



FIDELITY LIFE

ASSURANCE OF ZIMBABWE



Trading Update: 30 September 2020

Economic landscape

The global economy is showing signs of recovery after months of depressed activity induced by the COVID-19 pandemic lockdowns. Zimbabwe has been slowly easing lockdown restrictions and all value adding sectors of the economy have since reopened. The country enjoyed relative price stability in the third quarter following the introduction of the foreign currency auction system earlier this year and the clampdown on parallel market foreign currency trading. The ZWL has marginally firmed on the auction system and the parallel market, while month-on-month inflation has eased to single digits. Year-on-year inflation retreated to 659% in September 2020 after peaking at 838% in July 2020. While the stability of the exchange rate and prices is a positive development, the country is grappling with declining aggregate demand as disposable incomes have been severely eroded by hyperinflation.

Financial performance (inflation adjusted)

The Group's total revenue for the period to 30 September 2020 in inflation adjusted terms surged to ZWL\$1,509.49 million from ZWL\$987.02 million same period prior year, representing a real growth of 53%. Growth in total revenue was improved by investment income which grew from ZWL\$604.21 million to ZWL\$1,200.11 million, a 99% growth as compared to same period prior year. The fair value gains on investment property have protected value against the adverse effects of very high inflation. The Group's core revenue for the period to 30 September 2020 declined by 19% to ZWL\$309.38 million compared to same period prior year as a result of the slowdown in business activity due to the COVID -19 pandemic lockdowns. The foreign subsidiary in Malawi assisted to dampen the downside risk of our being principally domiciled in a hyperinflation economy, which Zimbabwe is currently.

Inflation adjusted expenses of the Group increased by 8% to ZWL\$940.78 million from ZWL\$874.74 in 2019. The major drivers of the expenses includes changes in insurance liabilities and project completion cost for Southview water works with these two expense lines constituting 72% of the total expenses as at 30 September 2020 compared to 69% in same period prior year.

The Group posted profit before tax of ZWL\$568.71 million as at 30 September 2020 as compared to ZWL\$112.28 million as at 30 September 2019 representing a growth of 407% in inflation adjusted terms.

These results have been presented under the current cost basis as per the provisions of IAS 29 Financial Reporting in Hyperinflationary Economies.

Outlook

Zimbabwe's road to economic recovery is likely to be long, uneven, and uncertain. Prospects of a normal 2020-21 rainfall season have brought optimism for a descent grain harvest that will ease the pressure on the scarce foreign currency. While inflation has slowed down, the country remains in hyperinflation and value preservation remains the top priority for our business.

The business will continue to implement COVID-19 risk mitigation measures as a priority to protect the safety and health of our clients, employees and business partners.

By order of the board

C. Matongo
Company Secretary
13 November 2020