<b>116,095</b>	<b>115,329</b>	 1%
Property business - rental income	7,329	7,542	 -3%
Operating profit/ (loss)	3,070	(4,446)	
Net Client Cash Flows	8,932	3,051	 193%
Insurance & Investment contract liabilities	96,408	95,489	 1%
Total assets	209,019	213,339	 -2%

# SBU Performance Highlights – Unconsolidated





# First Mutual Life Highlights

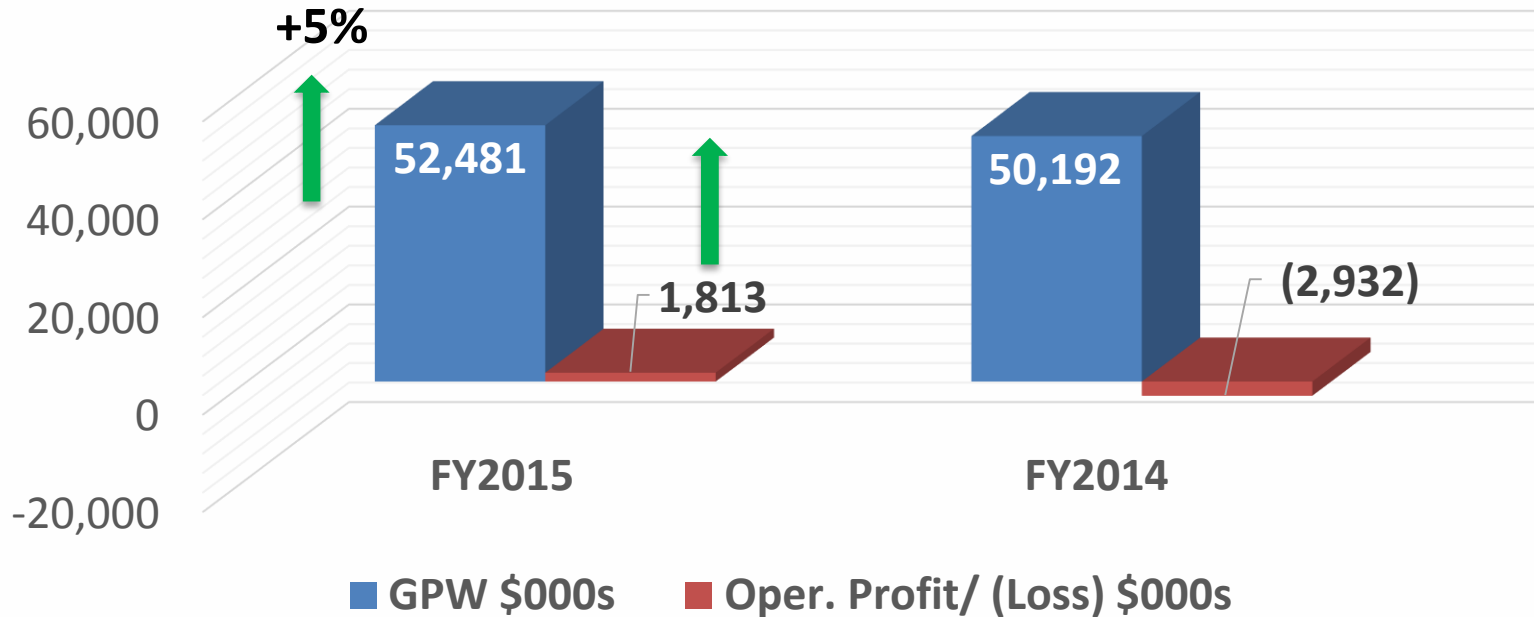


All figures in US\$000	31-Dec-15	31-Dec-14	% Δ
Risk Business	13,877	13,937	0%
Savings Business	18,744	19,292	-3%
<b>Total Premium</b>	<b>32,621</b>	<b>33,229</b>	<b>-2%</b>

## First Mutual Life Commentary...

- ❑ Single premium business remained a major source of growth.
- ❑ Resilience in risk business growth-FCP (+4% vs +6% in 2014).
- ❑ Individual Life benefiting from new distribution channels.
- ❑ Continued focus on cost management.
- ❑ Employee Benefits experienced slowdown in recurring premiums due to company closures and general liquidity crunch within the economy.
- ❑ Downward pressure on pricing becoming more pronounced on the market.
- ❑ Overall performance above budget

# First Mutual Health Highlights

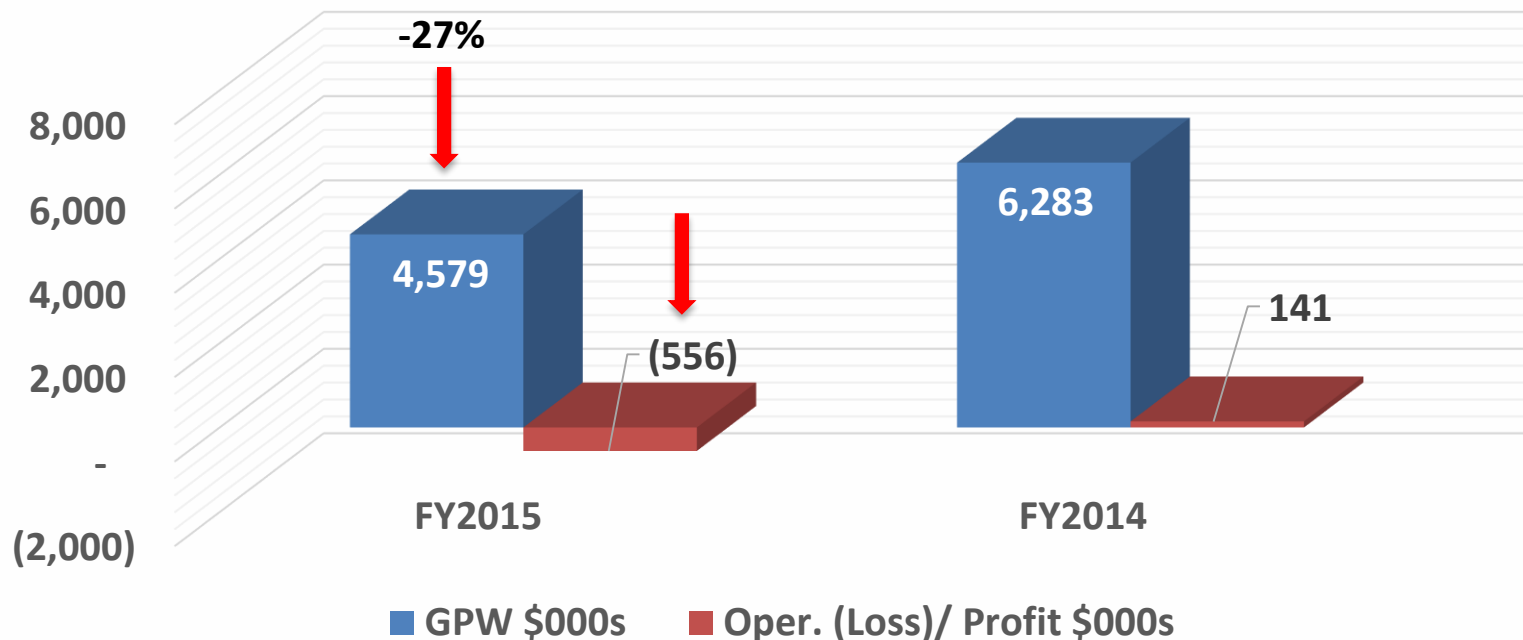


Key Indicators	31-Dec-15	31-Dec-14	% Δ
Membership	112,122	113,969	-1.6%
Average Premium Per Member	\$38.70	\$38.04	1.7%
Claims ratio	84%	91%	

## First Mutual Health Commentary...

- ❑ Migrated to a new ICT system for improved efficiencies
- ❑ Improvement in claims experience
- ❑ Pricing aligned to benefits structure
- ❑ Company will continue to seek new business through:-
  - ✓ Quality service,
  - ✓ Demonstrated claims paying ability,
  - ✓ Wellness campaigns,
  - ✓ Continued product innovation.

# TristarInsurance Highlights

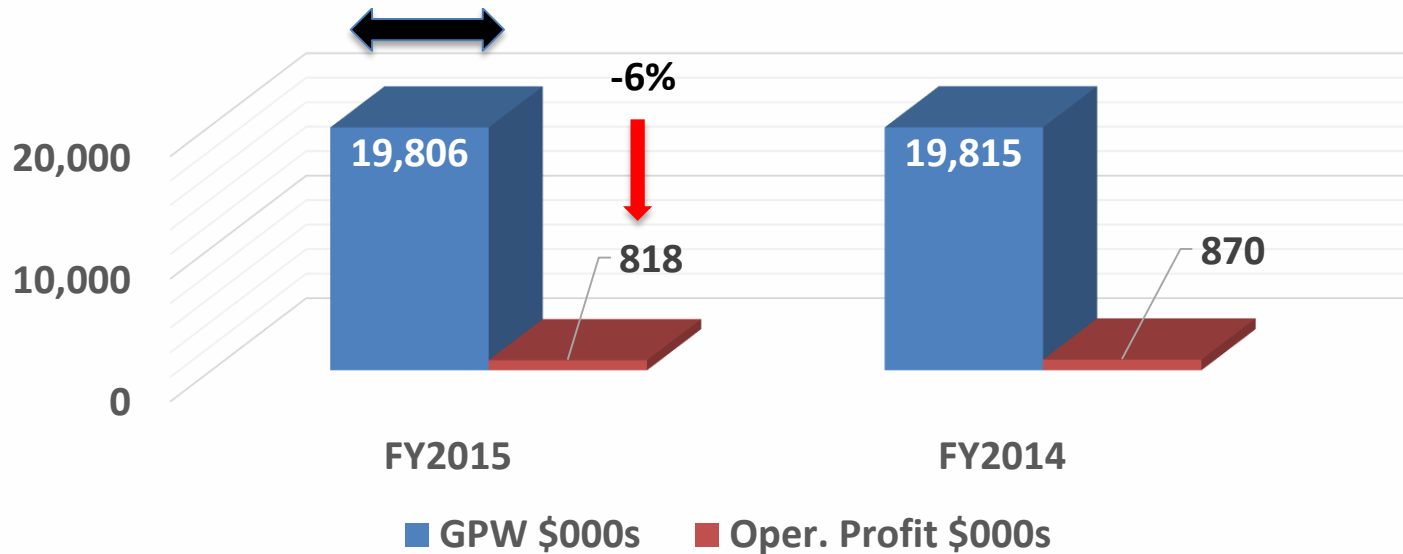


Key Ratios	31-Dec-15	31-Dec-14
Reinsurance ratio	48%	43%
Claims ratio	40%	43%
Commission	5%	3%

## TristarInsurance Commentary...

- ❑ Adversely affected by premium reversals and significant price undercutting on the market
- ❑ Business recapitalized by \$2m during the year
- ❑ Market confidence restored following recapitalization
- ❑ Renewals by big accounts witnessed post recapitalisation

# FMRE Property & Casualty (Zim) Highlights



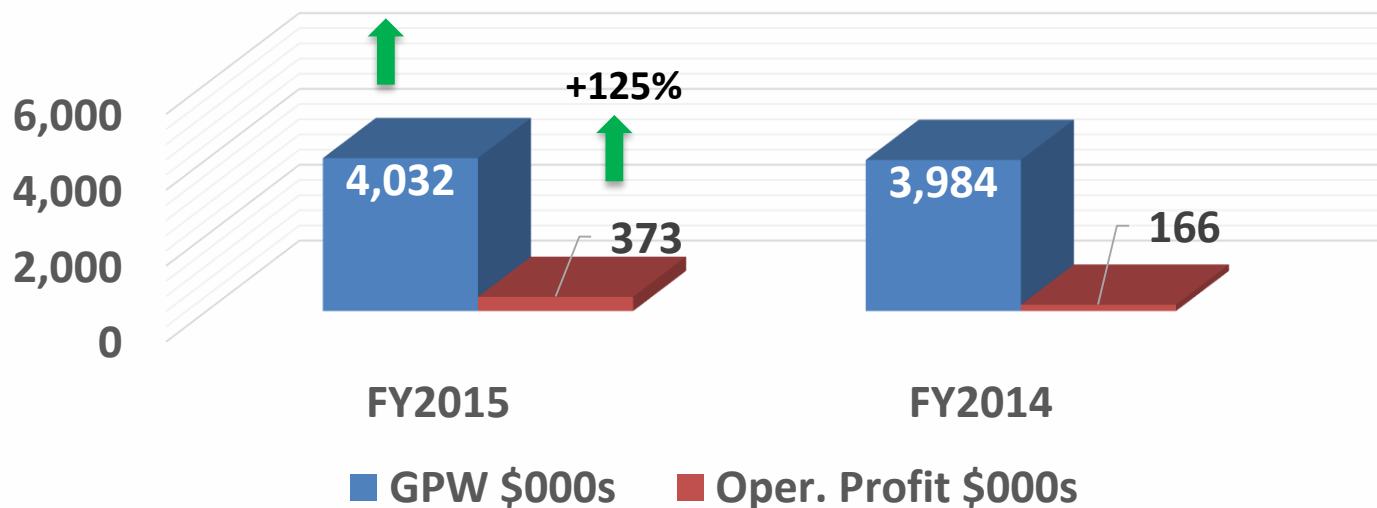
Key Ratios	31-Dec-15	31-Dec-14
Claims ratio	45%	44%
Net commission ratio	28%	27%
Retrocession ratio	30%	33%
Contribution of external business	17%	12%

## FMRE P&C Commentary...

- ❑ GPW marginally decreased. Reduction in local market premium offset by increased regional business.
- ❑ Aggressive regional marketing efforts now bearing fruit.
- ❑ High retention levels by direct underwriters limiting overall growth.
- ❑ Management will continue to manage costs and claims



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

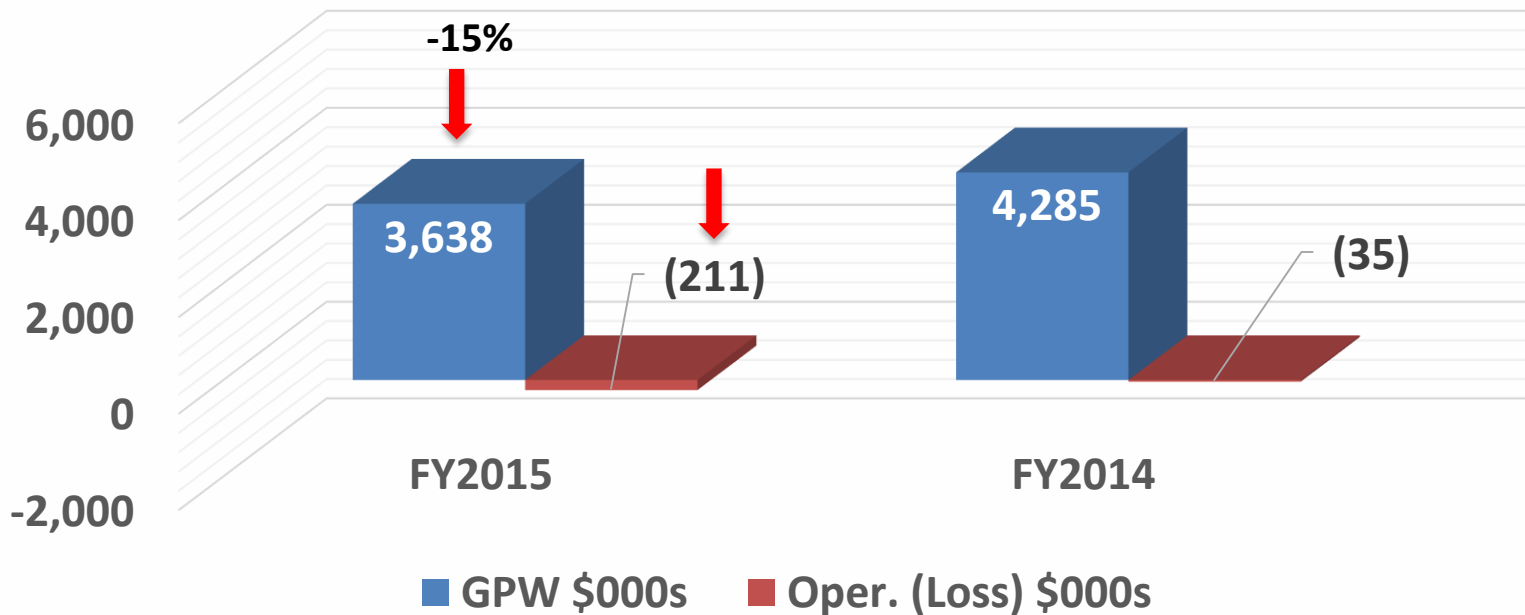


Key Ratios	31-Dec-15	31-Dec-14
Claims Ratio	30%	33%
Reinsurance Ratio	33%	32%
Net Commission Ratio	24%	23%
Contribution of external business	42%	27%

## FMRE P&C Botswana Commentary...

- ❑ Pronounced business now coming from local market as confidence in the company continues to improve
- ❑ Growth muted by strengthening US\$
- ❑ Pula GPW was up 15% in 2015 (2014: 55%) and Operating Profit (excluding other income) was up 113% (2014: 524%)

# FMRE Life & Health Highlights

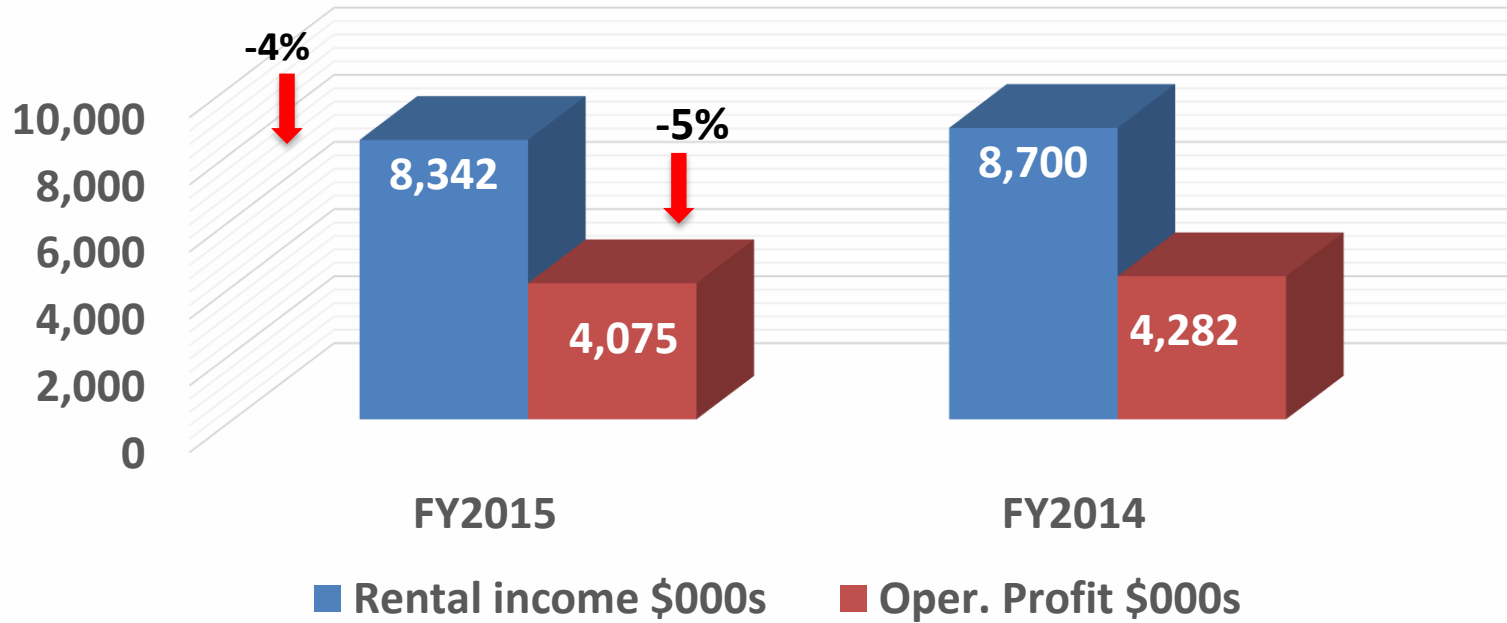


	31-Dec-15	31-Dec-14
Claims ratio	73%	48%
Retrocession ratio	18%	17%
Commission	25%	21%
Contribution of regional business	41%	64%

# FMRE L&H Commentary...

- ❑ Employee benefits business improved on account of restructured credit life treaties.
- ❑ Reduced regional health business underwriting due to high and unpredictable claims.
- ✓ *Local Health business profitable*
- ❑ Management to continue targeting more life-related regional business going forward.

# Pearl Properties Highlights

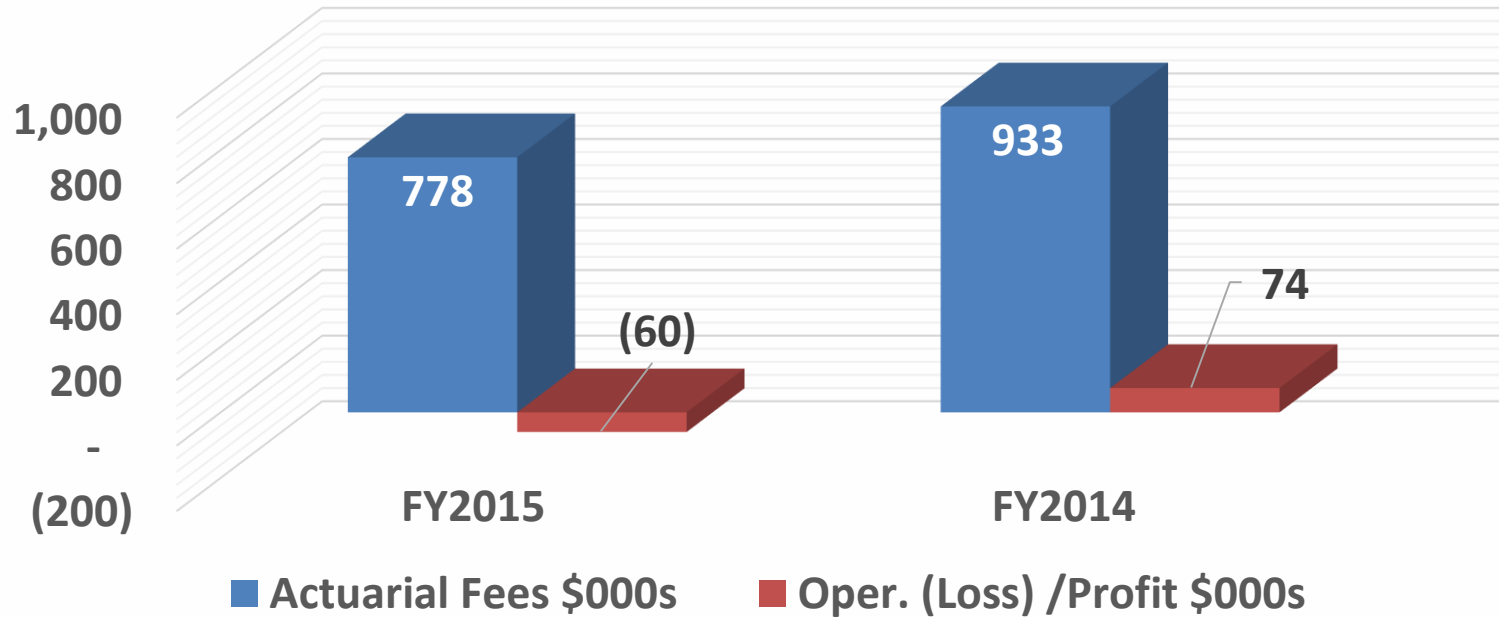


All figures in	31-Dec-15	31-Dec-14	% Δ
Rental Yield	7.05%	7.90%	-0.85%
Rental per sqm	\$7.41	\$7.57	-16.00%
Occupancy rate	78.54%	79.54%	-1.00%

## Pearl Properties Commentary...

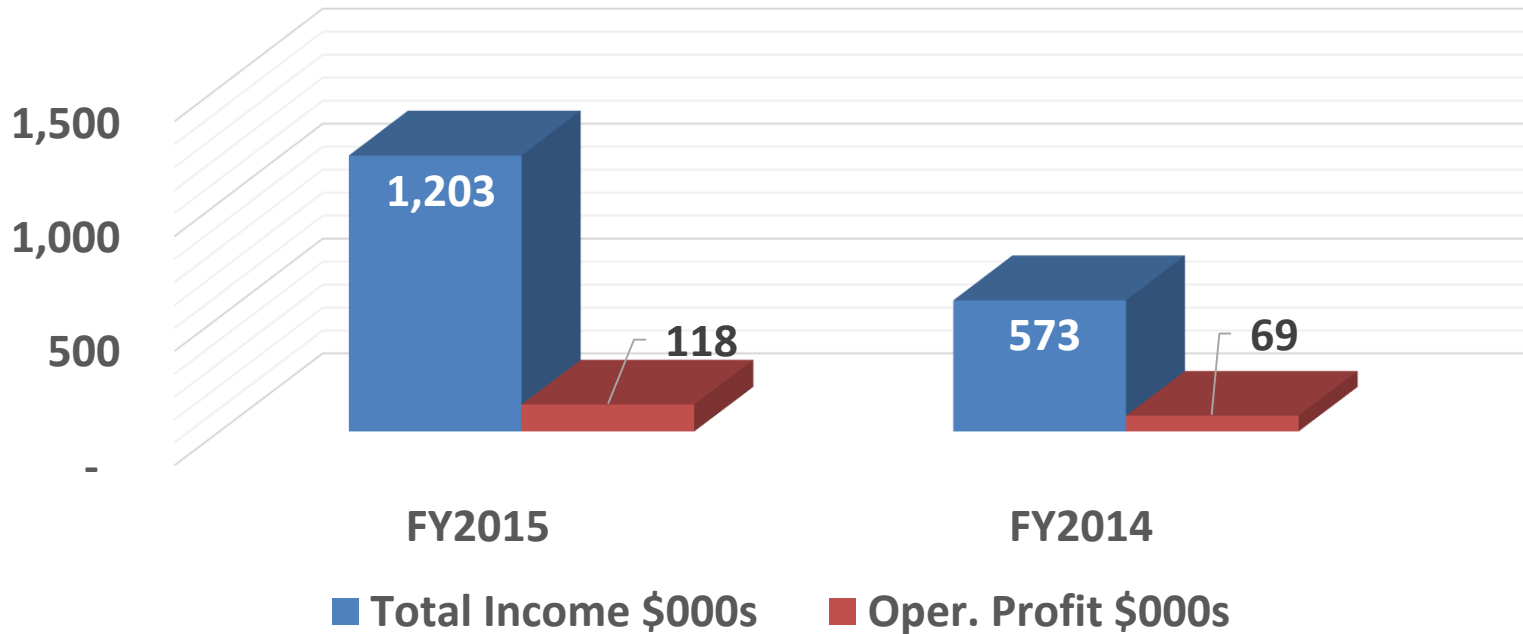
- ❑ Rental income resilient but impact of tenant vacations beginning to be felt.
- ❑ Downward pressure on rental rates to align with tenant viability remain persistent.
- ❑ Office surrenders continued to be witnessed especially in CBD offices.
- ❑ Downward adjustment of investment property market values in line with industry trends

# AAC Highlights



- The group disposed of its entire stake in the company to an unrelated party.
- The company will continue to service the group on a commercial basis especially during the transition period.

# First Mutual Wealth Highlights



## Commentary...

- Acquired Unit Trust Licence post reporting date
- Upgraded ICT Infrastructure
- Aggressive cost management going forward



# Consolidated Audited Financial Results for the Year Ended 31 December 2015

# Statement of comprehensive income

For the year ended 31 December 2015	31-Dec-15	31-Dec-14	Change
	US\$000	US\$000	%
<b>Gross premium written</b>	<b>116,095</b>	<b>115,329</b>	<b>1%</b>
Reinsurance	(9,802)	(9,785)	
<b>Net premium written</b>	<b>106,293</b>	<b>105,543</b>	<b>1%</b>
Movement in unearned premium reserve	311	(869)	
<b>Net premium earned</b>	<b>106,604</b>	<b>104,674</b>	<b>2%</b>
Net insurance benefits and claims	(67,687)	(70,029)	3%
Acquisition expenses	(8,491)	(8,960)	5%
Movement in insurance contract liabilities	(7,902)	(8,802)	10%
<b>Technical result</b>	<b>22,524</b>	<b>16,883</b>	<b>33%</b>
Rental income	7,329	7,542	3%
Other income	1,126	1,692	33%
Administration expenses	(24,350)	(24,873)	2%
Staff rationalisation expenses	(156)	(2,498)	94%
Property expenses	(1,241)	(1,103)	-13%
Movement in provision for credit losses	(2,162)	(2,089)	-4%
<b>Operating profit/(loss) carried forward</b>	<b>3,070</b>	<b>(4,446)</b>	<b>169%</b>

# Statement of comprehensive income

For the year ended 31 December 2015	31-Dec-15	31-Dec-14	Change
<b>Operating profit/(loss) brought forward</b>	<b>3,070</b>	<b>(4,446)</b>	
Fair value adjustment – investment properties	(6,609)	1,121	-690%
Investment loss	(4,717)	(3,771)	-25%
Impairment allowances - investments	(2,634)	(1,880)	-40%
Share of loss of associate	(6)	(270)	98%
Investment loss - Insurance contract liabilities	5,331	3,889	-37%
Investment loss - investment contract liabilities	2,316	2,325	0%
Finance costs	(467)	(700)	33%
<b>Loss before taxation</b>	<b>(3,717)</b>	<b>(3,732)</b>	<b>0%</b>
Taxation	3,848	(1,334)	
<b>Profit/(loss) for the year</b>	<b>131</b>	<b>(5,066)</b>	<b>103%</b>
<b>Other comprehensive income</b>	<b>(156)</b>	<b>98</b>	
<b>Total comprehensive loss for the year</b>	<b>(25)</b>	<b>(4,968)</b>	<b>99%</b>
<b>Profit/(loss) attributable to:</b>			
Non-controlling interest	(209)	1,533	-114%
Equityholders of the parent	340	(6,600)	105%
<b>Profit/(loss) for the year</b>	<b>131</b>	<b>(5,066)</b>	<b>103%</b>
<b>Comprehensive income attributable</b>			
Non-controlling interest	(209)	1,533	-114%
Equityholders of the parent	184	(6,502)	103%
<b>Total comprehensive loss for the year</b>	<b>(25)</b>	<b>(4,968)</b>	<b>99%</b>

# Investment Income Analysis

Category	Policy holder	Share holder	NCI	31-Dec-15	31-Dec-14
Interest income	435	1,834	32	2,301	1,889
Dividend	289	124	-	412	413
Loss on disposal of equities		(92)	(59)	(151)	30
FV gain/(loss)-equities	(6,055)	(1,282)	59	(7,279)	(6,103)
<b>Net investment loss</b>	<b>(5,331)</b>	<b>584</b>	<b>32</b>	<b>(4,717)</b>	<b>(3,771)</b>

# Statement of Financial Position

STATEMENT OF FINANCIAL POSITION AT:	31-Dec-15	31-Dec-14	Change
<b>ASSETS</b>	<b>\$000</b>	<b>\$000</b>	
Property, plant & equipment and intangible assets	9,834	11,524	-15%
Investment property	122,027	127,797	-5%
Investment in associate	-	7,082	
Equity securities - at fair value through profit/(loss)	11,483	18,992	-40%
Held to maturity investments	14,730	7,473	97%
Other current assets	4,774	4,684	2%
Loans and receivables including insurance receivables	13,431	12,884	4%
Non-current assets classified as held for sale	4,600	-	-
Cash and balances with banks	28,140	22,903	23%
<b>TOTAL ASSETS</b>	<b>209,019</b>	<b>213,339</b>	<b>-2%</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>	<b>13,948</b>	<b>13,737</b>	<b>2%</b>
Non-controlling interests	53,411	53,919	-1%
<b>TOTAL EQUITY</b>	<b>67,359</b>	<b>67,657</b>	<b>0%</b>
<b>LIABILITIES</b>			
Insurance contract liabilities	35,047	30,922	13%
Insurance liabilities	25,007	24,749	1%
Investment contract liabilities	61,358	64,567	-5%
Borrowings	5,548	5,003	11%
Trade and other payables	4,086	5,115	-20%
Deferred and current income tax	10,614	15,179	-30%
<b>Total Liabilities</b>	<b>141,660</b>	<b>145,682</b>	<b>-3%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>209,019</b>	<b>213,339</b>	<b>-2%</b>

# Consolidated Statement of Cash Flows

For the year ended:	31-Dec-15	31-Dec-14
	\$000	\$000
<b>Profit/(loss) before taxation</b>	<b>(3,717)</b>	<b>(3,733)</b>
Net non-cash items	16,707	8,831
<b>Operating cash inflows before working capital changes</b>	<b>12,990</b>	<b>5,098</b>
Working capital changes	(1,332)	9,896
<b>Cash generated from operations</b>	<b>11,659</b>	<b>14,993</b>
Finance costs on borrowings	(467)	(700)
Interest received	2,301	1,889
Taxation paid	(655)	(1,349)
<b>Net cash flow from operating activities</b>	<b>12,837</b>	<b>14,834</b>
Cash utilised in investing activities	(15,473)	(21,119)
Cash flows from financing activities	249	3,779
<b>Net decrease in cash and cash equivalents</b>	<b>(2,387)</b>	<b>(2,507)</b>
At beginning of period	15,853	18,360
<b>Cash and cash equivalents at end of period</b>	<b>13,466</b>	<b>15,853</b>
Cash at bank	5,895	6,262
Money market investments, original maturity < 90 days	7,571	9,591
<b>Sub-total cash and cash equivalents</b>	<b>13,466</b>	<b>15,853</b>
Money market investments with original maturity > 90 days	14,674	7,050
<b>Total cash and balances with banks</b>	<b>28,140</b>	<b>22,903</b>

# Outlook and Priorities



# Outlook and Priorities

- **Management Focus will be on:-**
  - ✓ Balance Sheet strengthening
  - ✓ Continual Cost Management
  - ✓ Improving technical profitability across the board
  - ✓ Enhancing and developing new distribution channels
  - ✓ Leveraging on the strong growth business lines
  - ✓ Business Process Improvements



# Questions!



# Thank You

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## Admin Expenses Analysis

All figures are in \$000s	31-Dec-15	31-Dec-14	% Variance
Directors fees	472	405	17%
Marketing costs	1,288	1,497	-14%
Audit Fees	625	464	35%
Computer expenses	2,082	2,674	-22%
Depreciation	732	723	1%
Cleaning expenses	81	94	-14%
Fees	439	296	48%
Expensed VAT	424	516	-18%
Bank charges	295	355	-17%
Administrative Travel	577	537	7%
Motor vehicle maintenance	287	298	-4%
Infrastructure maintenance	81	121	-33%
Office consumables	402	393	2%
Refreshments	93	91	2%
Rent and rates	519	574	-10%
Subscriptions	228	194	18%
Communication	387	402	-4%
Amortisation of software	184	193	-5%
Investor relations	177	269	-34%
Staff welfare	54	26	108%

# Admin Expenses Analysis

All figures are in \$000s	31-Dec-15	31-Dec-14	% Variance
Other	38	20	90%
<b>Subtotal</b>	<b>9,441</b>	<b>10,143</b>	<b>-7%</b>
Staff Costs	13,964	14,610	-4%
<b>Total administration costs</b>	<b>23,430</b>	<b>24,753</b>	<b>-5%</b>
Tax amnesty-prior years	611	-	-
Project costs	308	120	157%
<b>TOTAL COSTS</b>	<b>24,349</b>	<b>24,873</b>	<b>-2%</b>