

TRADING UPDATE | FOR THE THREE MONTHS ENDED 31 MARCH 2022

Financial Commentary

Inflation adjusted revenue analysis

Net Premium earned ("NPE") at \$4.67 billion was 65% above prior year in inflation adjusted terms due to new business as well as above inflation rate revisions of sums insured in order to achieve adequate cover, particularly for the short-term insurance policies.

Total income was 31% higher than the prior year reflecting the revenue growth and fair value gains in equity investments driven by the bull run that has been experienced on the Zimbabwe Stock Exchange in the recent months. However, there were fair value losses on investment properties as rental income, a key aspect in the valuation of leased property, requires longer periods to adjust for the impact of inflation.

The profit for the period grew by 233% to \$699 million mainly due to growth experienced in net premium earned and relative growth in investment income as explained above.

Historical financial performance analysis

NPE at \$4.37 billion was 168% higher than prior year and average year-on-year inflation rate of 67% for the quarter. The increase was primarily due to acquisition of more business, an upward review of sums insured.

Rental income at 199 million was 123% higher than prior year largely due to quarterly rental reviews made during 2021 coupled with improvements in the occupancy rates from

88.22% in 2021 to 90.37%.

The total assets increased by 20% compared to 31 December 2021, mainly attributable to fair value gains on equity investments driven by the bull run experienced in the ZSE as well as a revaluation of foreign currency denominated assets. The growth was in line with the consumer price index ("CPI") movement of 20% from December 2021 to March 2022.

The liabilities include investment contract liabilities amounting to ZWL14.9 billion. These increased by 17% compared to 31 December 2021 mainly attributable to fair value gains on equity investments and the revaluation of foreign currency denominated assets.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2022

	INFLATION ADJUSTED		HISTORICAL COST	
	UNAUDITED 31-Mar-22 ZWL000	UNAUDITED 31-Mar-21 ZWL000	UNAUDITED 31-Mar-22 ZWL000	UNAUDITED 31-Mar-21 ZWL000
Net premium earned	4 667 057	2 834 103	4 347 470	1 620 668
Rental income	211 071	161 733	199 252	89 520
Fair value adjustments - investment property	(2 134 386)	(1 411 535)	2 367 004	286 403
Net investment income	1 712 166	793 907	3 047 066	1 164 724
Interest income from investments	21 613	19 575	20 921	11 078
Net interest income	41 311	-	39 230	-
Fee and other income	178 067	135 665	168 266	72 027
Foreign currency exchange gain	169 944	67 546	162 720	53 779
Monetary gain	138 609	1 222 245	-	-
Total income	5 005 452	3 823 239	10 351 929	3 298 199
EXPENDITURE				
Pension benefits	(131 738)	(106 933)	(125 231)	(61 380)
Insurance claims and loss adjustment expenses	(2 592 439)	(1 754 229)	(2 373 059)	(991 313)
Insurance claims and loss adjustment expenses recovered from reinsurers	139 742	149 517	130 600	84 669
Net insurance benefits and claims	(2 584 435)	(1 711 645)	(2 367 690)	(968 024)
Movement in insurance contract liabilities	571 093	(778 661)	(1 597 783)	(433 854)
Investment loss on investment contract liabilities	(395 805)	(800 691)	(733 023)	(449 538)
Acquisition of insurance and investment contracts expenses	(441 163)	(217 883)	(411 942)	(117 511)
Administration expenses	(1 459 135)	(1 228 248)	(1 313 496)	(680 924)
Allowance for expected credit losses	(63 019)	(33 822)	(59 011)	(21 485)
Finance cost	5 870	(1 661)	(2 470)	(960)
Total expenditure	(4 366 594)	(4 772 611)	(6 485 415)	(2 672 296)
Profit before share of profit of associate	638 858	(949 372)	3 866 514	625 903
Share of profit of associate	2 681	1 931	1 506	1 095
Profit/(loss) before income tax	641 539	(947 441)	3 868 020	626 998
Income tax credit/(expense)	57 172	1 157 088	(576 778)	(78 274)
Profit for the period	698 711	209 647	3 291 242	548 724
Other comprehensive income/(loss)				
Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent period				
Exchange gain on translating foreign operations	39 455	11 498	198 828	399 506
Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent periods	39 455	11 498	198 828	399 506
Total comprehensive profit for the period	738 166	221 145	3 490 070	948 230
Profit attributable to:				
Non-controlling interest	(584 037)	(36 763)	731 231	76 872
Equity holders of the parent	1 282 748	246 410	2 560 011	471 852
Profit for the period	698 711	209 647	3 291 242	548 724
Comprehensive income attributable to:				
Non-controlling interest	(572 314)	(36 763)	731 231	76 872
Equity holders of the parent	1 310 480	257 908	2 758 839	871 358
Total comprehensive income for the period	738 166	221 145	3 490 070	948 230
Basic earnings per share (cents)	176.61	34.06	352.47	65.13
Diluted earnings per share (cents)	176.37	34.03	351.99	64.84
Headline earnings per share (cents)	159.16	27.01	350.26	64.35
Diluted headline earnings per share (cents)	158.94	26.98	349.78	64.28

STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDED 31 MARCH 2022

	INFLATION ADJUSTED		HISTORICAL COST	
	UNAUDITED 31-Mar-22 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Mar-22 ZWL000	UNAUDITED 31-Dec-21 ZWL000
ASSETS				
Property, plant and equipment	579 285	575 381	154 505	140 853
Investment property	24 918 749	27 008 340	24 918 749	22 506 950
Right of use of assets - IFRS 16	15 047	16 760	15 047	13 967
Goodwill	30 907	29 164	30 907	24 303
Other intangible assets	19 844	20 022	4 177	3 668
Investment in subsidiaries	-	-	-	-
Investment in associates	120 513	423 695	195 224	213 844
Financial assets:	-	-	-	-
- Equity securities at fair value through profit or loss	9 309 678	7 360 324	9 309 678	6 133 603
- Debt securities at amortised cost	257 166	223 987	257 166	186 656
Deferred acquisition costs	347 907	291 995	243 300	162 029
Deferred tax asset	107 560	129 072	103 318	103 318
Non current assets held for sale	-	-	-	-
Income tax asset	-	-	-	-
Inventory	50 466	52 541	55 390	30 366
Insurance, tenant and other receivables	3 245 324	3 318 542	2 933 461	2 637 947
Cash and balances with banks	3 996 215	3 664 606	3 996 215	3 053 838
TOTAL ASSETS	42 998 661	43 114 429	42 217 137	35 211 342
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	144 540	144 540	54 878	54 878
Share premium	2 898 674	2 898 674	39 417	39 417
Non-distributable reserves	925 106	897 373	688 710	489 882
Retained profits	6 480 689	5 197 942	9 968 919	7 408 908
Total equity attributable to equity holders of the parent	10 449 009	9 138 529	10 751 924	7 993 085
Non-controlling interests	6 615 647	7 187 962	6 714 899	5 983 668
Total equity	17 064 656	16 326 491	17 466 823	13 976 753
Liabilities				
Life insurance contracts with and without DPF and investment contracts with DPF liabilities	12 536 794	13 126 812	12 536 794	10 939 010
Investment contract liabilities without DPF	2 402 626	2 015 266	2 402 626	1 679 388
Shareholder risk reserves	-	-	-	-
Member assistance fund	9 041	10 849	9 041	9 041
Borrowings	192 465	200 065	192 465	166 721
Financial liability	737 655	681 719	737 655	568 099
Lease liability - IFRS 16	32 647	18 043	32 647	15 036
Insurance contract liabilities - short term	3 293 682	3 089 595	3 293 682	2 574 662
Unearned premium reserve	2 171 364	2 222 839	1 006 235	782 370
Insurance liabilities - life assurance	140 830	130 499	139 721	108 749
Share based payment liabilities	266 704	320 064	266 704	266 720
Other payables	335 900	925 778	334 283	770 251
Deferred tax	3 662 526	3 930 892	3 646 690	3 258 278
Current income tax liabilities	151 771	115 517	151 771	96 264
Total liabilities	25 934 005	26 787 938	24 750 314	21 234 589
TOTAL EQUITY AND LIABILITIES	42 998 661	43 114 429	42 217 137	35 211 342

NOTES TO THE TRADING UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2022

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, 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 65.52% (2021: 65.88%) directly and an additional 7.02% (2021: 7.10%) indirectly through Capital Bank Limited (under liquidation). NSSA owns 87% (2021: 87%) of Capital Bank Limited. Towards the end of 2021, NSSA and CBZ Holdings

Limited (CBZHL) entered into a transaction under which CBZHL would acquire 31.22% of the share capital of First Mutual Holdings Limited (FMHL), resulting in FMHL becoming an associate of CBZHL. On 31 January 2022, the CBZHL shareholders approved the transaction.

The registered office is located at Second Floor, First Mutual Park, 100 Liberation Legacy Way, Borrowdale, Harare, Zimbabwe. The trading update for the quarter ended 31 March 2022 was authorised for issue in accordance by a resolution of the Directors at a meeting held on 10 May 2022.

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 third quarter ended at 31 March 2022 are as follows:

Date CPI Conversion factor

Date	Consumer Price Index	Conversion factor
31 March 2021	2,760	1.73
31 December 2021	3,978	1.20
31 March 2022	4,766	1.00

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

SEGMENTAL RESULTS AND ANALYSIS FOR THE YEAR ENDED 31 MARCH 2022

	Reinsurance			General Insurance					Gross Figures ZWL000	Consolidation Entries ZWL000	Total Consolidated ZWL000
	Life ZWL000	Zimbabwe ZWL000	Botswana ZWL000	Zimbabwe ZWL000	Mozambique ZWL000	Health ZWL000	Property ZWL000	Other ZWL000			
INFLATION ADJUSTED As at 31 MARCH 2022											
Net Premium Earned	767 714	215 480	642 697	684 677	59 347	2 304 065	-	-	4 673 980	(6 923)	4 667 057
Rental income	-	-	-	23 820	-	-	-	209 465	233 285	(22 214)	211 071
Fair value adjustments on investment property	-	-	-	119 763	-	-	-	(2 100 768)	(1 981 004)	(153 382)	(2 134 386)
Investment income	110 708	208 510	12 920	166 766	4 112	213 644	-	417 656	1 131 925	601 854	1 733 779
Other income and fee income	820 024	53 109	61 580	160 836	6 880	68 849	-	141 459	1 298 457	(770 526)	527 931
Total income	1 698 446	477 099	717 196	1 155 862	70 339	2 586 558	(1 907 971)	559 114	5 356 642	(351 190)	5 005 452
As at 31 March 2021											
Net premium earned	364 423	91 740	480 397	358 506	53 358	1 502 778	-	-	2 851 202	(17 099)	2 834 103
Rental income	-	-	-	19 793	-	-	-	158 240	178 033	(16 300)	161 733
Fair value adjustments on investment property	-	-	-	(258 713)	-	-	-	(1 405 578)	(1 664 291)	252 756	(1 411 535)
Investment income	1 756 251	297 340	7 795	63 036	2 557	658 943	4 405	909 444	3 699 771	(2 886 289)	813 482
Other income and fee income	721 548	(32 429)	1 503 424	1 678 552	-	(164 219)	10 678	99 176	3 816 730	(2 391 274)	1 425 456
Total income	2 842 222	356 651	1 991 616	1 861 174	55 915	1 997 502	(1 232 255)	1 008 620	8 881 445	(5 058 206)	3 823 239
HISTORICAL COST As at 31 March 2022											
Net premium earned	717 502	156 907	608 070	649 857	51 397	2 167 952	-	-	4 351 684	(4 214)	4 347 470
Rental income	-	-	-	22 555	-	-	-	197 546	220 101	(20 849)	199 252
Fair value adjustments on investment property	-	-	-	333 230	-	-	-	2 268 800	2 602 030	(235 026)	2 367 004
Investment income	2 267 623	351 601	12 602	158 170	3 330	594 356	1 165	846 783	4 235 631	(1 167 644)	3 067 987
Other income and fee income	48 147	31 110	(4 075)	77 131	-	80 667	-	38 761	344 626	25 590	370 216
Total income	3 033 272	539 618	616 597	1 240 943	54 728	2 842 975	2 506 272	919 667	11 754 074	(1 402 143)	10 351 929
Combined Ratio	95%										