

FIRST MUTUAL PARK

The image shows the exterior of a modern building with a white tiled facade. A prominent feature is a balcony with a white metal railing and two spotlights. The building has large windows and columns. In the foreground, there are green palm trees. The overall scene is brightly lit, suggesting a sunny day.

FIRST MUTUAL

HOLDINGS LIMITED

Go Beyond

Audited Abridged Financial Results Presentation

for year ended 31 December 2017

Outline of Presentation



Economic Overview - Zimbabwe
Economic Overview - Botswana



Consolidated Financial Highlights
Unconsolidated SBU Performance Highlights



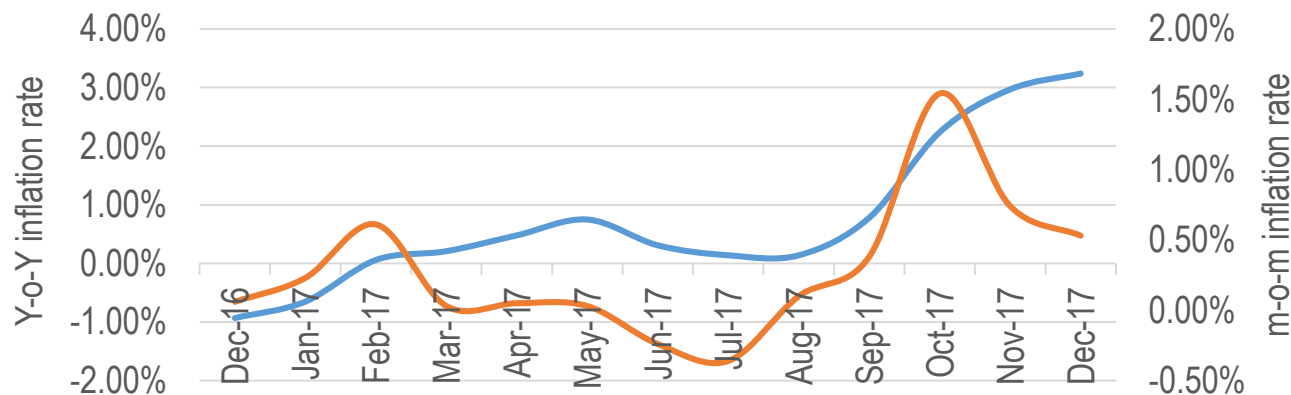
Audited Consolidated Financial Results
Outlook & Priorities

Economic Overview - Zimbabwe

	2015	2016	2017e	2018f	2019f	2020f
World	2.80%	2.40%	3.00%	3.10%	3.00%	2.90%
Emerging	3.60%	3.70%	4.30%	4.50%	4.70%	4.70%
China	6.90%	6.70%	6.80%	6.40%	6.30%	6.20%
Sub Saharan Africa	3.10%	1.30%	2.40%	3.20%	3.50%	3.60%
Botswana	-1.70%	4.30%	4.50%	4.70%	4.80%	4.80%
Swaziland	1.50%	1.30%	0.90%	1.90%	1.80%	1.80%
Zimbabwe (World Bank)	1.40%	0.70%	2.80%	0.90%	0.20%	0.20%
Zimbabwe (MoF)	2.80%	1.40%	3.70%	4.50%	5.60%	6.00%

Source: Global Economic Prospects Report, January 2018

MoF projects GDP growth rate at 3.7% for 2017.



Inflation for December 2017 stood at 3.2%

Economic Overview Zimbabwe cont'd....

- ❑ Projected GDP growth of 3.7% driven by:
 - ✓ good 2016/17 agriculture season – grain, tobacco
 - ✓ recovery of the mining sector – gold, group, chrome

- ❑ Persistent shortage of funded nostro balances

- ❑ Short-term measures to ameliorate foreign currency shortages:
 - ✓ expansion of the export incentive
 - ✓ US\$600 million nostro stabilization facility











- ❑ ZSE mainstream index registered YTD growth of 130.42% owing to inflationary fears as investors pursue equities for value preservation

- ❑ The property market fundamentals (yields and rentals) remained depressed during the year due to the depressed economic environment:
 - ✓ Low demand for rental space
 - ✓ Downward rental reviews
 - ✓ Cost of utilities

Economic Overview - Botswana

- ❑ World Bank projects Botswana's GDP at 4.50% in 2017 before accelerating to 4.70% in 2018
- ❑ The outlook for price stability remains positive as inflation is forecast to be within the 3% – 6% objective range in the medium term
- ❑ Year on Year inflation was 3.2% in December 2017 (December 2016: 3.0%)
- ❑ Bank rate was maintained at 5%
- ❑ The Botswana Domestic Companies Index at 8,860.13 points was down 5.75% YTD

Financial Highlights - Consolidated

	FY2017	FY2017	FY2016		% Change
	Inc NDIL	Excl NDIL	Excl NDIL		
	\$000	\$000	\$000		
Gross Premium Written	124,974	122,192	116,480		5%
First Mutual Health	56,867	56,867	52,209		9%
FML - Risk business	14,650	14,650	14,120		4%
FML - Savings business	20,619	20,619	22,525		-8%
Property and casualty	32,838	30,056	27,626		9%
Operating profit	8,143	7,843	9,284		-16%
Profit before income tax	14,801	14,521	10,857		34%
Profit for the year	12,224	12,210	9,304		31%
Cash generated from operations	18,251	19,538	21,293		-8%
Total assets	329,946	309,405	229,707		35%

*NDIL consolidated for December 2017 only.

Financial Highlights cont'd....

- ❑ GPW went up 5% driven by growth in health business, life assurance, and property and casualty
- ❑ Despite high agriculture claims, the Group achieved US\$7.8 million operating profit compared to US\$9.3 million in 2016
- ❑ Investment income of US\$32.9 million compared to US\$8.8 million in 2016:
 - ✓ increase in the fair values of counters held by the Group on the ZSE.
 - ✓ Debt securities also increased by 94% which resulted in an increase in interest income.
- ❑ Overall, achieved a profit for the year of US\$12.2 million (2016: US\$9.3 million)
- ❑ Total assets increased from US\$229.7 million to US\$309.4 million (US\$329.9 million including NDIL) driven by:
 - ✓ Rights offer \$17.3 million
 - ✓ Increase in listed equities \$31.2 million
 - ✓ Increase in debt securities of US\$17.4 million (net proceeds – US\$16.5 million)
 - ✓ Increase in cash and balances with banks of US\$11.4 million

Financial Highlights cont'd....

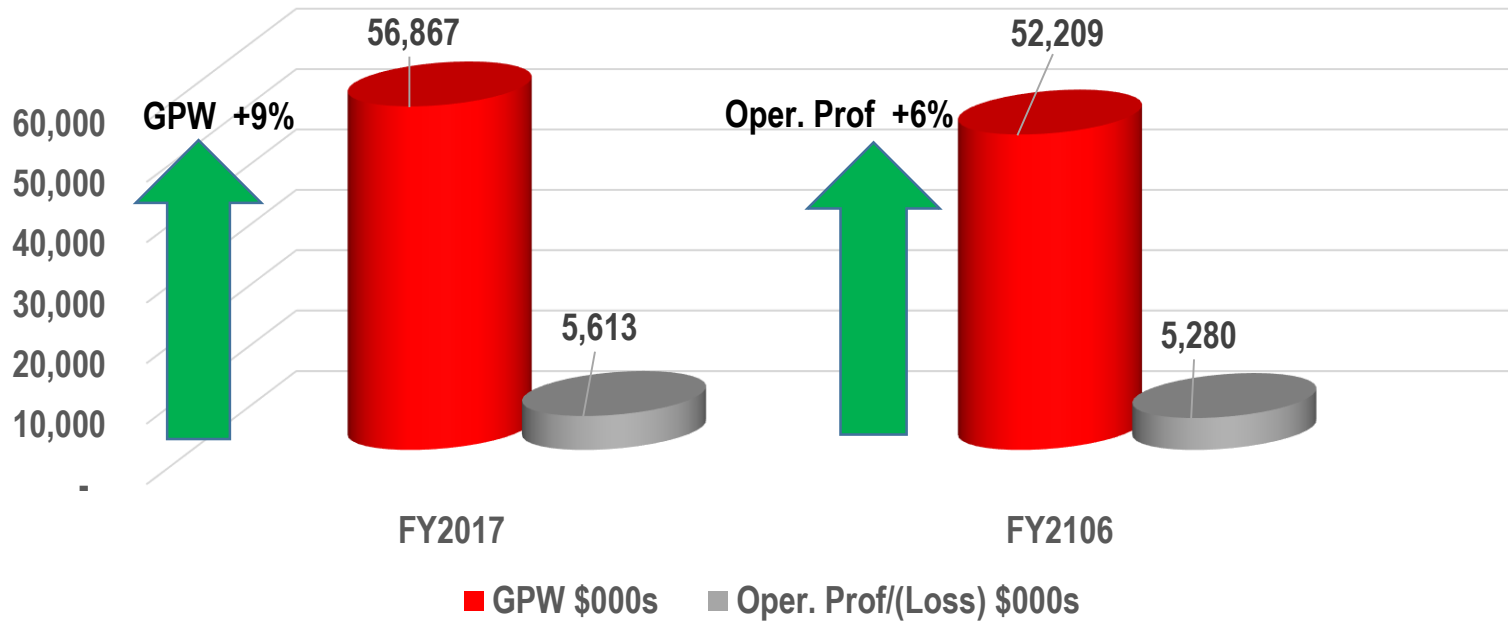
5 Year Trend in Revenues and Operating Profit

All figures in US\$000	2013	2014	2015	2016	2017
Gross Premium Written	101,101	115,328	116,095	116,480	122,192
Rental income	7,778	7,542	7,329	6,732	6,416
Operating profit	3,004	(4,447)	3,063	9,284	7,843

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

Unconsolidated SBU Performance Highlights

First Mutual Health Highlights

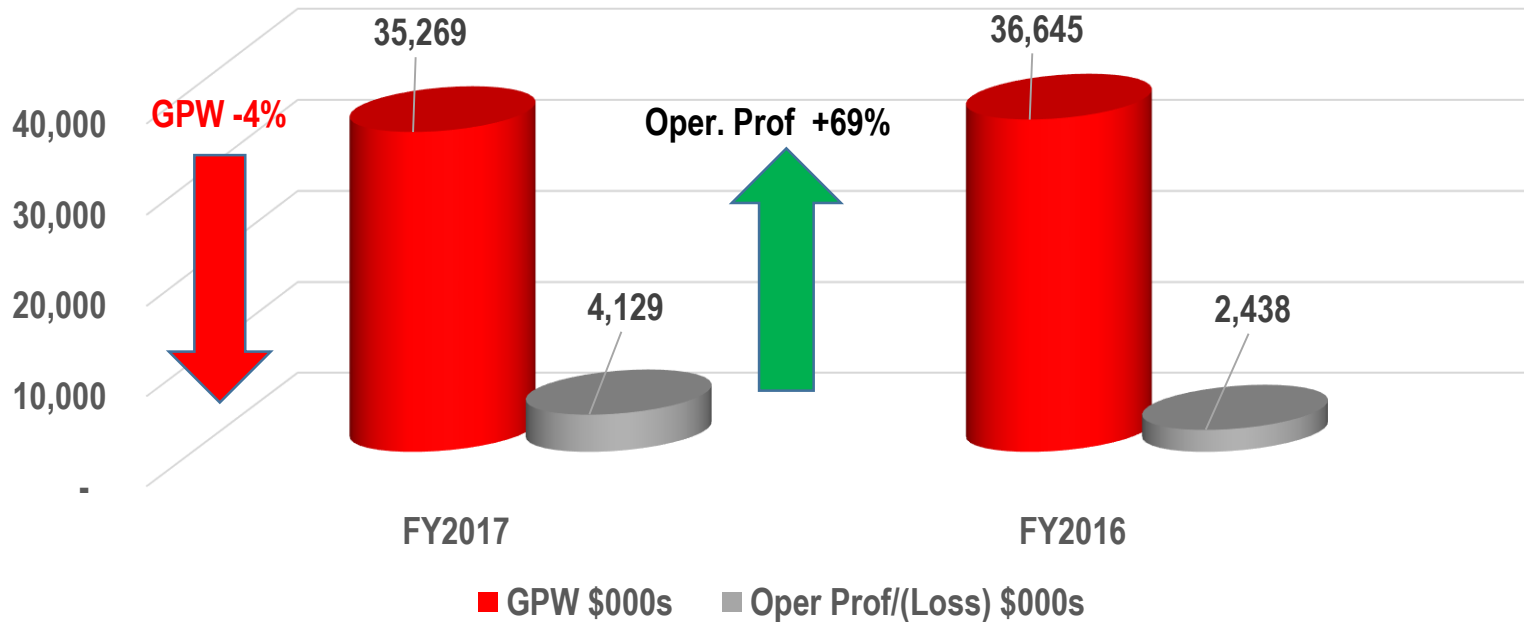


	FY2017	FY2016	% Change
Membership	118,590	108,360	9%
Claims ratio	79%	79%	0%
Admin cost to income ratio	11%	11%	0%

First Mutual Health Commentary.....

- ❑ GPW went up 9% driven by increase in corporate membership
- ❑ Launched a customer based interface mobile application during the year to improve customer convenience
- ❑ Enhanced efficiency on claims processing and settlement through biometric claims administration system
- ❑ Impacting positively the lives of our customers through wellness campaigns, innovative products and competitive pricing to members.

First Mutual Life Highlights



	FY2017	FY2016	% Change
Risk Business	14,650	14,120	4%
Savings Business	20,619	22,525	-8%
Total Premium	35,270	36,644	-4%
Claims ratio – Risk Business	28%	27%	-1%

First Mutual Life Commentary....

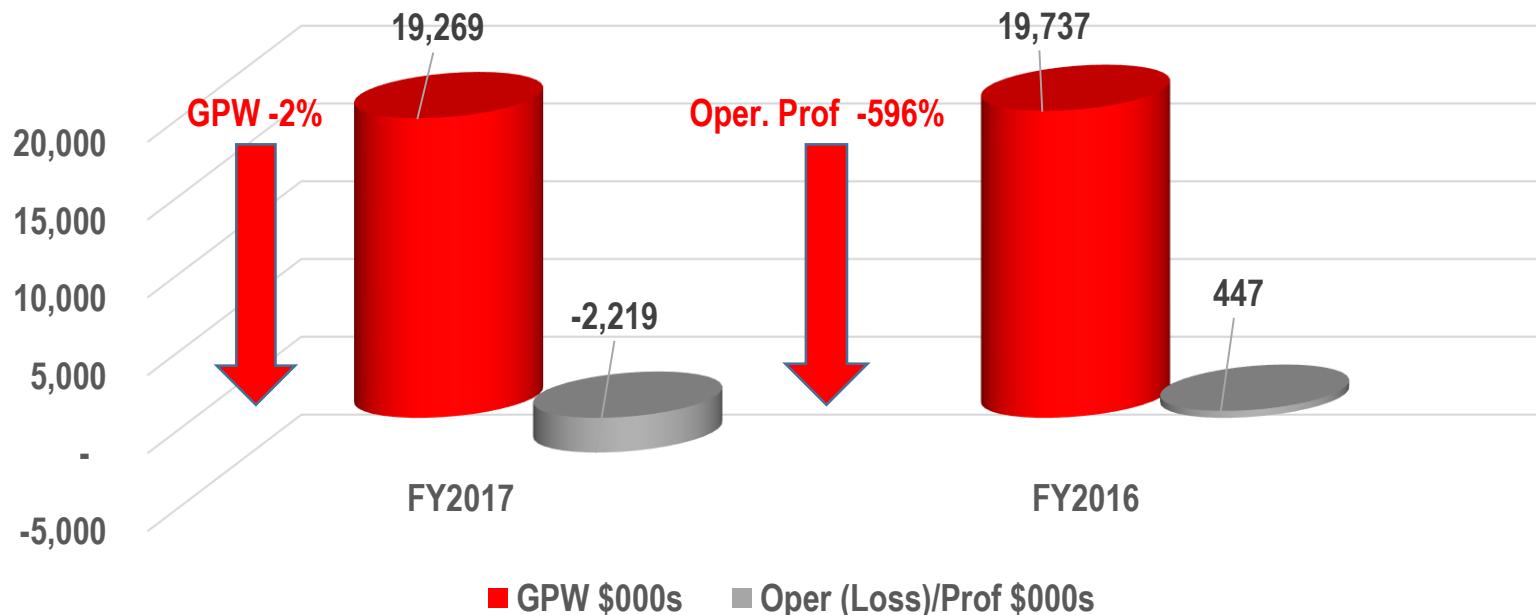
❑ Life assurance:

- ✓ 4% increase in shareholder risk business driven by 44% increase e-FML product
- ✓ Growth in e-FML partially offset by the 12% decline in Group Life Assurance premiums

❑ Pensions & Savings:

- ✓ Went down 8% largely due to a 30% fall in single premiums
- ✓ Impact of single premium mitigated by growth in cash accumulations that were 16% ahead of last year

First Mutual Reinsurance Highlights



	FY2017	FY2016	% Change
Claims ratio	61%	45%	-16%
Admin cost to income ratio	22%	24%	2%
Regional business	7%	22%	-15%

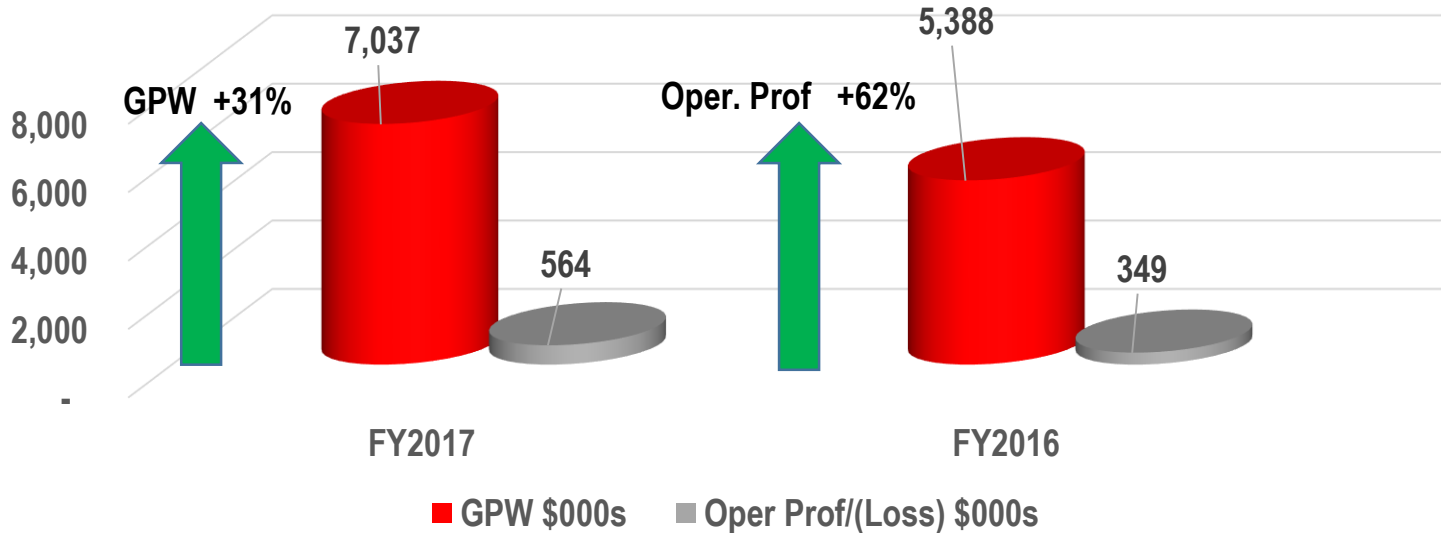
First Mutual Reinsurance Commentary....

- ❑ GPW for the year went down by 2% from US\$19.7 million in 2016 to US\$19.3 million in 2017

- ❑ Operating loss of US\$2.2 million compared to a profit of US\$0.4 million in 2016 due to high agriculture business claim after a surge in tobacco hail claims which affected the whole industry:
 - ✓ Still interested in underwriting this segment of the economy
 - ✓ Measures put in place to stabilise potential future extreme outcomes

- ❑ 69% decline in regional business due to uncertainty around remittance of funds related to foreign commitments from Zimbabwe

FMRE P&C Botswana Highlights

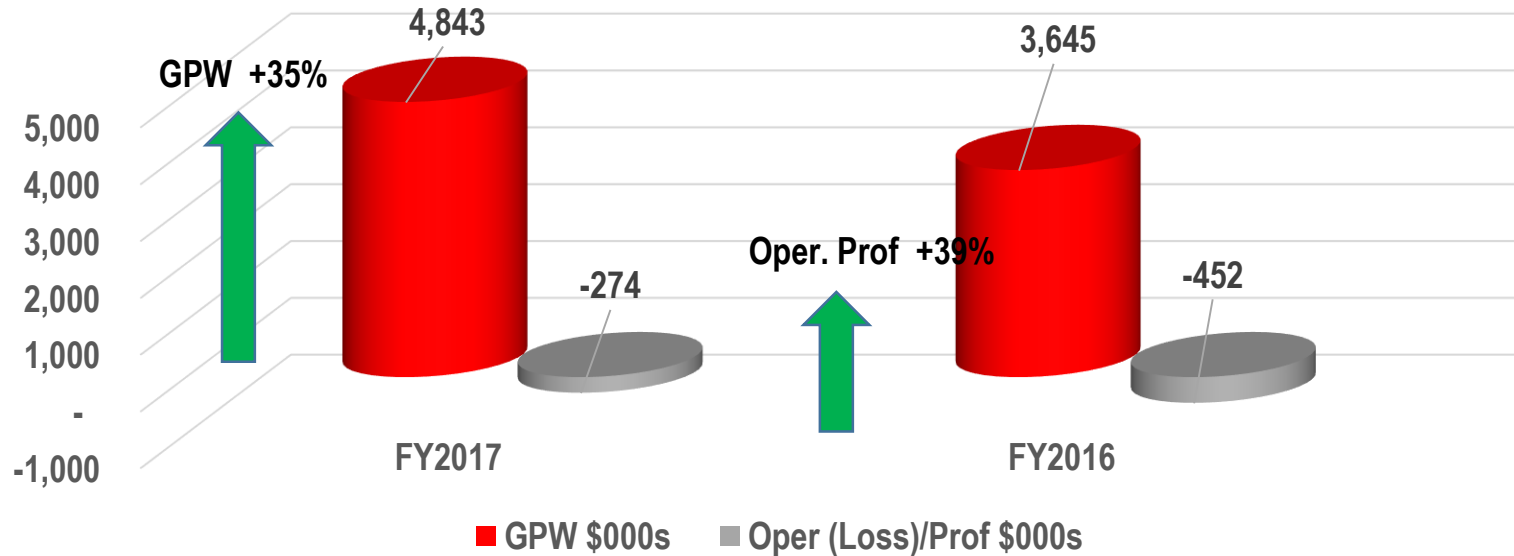


	FY2017	FY2016	% Change
Claims ratio	40%	43%	3%
Admin cost to income ratio	23%	31%	8%
Reinsurance ratio	32%	43%	11%
Regional business	42%	41%	1%

FMRE P&C Botswana Commentary....

- ❑ 31% growth in GPW driven by:
 - ✓ strong support from local cedants
 - ✓ increased market confidence in the company.
- ❑ Local market contributed 58% of GPW
- ❑ Regional business grew by 32% and contributed 42% of GPW
- ❑ Prudent underwriting of local business in order to ensure rates are consistent with risk and claims experience

TristarInsurance Highlights



	FY2017	FY2016	% Change
Claims ratio	44%	43%	-1%
Admin cost to income ratio	64%	79%	15%
Reinsurance ratio	36%	48%	12%

TristarInsurance Commentary....

- ❑ GPW grew by 35% driven by acquisition of new business owing to:
 - ✓ improved market confidence following the recapitalisation of the company
 - ✓ Significant growth in broker support

- ❑ Reduction in operating losses

- ❑ Return to positive cash generation

- ❑ Claims inflation due to foreign currency shortages

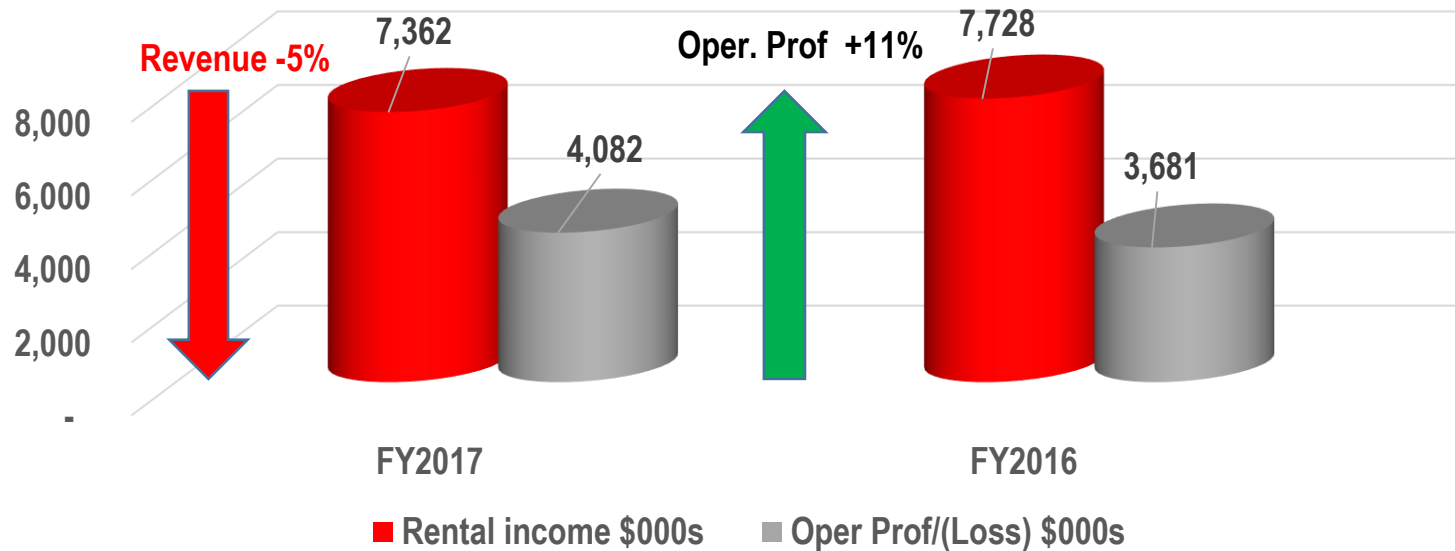
- ❑ Acquisition of new ICT system – similar system with NDIL

NDIL – Key Highlights for December 2017

	US\$000
Gross Premium Written	2,735
Operating profit	299
Profit before income tax	16
Profit for the year	94
Net assets	20,541

- Only trading results for the month of December 2017 summarised above were consolidated
- The Group will launch the offer to NDIL minorities in 2018 with a view to complete the acquisition

First Mutual Properties Highlights

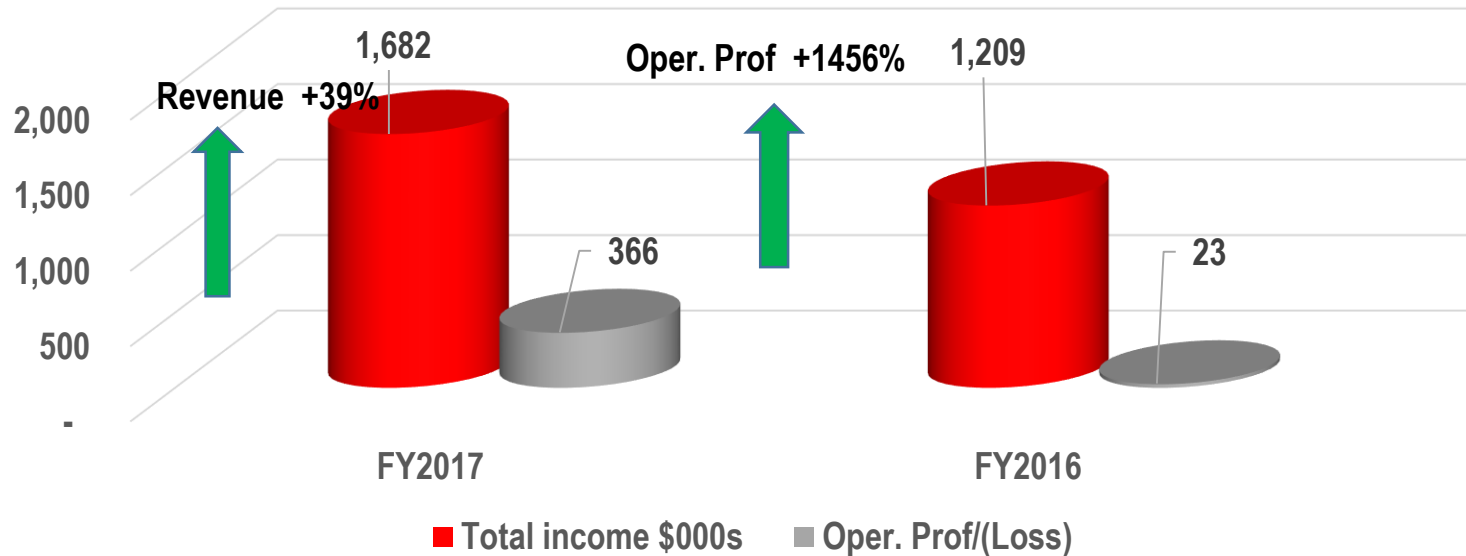


	FY2017	FY2016	% Change
Occupancy rate	70.94%	71.77%	-0.81%
Rental/sqm	\$7.74	\$7.27	6%
Admin cost to income ratio	36%	36%	0%

First Mutual Properties Commentary....

- ❑ Rental income declined by 5% :
 - ✓ general decline in rentals in the economy
- ❑ No significant movements in property values based on independent property valuation
- ❑ Significant maintenance works in the current period to improve the ambience of the property portfolio and thus attract and retain tenants in a highly competitive market

First Mutual Wealth Highlights



	FY2017	FY2016	% Change
Admin cost to income ratio	78%	98%	20%

First Mutual Wealth commentary....

- ❑ achieved investment fees of US\$1.7 million for the year 2017 compared to US\$1.2 million in 2016
- ❑ Increase in Funds Under Management, driven by the rise in listed equity portfolio

Audited Consolidated Financial Results

for the year ended 31 December 2017



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Statement of Comprehensive Income

All figures in US\$000	Including NDIL 31-Dec-17	Excluding NDIL 31-Dec-17	Excluding NDIL 31-Dec-16	Change %
Gross Premium Written	124,927	122,192	116,480	5%
Retrocession	(8,873)	(8,722)	(9,320)	6%
Net Premium Written	116,054	113,470	107,160	6%
Unearned Premium Reserve	(931)	(1,052)	396	365%
Net Earned Premium	115,123	112,418	107,556	5%
Net claims	(71,119)	(70,510)	(65,083)	-8%
Net commission	(7,102)	(6,886)	(6,078)	-13%
Acquisition expenses	(1,494)	(1,427)	(1,353)	-5%
Total operating expenses	(79,715)	(78,823)	(72,515)	-9%
Fee income	4,508	4,508	4,300	5%
Motor pool dividend income	163	163	192	-15%
Movement in insurance contract liabilities	(9,032)	(8,214)	(10,736)	23%
Underwriting result	31,047	30,052	28,798	4%
Rental income	6,470	6,416	6,732	-5%
Other income	848	814	707	15%
Total other income	7,319	7,230	7,439	-3%
Administration expenses	(25,665)	(24,913)	(23,496)	-6%
Project costs	(988)	(988)	(164)	-502%
Property expenses	(1,634)	(1,603)	(1,317)	-22%
Provision for credit losses	(390)	(390)	(497)	22%
Policyholder operating profit in FM Properties	(1,545)	(1,545)	(1,477)	-5%
Total expenses	(29,234)	(28,451)	(26,788)	-6%
Operating profit	8,143	7,843	9,284	-16%

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

All figures in US\$000	Including NDIL 31-Dec-17	Excluding NDIL 31-Dec-17	Excluding NDIL 31-Dec-16	Change %
Operating profit	8,143	7,843	9,284	-16%
Investment income	32,924	33,303	7,321	355%
Gain on disposal of subsidiary	-	-	334	-
Fair value loss - investment property	(294)	(294)	(1,530)	81%
Policyholder investment income	(13,727)	(13,727)	(1,514)	-806%
Movement in investment contract liabilities	(11,934)	(11,934)	(2,532)	-371%
Share of profit in associate	13	-	-	-
Finance costs	(327)	(327)	(507)	35%
Surplus before taxation	14,801	14,521	10,857	37%
Taxation	(2,577)	(2,655)	(1,553)	-71%
Profit after tax	12,224	12,210	9,304	31%
Profit/(Loss) attributable to:				
Non-controlling interest	632	632	456	38%
Equity holders of parent	11,592	11,578	8,847	31%
Profit after tax	12,224	12,210	9,304	31%

Investment Income Analysis

All figures in US\$000	Policyholder	Shareholder	NCI	31-Dec-17	31-Dec-16
Interest income	213	2,465	51	2,729	2,656
Dividend received	928	(104)	-	824	554
Net disposal gain/(loss) on equity	3,550	709	-	4,259	(197)
Fair value gain/(loss) – equity	22,515	2,858	(261)	25,112	4,308
Net investment income	27,206	5,928	(210)	32,924	7,321

Administration Expenses Analysis – Key movements

All figures in US\$000	31-Dec-17	31-Dec-16	% Change
Marketing expenses	1,753	1,269	-38%
Computer expenses	1,911	1,524	-25%
Expensed VAT and other fees	994	727	-37%
IPEC fees	431	307	-40%
Actuarial fees	598	560	-7%
Office consumables	480	384	-25%
Refreshments	100	79	-27%
Rent and rates	688	394	-75%
Staff costs	14,517	14,694	1%
NDIL administration expenses – December 2017	752	-	-

Statement of Financial Position

All Figures in US\$000	31-Dec-17	31-Dec-16	% Change
ASSETS			
Property, plant & equipment	11,362	9,310	22%
Investment properties	136,433	124,302	10%
Investment in associates	1,992	-	-
Equity investments	55,267	19,863	178%
Non-current asset – held for sale	-	4,370	-
Held to maturity investments	39,391	20,292	94%
Inventory	497	283	76%
Deferred acquisition costs	2,681	1,086	147%
Insurance & other receivables	29,295	12,544	134%
Cash and balances with banks	53,028	37,657	41%
TOTAL ASSETS	329,946	229,707	44%
Equity			
Shareholders' equity	73,897	24,224	196%
Non-controlling interests	49,777	51,651	0%
Total Equity	123,674	75,875	63%
Liabilities			
Insurance contracts liabilities	110,696	88,773	25%
Investment contracts liabilities	20,461	8,532	140%
Shareholder risk reserves	11,932	12,922	-8%
Borrowings	1,192	4,309	-72%
Tax liabilities (deferred & current)	12,978	10,792	20%
Insurance contracts liabilities – short term	35,373	20,921	69%
Other payables	13,640	7,583	80%
Total Liabilities	206,272	153,832	34%
TOTAL EQUITY & LIABILITIES	329,946	229,707	44%

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Consolidated Statement of Cash Flows

All figures in US\$000	31-Dec-17	31-Dec-16
Profit before taxation	14,801	10,857
Net non-cash items	3,877	6,968
Operating cash inflows before w/capital changes	18,678	17,825
Working capital changes	(427)	3,259
Cash generated from operations	18,251	21,084
Taxation and interest received	1,463	1,245
Net cash flow from operating activities	19,714	22,329
Cash (utilised in)/generated from investing activities	(16,089)	1,311
Cash generated from/ (utilised in) financing activities	13,853	(1,556)
Increase in cash and cash equivalents	17,478	22,084
At beginning of period	35,550	13,466
At end of period	53,028	35,550
Disclosed as		
Cash at bank	33,001	8,841
Money market investments <90 days (original Maturity)	20,027	26,709
Total cash and cash equivalents	53,028	35,550
Money market investments >90 days (original Maturity)	-	2,108
Total cash and balances with banks	53,028	37,658

Dividend

- ❑ The Board resolved that a final dividend of US0.15 cents per share be declared from the profits for the year ended 31 December 2017
- ❑ Total dividend US\$1,050,000
- ❑ Payable on or about 27 April 2018 to all shareholders of the Company registered at close of business on 4 April 2018

Basic Earnings Per Share

- BEPS for the year was US2.13c per share compared to US1.74c in 2016
 - ✓ 2016 BEPS restated for Rights offer bonus element (previously US2.33cents)

Outlook & Priorities



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Outlook & Priorities

- ❑ Completion of NDIL acquisition through Mandatory offer to minorities to acquire their shareholding
- ❑ Integration of TristarInsurance and NDIL operations
- ❑ ICT process efficiencies to enhance customer convenience
- ❑ Prudent investment philosophy
- ❑ Revenue growth and cost containment
- ❑ Commission of Inquiry Report – Conversion of Pension values from Z\$ to US\$
- ❑ To **Go Beyond** in delivering value to stakeholders through commitment, innovation, cost optimization and focus on profitable product lines

Questions!





THANK YOU

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SUPPLEMENTARY SLIDES

Administration Expenses Analysis

All figures in US\$000	31-Dec-17	31-Dec-16	% Change
Directors fees	390	368	-6%
Marketing expenses	1,753	1,269	-38%
Audit fees	398	474	16%
Computer expenses	1,911	1,524	-25%
Depreciation and amortisation	751	745	-1%
Cleaning expenses	82	78	-5%
Expensed VAT and other fees	994	727	-37%
IPEC fees	431	307	-40%
Actuarial fees	598	560	-7%
Bank charges	240	300	20%
Administrative travel	568	564	-1%
Motor vehicle & equipment maintenance	247	254	3%
Office consumables	480	384	-25%
Refreshments	100	79	-27%
Rent and rates	688	394	-75%
Subscriptions	176	195	10%
Communication	294	301	3%
Investor relations	195	182	-7%
Other	101	99	-2%
Subtotal	10,396	8,803	-18%
Staff costs	14,517	14,694	1%
NDIL administration expenses – December 2017	752	-	-
Total	25,665	23,496	-9%