

TRADING UPDATE

FOR THE THREE MONTHS ENDED 31 MARCH 2021

Financial Commentary

The Group gained control and started consolidating the investment in Diamond Companhia de Seguros ("Diamond Seguros"), a direct insurance company domiciled in Mozambique, as at 1 December 2020 after completion of the capitalisation exercise.

Inflation adjusted revenue analysis

Net premium earned ("NPE") at \$1.6 billion was 60% above prior year in inflation adjusted terms due to organic growth and above inflation rate revisions of sums insured to align with the exchange rate, particularly for the short-term insurance policies.

Investment property maintained the United States of America Dollar ("USD") value determined as at 31 December 2020 and converted to Zimbabwe Dollar ("ZWL") at the prevailing rate, however, the ZWL depreciated by 3% against inflation movement of 12%, hence fair value loss of \$816 million for the three months to 31 March 2021.

Total income was 7% higher than the prior year reflecting positive returns on listed equity investments, despite fair value losses on investment property.

Historical financial performance analysis

Net premium earned at \$1.6 billion was 514% higher than prior year and average year-on-year inflation rate of 308%. The increase was primarily due to organic growth, an upward review of sums insured, as well as a weakening of the Zimbabwe dollar ("ZWL") against the USD.

Rental income increased by 414% from prior year largely due to quarterly rental reviews made during 2020 coupled with improvements in the occupancy rates from 86.85% in 2020 to 88.93%.

Administration expenses increased by 710% partly as a result of inflation and also in line with exchange rate movements for foreign currency denominated expenses.

The total assets increase of 11% mainly attributable to fair value gains on equity investments and the revaluation of foreign currency denominated assets. The growth was in line with the consumer price index ("CPI") movement of 12% from December 2020 to March 2021.

Impact of Coronavirus pandemic

To date, the Group has not been significantly negatively impacted by the pandemic with outturns in line with plan. We will continue to monitor the situation and maintain precautionary measures against the spread pandemic.

Announcement by NSSA to reduce FMHL shareholding

Further to the cautionary statements released, shareholders are advised that the National Social Security Authority ("NSSA") announced its intention to reduce its stake in First Mutual Holdings Limited ("FMHL") from the current 66.22% to 35% through offloading up to 31.22% to a strategic partner. This move will see NSSA complying with regulatory requirements, while bringing in a strategic investor with solid financial resources, synergistic, technical and strategic benefits to enhance the growth prospects of the First Mutual Group. NSSA will remain as the single largest shareholder. These new developments may have a material effect on the price of the Company's securities. Accordingly, shareholders are advised to exercise caution when dealing in the company's securities until a full announcement is made.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 MARCH 2021

	INFLATION ADJUSTED		HISTORICAL COST	
	UNAUDITED 31-Mar-21 ZWL000	UNAUDITED 31-Mar-20 ZWL000	UNAUDITED 31-Mar-21 ZWL000	UNAUDITED 31-Mar-20 ZWL000
Net premium earned	1,638,210	1,026,960	1,620,668	263,883
Rental income	93,487	86,513	89,520	17,400
Fair value adjustments - investment property	(815,916)	(239,483)	286,403	590,136
Investment income	458,906	583,241	1,164,724	223,608
Interest income	11,315	4,659	11,078	937
Fee and other income	78,419	110,562	72,027	24,694
Foreign currency exchange gain	39,044	102,597	53,779	20,635
Monetary gains - IAS29	706,500	223,092	-	-
Total income	2,209,964	1,898,141	3,298,200	1,141,293
EXPENDITURE				
Pension benefits	(61,811)	(24,492)	(61,380)	(6,693)
Insurance claims and loss adjustment expenses	(1,014,005)	(621,022)	(991,313)	(148,260)
Insurance claims and loss adjustment expenses recovered from reinsurers	86,426	46,590	84,669	11,123
Net insurance benefits and claims	(989,391)	(598,923)	(968,024)	(143,830)
Movement in insurance contract liabilities	(450,093)	70,854	(433,854)	(313,280)
Movement in shareholder risk reserve	-	(40,198)	-	(698)
Investment profit on investment contract liabilities	(462,827)	(196,809)	(449,538)	(58,510)
Movement in member assistance fund	-	-	-	-
Acquisition of insurance and investment contracts expenses	(125,944)	(93,719)	(117,511)	(26,604)
Administration expenses	(709,970)	(339,570)	(680,924)	(84,021)
Allowance for expected credit losses	(19,550)	(12,828)	(21,485)	(3,767)
Finance cost	(960)	(2,077)	(960)	(610)
Total expenditure	(2,758,735)	(1,213,270)	(2,672,296)	(631,320)
Profit before share of (loss)/profit of associate	(548,771)	684,871	625,904	509,973
Share of profit of associate	1,116	-	1,095	-
Profit before income tax	(547,655)	684,871	626,999	509,973
Income tax expense	668,837	(442,844)	(78,274)	(126,451)
Profit for the period	121,182	242,027	548,724	383,522
Other comprehensive income/(loss)				
Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent period				
Exchange gains on translating foreign operations	6,646	78,680	399,506	23,104
Share of other comprehensive income from Associates	-	-	-	-
Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent periods	6,646	78,680	399,506	23,104
Total comprehensive profit for the period	127,828	320,707	948,231	406,626
Profit attributable to:				
Non-controlling interest	(21,250)	(67,776)	76,872	139,190
Equity holders of the parent	142,432	309,802	471,853	244,332
Profit for the period	121,182	242,027	548,724	383,522
Comprehensive income attributable to:				
Non-controlling interest	(21,250)	(67,776)	76,872	139,190
Equity holders of the parent	149,078	388,482	871,359	267,436
Total comprehensive income for the period	127,828	320,707	948,231	406,626
Basic earnings per share (cents)	19.66	42.93	65.13	33.86
Diluted earnings per share (cents)	19.57	42.89	64.84	33.82
Headline earnings per share (cents)	18.79	33.12	64.35	32.51
Diluted headline earnings per share (cents)	18.77	33.07	64.28	32.47

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

	INFLATION ADJUSTED		HISTORICAL COST	
	UNAUDITED 31-Mar-21 ZWL000	AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Mar-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
ASSETS				
Property, plant and equipment	260,154	257,162	58,741	55,827
Investment property	9,834,062	10,649,979	9,834,062	9,549,054
Right of use of assets - IFRS 16	14,599	19,820	14,599	17,772
Goodwill	16,802	17,549	16,802	15,735
Other intangible assets	24,423	25,203	563	669
Investment in subsidiaries	-	-	-	-
Investment in associates	430,901	395,150	189,306	172,213
Financial assets:				
- Equity securities at fair value through profit or loss	2,899,100	2,374,668	2,899,100	2,129,191
- Debt securities at amortised cost	68,009	91,969	68,009	82,462
Deferred acquisition costs	107,557	109,610	64,191	56,783
Income tax asset	880	356	880	319
Non-current assets held for sale and/or distribution	50,218	54,446	50,218	48,818
Inventory	25,940	29,109	10,366	14,545
Insurance, tenant and other receivables	1,715,024	1,386,076	1,710,808	1,188,173
Cash and balances with banks	1,794,612	1,850,726	1,794,612	1,659,410
TOTAL ASSETS	17,242,279	17,261,824	16,712,256	14,990,970
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	30,999	30,999	727	727
Share premium	1,673,326	1,673,326	39,417	39,417
Non-distributable reserves	668,153	661,507	968,666	569,160
Retained profits	1,377,412	1,234,980	3,824,261	3,352,409
Total equity attributable to equity holders of the parent	3,749,890	3,600,812	4,833,071	3,961,712
Non-controlling interests	3,622,895	3,644,145	2,729,907	2,653,035
Total equity	7,372,785	7,244,957	7,562,978	6,614,747
Liabilities				
Life insurance contracts with and without DPF and investment contracts with DPF liabilities	4,885,250	5,011,980	4,885,250	4,493,874
Investment contract liabilities without DPF	566,578	520,750.34	566,578	466,919
Member assistance fund	9,041	10,083	9,041	9,041
Lease liability - IFRS 16	14,357	16,276	14,357	14,594
Share based payment liability	299,297	101,449	299,297	90,962
Insurance contract liabilities - short term	2,255,383	2,648,625	2,242,410	1,806,597
Insurance liabilities - life assurance	49,067	19,915	49,067	17,857
Other payables	570,582	487,720	570,582	437,302
Deferred income tax	1,192,460	1,126,874	485,217	973,449
Current income tax liabilities	27,479	73,195	27,479	65,629
Total liabilities	9,869,494	10,016,866	9,149,278	8,376,223
TOTAL EQUITY AND LIABILITIES	17,242,279	17,261,824	16,712,256	14,990,970

NOTES TO THE TRADING UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2021

1. Corporate information

The main business of First Mutual Holdings Limited ("the Company") and its subsidiaries (together the "Group") is the provision of life and funeral assurance, health insurance, short term insurance, reinsurance, reinsurance, property management and development and wealth management. First Mutual Holdings Limited is a public company, incorporated and domiciled in Zimbabwe whose shares are publicly traded on the Zimbabwe Stock Exchange.

The ultimate parent of the Company is National Social Security Authority ("NSSA") which owns 65.88% (2020: 66.22%) directly and an additional 7.06% (2020:

7.10%) indirectly through Capital Bank Limited (under liquidation). NSSA owns 87% (2019: 87%) of Capital Bank Limited.

The registered office is located at Second Floor, First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare, Zimbabwe. The trading update for the quarter ended 31 March 2021 were authorised for issue in accordance to a resolution of the Directors at a meeting held on 4 May 2021.

2. Inflation adjustment

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the balance sheet date, and that corresponding figures for previous periods be stated in the same terms to the latest balance sheet date. The restatement has been

calculated by means of conversion factors derived from the month-on-month consumer price index ("CPI") prepared by the Zimbabwe Statistical Agency. The conversion factors used to restate the financial statements on the trading update for the quarter ended at 31 March 2021 are as follows:

Date CPI Conversion factor

Date	Consumer Price Index	Conversion factor
31 March 2020	810.40	3.41
31 December 2020	2,474.51	1.12
31 March 2021	2,759.80	1.00

All items in the income statements are restated by applying the relevant monthly conversion factors

SEGMENTAL RESULTS AND ANALYSIS

FOR THE PERIOD 31 MARCH 2021

INFLATION ADJUSTED As at 31 March 2021	Reinsurance		General Insurance				Other ZWL000	Gross Figures ZWL000	Consolidation Entries ZWL000	Total Consolidated ZWL000
	Life ZWL000	Zimbabwe ZWL000	Botswana ZWL000	Zimbabwe ZWL000	Mozambique ZWL000	Health ZWL000				
Net Premium Earned	210,649	53,029	277,686	207,229	30,843	868,658	-	1,648,095	(9,885)	1,638,210
Rental income	-	-	-	11,441	-	-	91,468	102,910	(9,423)	93,487
Fair value adjustments on investment property	-	-	-	(149,545)	-	(812,473)	-	(962,018)	146,102	(815,916)
Investment income	1,015,174	171,873	4,506	36,438	1,478	380,892	2,546	2,138,596	(1,668,376)	470,221
Other income and fee income	417,080	(18,745)	869,032	970,261	-	(94,924)	6,172	2,206,204	(1,382,241)	823,963
Total income	1,642,904	206,157	1,151,223	1,075,824	32,321	1,154,626	(712,286)	5,133,786	(2,923,822)	2,209,964
As at 31 March 2020										
Net premium earned	124,923	57,838	223,649	204,229	-	400,434	-	1,011,073	15,887	1,026,960
Rental income	-	-	-	12,537	-	81,721	-	94,258	(7,745)	86,513
Fair value adjustments on investment property	-	-	-	268,423	-	2,045,947	-	2,314,370	(2,553,853)	(239,483)
Investment income	1,527,998	150,785	4,506	36,438	-	93,232	-	2,243,666	(1,655,766)	587,900
Other income and fee income	50,747	44,919	-	42,161	-	28,965	39,360	327,128	109,123	436,251
Total income	1,703,668	253,542	228,154	563,787	-	522,630	2,167,027	5,990,495	(4,092,354)	1,898,141
HISTORICAL COST As at 31 March 2021										
Net premium earned	205,818	51,884	232,649	259,936	30,052	848,380	-	1,628,719	(8,051)	1,620,668
Rental income	-	-	-	11,171	-	-	87,722	98,893	(9,373)	89,520
Fair value adjustments on investment property	-	-	-	35,026	-	270,908	-	305,933	(19,530)	286,403
Investment income	1,099,435	201,757	4,395	37,107	1,445	364,102	-	2,673,133	(1,497,331)	1,175,802
Other income and fee income	68,435	2,372	-	40,990	-	22,039	9,447	199,118	(73,312)	125,806
Total income	1,373,687	256,013	237,044	384,230	31,497	1,234,521	368,078	4,905,798	(1,607,596)	3,298,200
Combined Ratio	92%	126%	53%	65%	85%	92%	-	-	-	-
Operating profit Margin	8%	-26%	47%	35%	15%	8%	38%	-	-	-
As at 31 March 2020										
Net premium earned	33,095	13,953	55,651	65,483	-	96,675	-	264,857	(974)	263,883
Rental income	-	-	-	1,54						