

FIRST MUTUAL

HOLDINGS LIMITED

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TRADING UPDATE | FIRST QUARTER ENDED 31 MARCH 2023

OPERATING ENVIRONMENT

During Q1 2023, the operating environment continued to be volatile with high inflation and a depreciating currency. The Reserve Bank of Zimbabwe, through its Monetary Policy Committee, reduced the Bank Policy rate by 50 percentage points midway through Q1 2023 to 150% and by a further 10 percentage points to 140% at the tail end of the quarter. The ZWL continued to lose value against the USD as evidenced by the surge in the price of goods and services in local currency and the widening gap between the interbank rate and the alternative exchange rate. Officially the exchange rate which was at USD1:ZWL687 at the beginning of the quarter closed at USD1:ZWL930 by 31 March 2023.

The Zimbabwe Statistical Agency (ZimStat) in their February 2023 inflation bulletin indicated that 76% of expenditures were now being conducted in USD whilst 24% were in ZWL. As such, a new blended inflation rate was published from February 2023. The last report on ZWL inflation by ZimStat was 229.8% as at January 2023. Month on month blended inflation for February and March 2023 was -1.6% and 0.1% respectively whilst annual inflation was 92.3% and 87.6% respectively.

During the quarter, companies continued to migrate from the Zimbabwe Stock Exchange ("ZSE") to the Victoria Falls Stock Exchange ("VFEX") motivated by the VFEX as an avenue for potentially raising capital in USD, tax concessions and more transparent financial reporting in USD. The year-to-date growth in the ZSE was 97.5% which was ahead of both official and alternative market exchange rate movements and indicated inflation for Q1 2023.

The Botswana economy continues to be stable despite the BWP weakening against the USD.

In Mozambique, the economy has maintained signs of growth as evidenced by a stable exchange rate and declining inflation.

INFLATION ADJUSTED REPORTING

In October 2019 the Public Accountants and Auditors Board concluded that the conditions for applying International Accounting Standard IAS 29 - Financial Reporting in Hyperinflation Economies had been met in Zimbabwe. However, in February 2023, the Ministry of Finance and Economic Development, as part of its measures to curb the rising inflation introduced a blended inflation rate which was based on a combination of the Zimbabwe Dollar and USD inflation rates. This index has resulted in need for businesses to estimate the ZWL inflation to continue applying IAS 29 requirements. As a result, FMHL has opted to present historical cost numbers for this trading update pending the outcome of engagements with the relevant regulators on the matter.

OVERALL GROUP PERFORMANCE

Despite the volatile operating environment, First Mutual Holdings Limited ("FMHL" or "the Group") attained higher business levels in the core insurance units as well as increased revenue in the investment property and micro-lending units. The migration from local currency to the United States dollar transactions continued in the period under review for all local subsidiaries particularly for the general insurance and reinsurance businesses due to the volatility of the Zimbabwe dollar.

IFRS 17 Reporting

The International Financial Reporting Standard IFRS17 – Insurance Contracts (IFRS 17) was issued by the International Reporting Standards Board in May 2017. This standard replaced IFRS 4 on accounting for insurance contracts effective 1

January 2023. IFRS 17 requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. This requirement will provide more transparent reporting on the financial position and risk of insurance entities. The Group performance below has been analysed in line with the requirements of this new standard.

Insurance contract revenue

During the period under review, Insurance contract revenue at \$25.9 billion grew by 497% compared to the same period in prior year. The growth was driven by the continued revaluation of insurance policy values to match inflation and exchange rate movements to ensure adequate cover for clients as well as a migration of more policies to the USD for value restoration in case of the occurrence of an insured event. The proportion of the USD business being written by the Group, constituted 53% of the total insurance contract revenue at USD14.7 million compared to 54% in the same period last year.

Insurance service result

The Insurance service result grew by 446% to \$3.8 billion compared to the prior period. The growth is a result of increases in the insurance contract revenue as well as improved retention of the same as demonstrated by growth of the net reinsurance revenue.

Rental income and Net investment return

In the period under review, rental income grew by 584% to \$1.4 billion. The growth arose from a combination of factors which included a higher proportion of USD denominated leases as well as inflation driven on ZWL rental rate increases. The occupancy levels stood at 84.55% compared to prior year of 89.99% and the average rental/square metre was USD4.73 compared to prior year of USD4.61. The overall Group net investment returns amounted to \$7.9 billion, 159% above prior year. The growth was driven by recoveries on the ZSE.

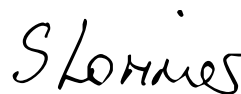
Profit for the period

The Group achieved a profit for the period of \$17.6 billion which represented a 616% increase relative to prior year. The increase is attributable to the increases in insurance contract revenue, rental income, net fair value gains in investment properties as well as net investment return due to some recovery in our listed equity portfolio.

OUTLOOK

The Group will strive to continue to provide a compelling value proposition to clients by maintaining the relevance in its products and delivering on its promise thus achieving sustainable operations. We will also pursue value enhancing initiatives such as investments in real assets in order to preserve and grow the balance sheet in the current hyperinflationary environment.

By Order of the Board



S F Lorimer
Group Company Secretary

23 May 2023