

TRADING UPDATE

for the nine months ended 30 September 2020

FIRST MUTUAL

HOLDINGS LIMITED

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Financial Commentary

Inflation adjusted revenue analysis

Gross Premium Written ("GPW") at \$3.5 billion was 13% below prior year in inflation adjusted terms due to below inflation revisions of sums insured particularly for the short-term insurance and life assurance subsidiaries.

Total income was 14% higher than the prior year reflecting fair value gains on investment properties and positive returns on listed

equity investments.

Historical financial performance analysis

GPW at \$2.1 billion was 638% higher than prior year but lower than average year on year inflation rate of 693%. 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"). The Botswana based reinsurance subsidiary also made a material contribution to the results.

Rental income increased by 595% from prior year largely due to quarterly rental reviews introduced in 2019 coupled with improvements in the occupancy rates from 75.36% in 2019 to 87.91%.

Administration expenses increased by 610% in line with the prevailing inflationary environment. The growth rate was, however, lower than the average year on year reported inflation for the period.

Total assets increased by 476% due to revaluation of investment property, fair value gains on equity investments, revaluation gains on USD denominated assets and the profit period. The growth was ahead of the consumer price index ("CPI") movement of 291% from December 2019 to September 2020.

Impact of Coronavirus pandemic

To date, the Group has not been significantly negatively impacted by the pandemic with outturns in line with our expectations. We will continue to monitor the situation and make every effort to ensure all stakeholders are protected from the pandemic.

STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	INFLATION ADJUSTED		HISTORICAL COST	
	UNAUDITED 30-Sep-20 ZWL000	UNAUDITED 30-Sep-19 ZWL000	UNAUDITED 30-Sep-20 ZWL000	UNAUDITED 30-Sep-19 ZWL000
INCOME				
Gross premium written	3,549,858	4,084,609	2,116,245	286,707
Reinsurance	(939,262)	(854,858)	(566,900)	(65,788)
Net premium written	2,610,596	3,229,751	1,549,345	220,919
Unearned premium reserve	(207,265)	(204,066)	(94,379)	(14,267)
Net premium earned	2,403,331	3,025,684	1,454,966	206,652
Rental income	156,993	174,169	92,330	13,288
Fair value adjustments - investment property	3,656,823	3,129,639	7,893,455	302,832
Investment income	52,622	(392,510)	1,095,276	142,748
Interest income	41,635	4,793	9,607	3,156
Fee income:				
- Insurance contracts	148,164	24,415	95,054	1,089
- Investment contracts	1,814	87,605	654	6,225
Other income	189,668	14,155	21,967	1,607
Foreign currency exchange gain	180,186	179,310	356,530	12,036
Monetary gain/(loss)	142,427	(160,603)	-	-
Total income	6,973,663	6,132,191	11,019,840	689,633
EXPENDITURE				
Pension benefits	(39,909)	(191,498)	(10,129)	(12,456)
Insurance claims and loss adjustment expenses	(1,293,789)	(1,345,083)	(806,548)	(102,280)
Insurance claims and loss adjustment expenses recovered from reinsurers	89,688	138,819	55,751	8,705
Net insurance benefits and claims	(1,244,011)	(1,397,762)	(760,926)	(106,031)
Movement in insurance contract liabilities	(1,036,164)	(2,405,064)	(3,173,008)	(169,532)
Movement in shareholder risk reserve	74,056	(30,261)	(5,890)	(4,024)
Investment loss on investment contract liabilities	(562,791)	(369,639)	(265,241)	(21,694)
Acquisition of insurance and investment contracts expenses	(220,347)	(231,526)	(115,581)	(16,090)
Administration expenses	(798,092)	(946,997)	(546,040)	(75,575)
Allowance for expected credit losses	(26,903)	(59,127)	(126,574)	(4,386)
Finance cost	(1,123)	(30)	(624)	(1)
Total expenditure	(3,815,374)	(5,440,407)	(4,993,883)	(397,333)
Profit before share of (loss)/profit of associate	3,158,288	691,784	6,025,913	292,300
Share of profit of associate	965	(4,686)	2,038	(102)
Profit before income tax	3,159,253	687,099	6,027,951	292,198
Income tax expense	(728,927)	(123,678)	(800,363)	(50,955)
Profit for the period	2,430,326	563,421	5,227,589	241,243
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent period				
Exchange gain/(loss) on translating foreign operations	123,906	364,247	201,179	47,965
Other comprehensive income/(loss) to be reclassified to statement of comprehensive income in subsequent periods	123,906	364,247	201,179	47,965
Total comprehensive profit for the period	2,554,232	927,668	5,428,767	289,208
Profit attributable to:				
Non-controlling interest	858,127	359,252	1,891,444	74,917
Equity holders of the parent	1,572,200	204,169	3,336,145	166,326
Profit for the period	2,430,326	563,421	5,227,589	241,243
Comprehensive income attributable to:				
Non-controlling interest	858,127	359,252	1,891,444	74,917
Equity holders of the parent	1,696,106	568,416	3,537,324	214,291
Total comprehensive income for the period	2,554,232	927,668	5,428,767	289,208
Basic earnings per share (cents)	217.32	28.31	461.15	23.06
Diluted earnings per share (cents)	217.11	28.26	460.70	23.03
Headline earnings per share (cents)	211.52	12.84	458.78	21.70
Diluted headline earnings per share (cents)	211.31	12.82	458.34	21.67

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

	INFLATION ADJUSTED		HISTORICAL COST	
	UNAUDITED 30-Sep-20 ZWL000	AUDITED 31-Dec-19 ZWL000	UNAUDITED 30-Sep-20 ZWL000	AUDITED 31-Dec-19 ZWL000
ASSETS				
Property, plant and equipment	222,286	204,027	25,972	18,499
Investment property	9,306,344	5,649,475	9,306,344	1,413,176
Right of use of assets - IFRS 16	43,884	75,781	719	3,068
Intangible assets	7,070	33,917	837	2,693
Investment in subsidiaries				
Investment in associates	104,732	118,948	98,065	10,352
Financial assets:				
- Equity securities at fair value through profit or loss	1,642,285	1,394,271	1,642,285	348,767
- Debt securities at amortised cost	24,487	37,642	24,487	9,416
Deferred acquisition costs	90,651	97,292	62,044	7,648
Income tax asset	-	468	-	117
Inventory	28,769	51,950	11,422	6,309
Insurance, tenant and other receivables	667,657	832,916	667,657	208,348
Cash and balances with banks	1,448,068	1,117,425	1,448,068	279,516
TOTAL ASSETS	13,586,232	9,614,113	13,287,899	2,307,908
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	24,764	24,762	723	723
Share premium	1,336,409	1,336,408	39,045	39,045
Non-distributable reserves	611,045	486,854	269,523	68,229
Retained profits	1,264,874	(304,794)	4,123,476	389,819
Total equity attributable to equity holders of the parent	3,237,091	1,543,230	4,432,768	497,817
Non-controlling interests	2,786,093	1,927,966	2,240,823	350,636
Total equity	6,023,184	3,471,196	6,673,591	848,453
Liabilities				
Life insurance contracts with and without DPF and investment contracts with DPF liabilities	3,849,991	2,813,828	3,849,991	703,858
Investment contract liabilities without DPF	305,946	182,452	305,946	45,639
Shareholder risk reserves	32,471	106,527	32,471	26,647
Lease liability - IFRS 16	11,436	13,208	11,436	3,304
Share based payment liability	32,388	20,061	32,388	5,018
Insurance contract liabilities - short term	1,417,869	1,501,898	1,417,869	307,555
Insurance liabilities - life assurance	9,906	16,307	9,906	4,079
Other payables	311,819	323,011	311,819	80,799
Deferred income tax	1,587,124	1,162,176	638,384	281,692
Current income tax liabilities	4,096	3,450	4,096	863
Total liabilities	7,563,048	6,142,917	6,614,309	1,459,455
TOTAL EQUITY AND LIABILITIES	13,586,232	9,614,113	13,287,899	2,307,908

NOTES TO THE TRADING UPDATE FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

1. Corporate information

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

The ultimate parent of the Company is National Social Security Authority ("NSSA") which owns 66.22% (2019: 68.81%) directly and an additional 7.10% (2019: 7.10%) indirectly through Capital Bank Limited (under liquidation). NSSA owns 84% (2018: 84%) of Capital Bank Limited. The registered office is located at Second Floor, First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare, Zimbabwe.

The trading update of the Group for the nine months ended 30 September 2020 was authorised for issue in accordance with a resolution of the Directors at a meeting held on 11 November 2020.

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 at 30 September 2020 are as follows:

Date	CPI	Conversion factor
30 September 2019	290.39	7.59
31 December 2019	551.63	4.00
30 September 2020	2,205.24	1.00

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

SEGMENTAL RESULTS AND ANALYSIS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

INFLATION ADJUSTED As At 30 September 2020	Reinsurance					Health ZWL000	Property ZWL000	Other ZWL000	Gross Figures ZWL000	Consolidation Entries ZWL000	Total Consolidated ZWL000
	Life ZWL000	Zimbabwe ZWL000	Botswana ZWL000	General Insurance ZWL000							
Net Premium Earned	309,447	98,042	476,929	503,708	1,095,363	-	-	-	2,483,489	(80,159)	2,403,331
Rental income	-	-	-	10,405	-	162,227	-	-	172,632	(15,639)	156,993
Fair value adjustments on investment property	-	-	-	240,467	-	3,624,945	-	-	3,865,412	(208,589)	3,656,823
Investment income	1,952,474	25,839	8,200	(31,857)	360,835	(1,555)	135,845	2,449,780	(2,355,523)	(94,257)	94,257
Other income and fee income	4,352,112	85,894	34,712	305,608	161,862	11,626	67,146	5,018,959	(4,356,700)	(662,259)	662,259
Total income	6,614,033	209,775	519,841	1,028,330	1,618,060	3,797,244	202,991	13,990,273	(7,016,609)	(6,973,663)	
As at 30 September 2019											
Net premium earned	574,612	219,385	378,506	507,061	1,184,244	-	-	2,863,808	161,876	(3,025,684)	3,025,684
Rental income	-	-	-	10,175	-	184,163	-	194,338	(20,169)	(174,169)	174,169
Fair value adjustments on investment property	-	-	-	551,602	-	3,579,024	-	4,130,626	(1,000,987)	(3,129,639)	3,129,639
Investment income	(296,143)	135,177	11,680	(24,856)	(17,321)	18	1,929,739	1,738,294	(2,080,476)	(342,182)	94,257
Other income and fee income	71,848	3,189	-	(7,043)	168,674	91,405	81,994	410,067	(265,185)	(144,882)	144,882
Total income	350,317	357,751	390,186	1,036,939	1,335,597	3,854,610	2,011,733	9,337,133	(3,204,942)	(6,132,191)	
HISTORICAL COST											
As at 30 September 2020											
Net Premium Earned	176,962	72,849	245,270	278,016	686,796	-	-	1,459,893	(4,927)	(1,454,966)	1,454,966
Rental income	-	-	-	5,824	-	95,513	-	101,337	(9,007)	(92,330)	92,330
Fair value adjustments on investment property	-	-	-	700,917	-	7,810,201	-	8,511,118	(617,663)	(7,893,455)	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)	1,104,883
Other income and fee income	103,604	85,433	34,437	34,310	112,897	87,747	51,629	510,058	(35,852)	(474,205)	474,205
Total income	4,903,820	312,932	284,944	1,137,708	1,034,895	7,993,332	3,156,743	18,824,373	(7,804,533)	(11,019,840)	
Combined ratio	84%	139%	87%	79%	80%	0%	-	-	-	-	-
Operating profit margin	15%	12%	20%	24%	32%	107%	-	-	-	-	-
As at 30 September 2019											
Net premium earned	42,127	16,084	27,750	37,175	86,821</						