

# TRADING UPDATE

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

## FINANCIAL COMMENTARY

### Inflation adjusted performance analysis

Net premium earned, (NPE) at \$6.5 billion, was 88% 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.

Rental income grew to \$365 million from \$228 million due to quarterly rental reviews and improvement in the occupancy rates to 89.48% [2020: 88.22%].

Administration expenses increased by 102% partly as result of inflation and also in line with foreign exchange rate movements for foreign currency denominated expenses.

Total income was 8% higher than the prior year reflecting positive returns on listed equities and fair value gains on investment property.

Total assets grew by 21% from December 2020 driven by positive gains realised on listed equity investments, fair value gains on investment property and revaluation of foreign denominated assets.

### Historical financial performance analysis

Net premium earned, at \$5.7 billion, was 293% higher than prior year and average year-on-year inflation rate of 52%. 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 United States of America dollar (USD).

Rental income increased by 240% from prior year largely due to quarterly rental reviews and improvements in the occupancy rates from 88.22% in 2020 to 89.48%.

The total assets increase of 33% mainly attributable to fair value gains on investment property and listed equities.

By order of the Board

*S Lorimer*

S F LORIMER  
GROUP COMPANY SECRETARY

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2021

	INFLATION ADJUSTED		HISTORICAL COST	
	UNAUDITED 30-Sep-21 ZWL000	UNAUDITED 30-Sep-20 ZWL000	UNAUDITED 30-Sep-21 ZWL000	UNAUDITED 30-Sep-20 ZWL000
Net premium earned	6,542,929	3,484,830	5,711,345	1,454,966
Rental income	365,161	227,640	314,361	92,330
Fair value adjustments - investment property	1,798,043	5,302,393	5,142,576	7,893,455
Investment income	2,083,758	76,302	2,875,649	1,095,276
Interest income	41,472	60,371	39,566	9,607
Fee and other income	378,188	492,487	324,003	117,675
Foreign currency exchange gain/(loss)	30,573	278,415	44,606	275,407
Monetary (loss)/gain	(281,788)	206,519	-	-
<b>Total income</b>	<b>10,958,336</b>	<b>10,128,957</b>	<b>14,452,106</b>	<b>10,938,716</b>
<b>EXPENDITURE</b>				
Net insurance benefits and claims	(3,853,937)	(1,803,814)	(3,489,821)	(760,926)
Movement in insurance contract liabilities	(1,393,224)	(1,502,438)	(2,966,030)	(3,173,008)
Movement in shareholder risk reserve	-	107,381	-	(5,890)
Investment loss on investment contract liabilities	(1,130,166)	(816,047)	(1,290,998)	(265,241)
Acquisition of insurance and investment contracts expenses	(574,882)	(319,503)	(509,569)	(115,581)
Administration expenses	(2,458,308)	(1,215,015)	(2,129,967)	(592,157)
<b>Total expenditure</b>	<b>(9,410,517)</b>	<b>(5,549,436)</b>	<b>(10,386,385)</b>	<b>(4,912,803)</b>
<b>Profit before share of (loss)/profit of associate</b>	<b>1,547,819</b>	<b>4,579,521</b>	<b>4,065,721</b>	<b>6,025,913</b>
Share of profit of associate	14,994	1,399	14,466	2,038
Profit before income tax	1,562,813	4,580,920	4,080,187	6,027,951
Income tax expense	(712,930)	(1,056,944)	(933,010)	(800,363)
<b>Profit for the period</b>	<b>849,883</b>	<b>3,523,976</b>	<b>3,147,177</b>	<b>5,227,588</b>
<b>Other comprehensive income/(loss)</b>				
<b>Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent period</b>				
Exchange (loss)/gain on translating foreign operations	(128,560)	179,664	83,689	201,179
Share of other comprehensive income from Associates	423	-	921	-
<b>Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent periods</b>	<b>(128,137)</b>	<b>179,664</b>	<b>84,610</b>	<b>201,179</b>
<b>Total comprehensive profit for the period</b>	<b>721,746</b>	<b>3,703,640</b>	<b>3,231,787</b>	<b>5,428,767</b>
<b>Profit attributable to:</b>				
Non-controlling interest	804,527	1,244,284	1,467,747	1,891,444
Equity holders of the parent	45,356	2,279,692	1,679,430	3,336,144
<b>Profit for the period</b>	<b>849,883</b>	<b>3,523,976</b>	<b>3,147,177</b>	<b>5,227,588</b>
Comprehensive income attributable to:				
Non-controlling interest	830,044	1,244,284	1,505,429	1,891,444
Equity holders of the parent	(108,298)	2,459,356	1,726,358	3,537,323
<b>Total comprehensive income for the period</b>	<b>721,746</b>	<b>3,703,640</b>	<b>3,231,787</b>	<b>5,428,767</b>
Basic earnings per share (cents)	6.27	315.12	232.04	461.15
Diluted earnings per share (cents)	6.25	314.81	231.43	460.70
Headline earnings per share (cents)	(5.60)	310.18	226.85	459.19
Diluted headline earnings per share (cents)	(5.58)	309.88	226.25	458.74

## STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDED 30 SEPTEMBER 2021

	INFLATION ADJUSTED		HISTORICAL COST	
	UNAUDITED 30-Sep-21 ZWL000	AUDITED 31-Dec-20 ZWL000	UNAUDITED 30-Sep-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
<b>ASSETS</b>				
Property, plant and equipment	326,539	311,280	84,907	55,827
Investment property	14,700,109	12,891,223	14,700,109	9,549,054
Intangible assets	55,726	75,741	29,550	34,175
Investment in associates	433,350	478,308	153,224	172,213
Financial assets:				
- Equity securities at fair value through profit or loss	5,210,326	2,874,408	5,210,326	2,129,191
- Debt securities at amortised cost	147,257	111,324	147,257	82,462
Deferred acquisition costs	202,970	132,677	183,314	56,783
Non current assets held for sale	-	65,904	-	48,818
Income tax asset	-	431	-	319
Inventory	31,114	35,234	27,145	14,545
Insurance, tenant and other receivables	1,717,761	1,677,771	1,636,011	1,188,173
Cash and balances with banks	2,436,076	2,240,204	2,436,076	1,659,410
<b>TOTAL ASSETS</b>	<b>25,261,228</b>	<b>20,894,505</b>	<b>24,607,919</b>	<b>14,990,970</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>				
Share capital	37,587	37,523	728	727
Share premium	2,031,970	2,025,471	39,554	39,417
Non-distributable reserves	640,500	800,717	615,950	569,160
Retained profits	1,484,122	1,494,877	4,882,966	3,352,409
<b>Total equity attributable to equity holders of the parent</b>	<b>4,194,179</b>	<b>4,358,588</b>	<b>5,539,198</b>	<b>3,961,712</b>
Non-controlling interests	5,231,985	4,411,040	4,150,340	2,653,035
<b>Total equity</b>	<b>9,426,164</b>	<b>8,769,628</b>	<b>9,689,538</b>	<b>6,614,747</b>
<b>Liabilities</b>				
Life insurance contracts with and without DPF and investment contracts with DPF liabilities	7,459,904	6,066,730	7,459,904	4,493,874
Investment contract liabilities without DPF	1,740,656	630,341	1,740,656	466,919
Member assistance fund	9,041	12,205	9,041	9,041
Lease liability - IFRS 16	6,915	19,702	6,915	14,594
Insurance contract liabilities - short term	3,595,051	3,206,016	2,855,608	1,806,597
Insurance liabilities - life assurance	47,733	24,107	47,733	17,857
Share based payment liabilities	245,110	122,799	245,110	90,962
Other payables	640,910	590,358	534,161	437,302
Deferred tax	2,020,927	1,364,020	1,950,436	973,449
Current income tax liabilities	68,817	88,599	68,817	65,629
<b>Total liabilities</b>	<b>15,835,064</b>	<b>12,124,877</b>	<b>14,918,381</b>	<b>8,376,223</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>25,261,228</b>	<b>20,894,505</b>	<b>24,607,919</b>	<b>14,990,970</b>

## NOTES TO THE TRADING UPDATE FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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, 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% (2020: 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 30 September 2021 were authorised for issue in accordance by a resolution of the Directors at a meeting held on 9 November 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 third quarter ended at 30 September 2021 are as follows:

### CPI Conversion factor

Date	Consumer Price Index	Conversion factor
30 September 2020	2,205.24	1.52
31 December 2020	2,474.51	1.35
30 September 2021	3,342.00	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 30 SEPTEMBER 2021

	Reinsurance							Gross Figures ZWL000	Consolidation Entries ZWL000	Total Consolidated ZWL000
	Life ZWL000	Zimbabwe ZWL000	Botswana ZWL000	General insurance ZWL000	Health ZWL000	Property ZWL000	Other ZWL000			
<b>INFLATION ADJUSTED</b>										
<b>As at 30 September 2021</b>										
Net Premium Earned	1,030,928	245,211	819,278	1,239,868	3,228,473	-	-	6,563,758	(20,829)	6,542,929
Rental income	-	-	-	33,759	-	366,268	-	400,027	(34,866)	365,161
Fair value adjustments on investment property	-	-	-	(232,908)	-	2,240,577	-	2,007,669	(209,626)	1,798,043
Investment income	3,643,396	789,905	17,617	69,490	950,610	14,802	2,072,618	7,558,439	(5,433,209)	2,125,230
Other income and fee income	264,115	961	(35,570)	(22,821)	(25,761)	20,296	208,657	409,877	(282,904)	126,973
<b>Total income</b>	<b>4,938,439</b>	<b>1,036,077</b>	<b>801,325</b>	<b>1,087,388</b>	<b>4,153,322</b>	<b>2,641,943</b>	<b>2,281,275</b>	<b>16,939,769</b>	<b>(5,981,433)</b>	<b>10,958,336</b>
<b>As at 30 September 2020</b>										
Net premium earned	470,360	149,024	724,932	765,636	1,664,952	-	-	3,774,904	(290,074)	3,484,830
Rental income	-	-	-	15,816	-	246,585	-	262,401	(34,761)	227,640
Fair value adjustments on investment property	-	-	-	365,509	-	5,509,917	-	5,875,426	573,033	5,302,393
Investment income	2,967,761	39,275	12,464	(48,423)	548,469	(2,364)	206,484	3,723,666	(3,586,993)	136,673
Other income and fee income	6,615,210	130,559	52,762	464,524	246,030	17,672	102,061	7,628,818	(6,651,397)	977,421
<b>Total income</b>	<b>10,053,331</b>	<b>318,858</b>	<b>790,158</b>	<b>1,563,062</b>	<b>2,459,451</b>	<b>5,771,810</b>	<b>308,546</b>	<b>21,265,215</b>	<b>(9,990,192)</b>	<b>10,128,957</b>
<b>HISTORICAL COST</b>										
Net Premium Earned	911,879	217,413	673,127	1,087,300	2,838,365	-	-	5,728,084	(16,739)	5,711,345
Rental income	-	-	-	29,921	-	314,980	-	344,901	(30,540)	314,361
Fair value adjustments on investment property	-	-	-	49,157	-	5,621,019	-	5,670,176	(527,600)	5,142,576
Investment income	5,158,213	660,967	15,500	111,431	1,023,616	7,334	2,499,354	9,476,415	(6,561,200)	2,915,215
Other income and fee income	269,408	13,218	23,300	65,004	45,507	34,301	217,665	668,403	(299,794)	368,609
<b>Total income</b>	<b>6,339,500</b>	<b>891,598</b>	<b>711,927</b>	<b>1,342,813</b>	<b>3,907,488</b>	<b>5,977,634</b>	<b>2,717,019</b>	<b>21,887,979</b>	<b>(7,453,873)</b>	<b>14,452,106</b>
Combined ratio	101%	110%	60%	87%	100%	56%				
Operating profit margin	-1%	-8%	37%	14%	1%	46%				
<b>As at 30 September 2020</b>										
Net premium earned	176,962	72,849	245,270	278,016	686,796	-	-	1,459,893	(4,927)	1,454,966
Rental income	-	-	-	5,824	-	95,513	-	101,337	(9,007)	92,330
Fair value adjustments on investment property	-	-	-	700,917	-	7,810,201	-	8,511,118	(617,663)	7,893,455
Investment income	4,623,254	154,649	5,237	118,641	235,202	(129)	3,105,114	8,241,968	(7,137,085)	1,104,883
Other income and fee income	103,604	85,433	34,437	34,310	112,897	87,747	51,629	510,058	(116,976)	393,082
<b>Total income</b>	<b>4,903,820</b>	<b>312,932</b>	<b>284,944</b>	<b>1,137,708</b>	<b>1,034,895</b>	<b>7,993,332</b>	<b>3,156,743</b>	<b>18,824</b>		