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CONSOLIDATED TRADING UPDATE – Q3 2024

OPERATING ENVIRONMENT

The economic environment remained fluid and dynamic during the nine months ended 30 September 2024. The second quarter of 2024 was characterised by regulatory policy changes and currency reforms including the introduction of a new currency the ZWG (Zimbabwe Gold Currency) on the 5th of April 2024. The introduction of the ZWG initially stabilised the exchange rate and inflation. During the third quarter of 2024 the gap between the official and alternative market exchange rates widened significantly prompting an official adjustment of the local currency by 43% on 27 September 2024. The devaluation of the local currency had a negative impact on Zimbabwe Stock Exchange listed investment portfolios at the end of the third quarter of the year. The preference by economic agents to utilise the USD when procuring or receiving payment for commodities such as fuel, power, raw materials, as well as human capital and certain statutory payments dented confidence in the ZWG. Wider acceptance of the ZWG through market driven policies would go a long way in stabilising the local currency's value.

USD inflation remained stable during the first nine months of the year recording a year-on-year change of 4.2% as at 30 September 2024. Local currency inflationary pressure persisted up to the second quarter of 2024 and stabilised after the introduction of ZWG. Subsequent to period end ZWG inflation increased to 37.6% in the month of October compared to 0.7% for the USD.

The drought experienced during the 2023-2024 rainy season had a negative impact on food security for the period under review. Harvests were relatively poor across the Sub-Saharan region, although South Africa did hold sufficient carry through stock from the preceding season to augment the requirements of neighbouring territories. Zimbabwe's 2023/2024 summer agricultural season was severely impacted by the El Nino weather conditions, resulting in Zimbabwe's GDP growth forecast for 2024 being revised downwards from 3.5% to 2.0% for 2024.

The Group will maintain a real asset bias to hedge against potential value loss arising from local currency weakness. The Group will continue to offer input to the authorities on policy refinements to better protect policyholder assets, encourage investment inflows, and promote the growth and stability in the wider economy.

BASIS OF PREPARATION

The consolidated financial statements of the Group have been compiled adopting principles from International Financial Reporting Standards (IFRS) Accounting Standards as issued by the International Accounting Standards Board (IASB), the International Financial Reporting Interpretations Committee (IFRIC) and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) and the Zimbabwe Stock Exchange regulations. The consolidated financial results have been restated to take into account the change in functional currency for the Group's Zimbabwean operations and the change in the Group's presentation currency (effective 1 January 2024) in accordance with IAS 21, 'The Effects of Changes in Foreign Exchange Rates'.

Comprehensive Income Highlights - IFRS Compliant

	30-Sep-24	30-Sep-23	Growth
	USD000	USD000	%
Insurance contract revenue	113,055	79,638	42%
Insurance service result	15,831	6,150	157%
Rental income	6,161	3,514	27%
Net fair value adjustments	(50,312)	96,073	(152%)
Profit (loss) after tax	(24,288)	65,655	(137%)

Financial Position Highlights - IFRS Compliant

	30-Sep-24	31-Dec-23	Growth
	USD000	USD000	%
Total assets	249,431	286,982	(13%)
Shareholders' equity	52,807	59,628	(11%)
Total equity	91,256	115,025	(21%)
Total liabilities	158,175	171,958	(8%)

OPERATIONS REVIEW

The commentary below relates to the consolidated performance of the Group. The financial performance and position of First Mutual Reinsurance Botswana and Diamond Seguros have been translated to the USD presentation currency of the Group. The commentary is based on financial information used for management decision making purposes (please refer to the **supplementary information** section of this document on the methodology followed in coming up with the financial statements).

Insurance contract revenue

For the nine months ended 30 September 2024, the consolidated Insurance Contract Revenue ("ICR") amounted to \$112.9 million which was 15% above the prior year. The revenue growth over the prior period was due to increased foreign currency denominated business, organic growth and an upward review of statutory covers to track the local currency.

Insurance service result

The insurance service result grew by 31% to \$16.5 million from the prior year due to ICR growth from the Group's Insurance Business Units coupled with improved reinsurance recoveries. The migration to USD policies has resulted in higher claims as the underlying benefits are more stable leading to a negative claims variance as the benefits are crystallised in USD.

Rental income

Rental income for the period totalled \$6.2 million, 27% ahead of the prior year figure. The growth arose from higher occupancy levels (Current Year: 90.64%, Prior Year: 87.82%) coupled with an increase in rental income per square metre (CY: \$5.95, PY: \$4.78). The USD component of rental income rose from 72% in the previous year to 79% for the period ended September 2024.

Profit for the period

The Group generated a profit after tax for the period amounting to USD9.4 million which was a decline from the \$10.1 million in the prior year. The decline in the profit was driven by lower shareholder net investment returns in comparison to the prior year and a higher tax expense.

Total assets and equity

Total assets increased by 15% to \$254.5 million from \$221.7 million in December 2023. The growth was principally due to cumulative fair value gains on quoted equities (\$7.2 million) and investment property (\$3.1 million), increased investment in quoted equities and the investment property portfolio equities, the increase in reinsurance contract assets (\$10.7 million) and cash and cash equivalents (\$1.8 million). The positive performance resulted in an increase in the shareholder's equity by 12% relative to 31 December 2023.

SUPPLEMENTARY INFORMATION

Methodology

The following methodology was undertaken in preparing the financial information presented below:

- i. Segregated the pure USD transactions and balances (including all transactions denominated in other foreign currencies) from the pure ZWG transactions and balances.
- ii. For the Statement of Comprehensive Income, the historical ZWG transactions were translated using the official exchange rate and then combined with the pure USD transactions to determine the USD equivalent amounts.
- iii. For the Statement of Financial Position, ZWG non-monetary items are converted to USD at the official exchange rate on the date of acquisition or disposal and for ZWG monetary items the official exchange rate is used to translate balances on the reporting date with resultant foreign exchange gain or losses arising from non-USD currencies passing through the statement of comprehensive income.

Comprehensive Income Highlights - Management Accounts

	30-Sep-24	30-Sep-23	Growth
	USD000	USD000	%
Insurance contract revenue	112,850	98,280	15%
Insurance service result	16,481	12,572	31%
Rental income	6,106	4,817	27%
Net fair value adjustments	3,120	5,563	(43%)
Profit after tax	9,442	10,066	(6%)

Financial Position Highlights - Management accounts

	30-Sep-24	31-Dec-23	Growth
	USD000	USD000	%
Total assets	254,473	221,696	15%
Shareholders' equity	73,832	66,062	12%
Total equity	108,825	99,383	10%
Total liabilities	145,648	122,313	19%

BY ORDER OF THE BOARD

S Lorimer

S F Lorimer
Group Company Secretary