

## TRADING UPDATE FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

### 1. BUSINESS ENVIRONMENT

Q3 2020 has seen the reopening of economies following the various national lockdowns within the SADC region. While some countries within the region are showing early signs of economic stabilization the Zimbabwean economy is expected to contract by 10.4% in 2020. Aside from the challenges posed by the Corona Virus, the Group experienced the negative effects of the hyperinflationary environment which pushed up claims and operating expenses.

### 2. OVERALL GROUP PERFORMANCE

Total revenue as at the end of Q3 2020 was 68% and 79% above prior year performance in inflation adjusted and historical terms respectively. The performance was driven by a 68% growth in insurance revenue (801% in historical terms), 137% growth in rental revenue (968% in historical terms) and 10% growth in revenue from sale of inventory property (653% in historical terms) and property revaluation gains. Most business units are expected to meet or exceed their budgets and record moderate profitability in the 2020 financial year.

### 3. PERFORMANCE PER UNIT

#### 3.1 Reinsurance and Reassurance

There is continued growth and profitability of the domestic reinsurance and reinsurance operation driven by:

- increased treaty participation from top tier cedants;
- strong balance sheet and superior credit ratings,
- successful consolidation of key business accounts, and
- business sourced from the external market supported by a growing external claims fund.

#### 3.2 Malawi

Gross Premium Written (GPW) for the first 9 months of the year grew by 10% over the previous year against average annual inflation of about 8%. This was achieved through improved retention from 59% to 65% and a low claims ratio of 37%.

#### 3.3 Mozambique

The Mozambican insurance industry was deeply affected by the pandemic however, Emeritus Re Mozambique recorded a 9% growth in GPW over prior year against average annual inflation of about 3%. The entity also recorded positive technical and underwriting results on account of a relatively low claims ratio of 26%.

#### 3.4 Botswana

Profit after tax for Emeritus Re Botswana grew by 134% compared to the previous year which growth was despite the lack of competitive capital.

#### 3.5 Zambia

Emeritus Re Zambia recorded a 77% growth in GPW. The growth was a result of the increase in new treaty business, prudent and selective underwriting, enhanced risk management, devaluation of the Kwacha against the USD and significant growth in investment income.

#### 3.6 Credit Insurance Zimbabwe Limited (Credsure)

Credsure's GPW grew by 106% and 742% compared to same period prior year in inflation adjusted and historical terms respectively. The growth was supported by the new business acquired during the period. The combined profit increased by 32% in inflation adjusted terms or 2090% in historical terms on account of revaluation of property and equity investments.

#### 3.7 Zimre Property Investments Limited

ZPI managed to weather the pandemic during the lockdown period. The company was able to remain profitable on account of improvements in revenues through the resumption of inventory property sales, and strict control of operating expenses.

### 4. KEY GROUP DEVELOPMENTS AND MILESTONES

#### 4.1 Restoration of Heartland Investments

On 30 September 2020, the acquisition of 100% of ZPI and a controlling interest in Fidelity Life Assurance Zimbabwe Limited (FLA) was approved by the ZHL shareholders. These transactions are the realization of the Group strategy to rebuild its heartland investments and pursue portfolio diversification and resource mobilization.

#### 4.2 Capacitation of Regional Reinsurance Operations

ZHL gained momentum in recapitalising its regional reinsurance operations with competitive capital to the tune of US\$3 million. The Group is targeting to inject more capital into the regional reinsurance operations from internally generated cash flows and restructuring. The additional competitive capital will enable the entities to enhance their underwriting capacity and consolidate their market positions.

#### 4.3 ZimRe Capital Private Limited

On 28 September 2020, ZimRe Capital (Private) Limited, a wholly owned subsidiary of ZHL was licensed by the Securities and Exchange Commission of Zimbabwe (SEC) as an investment advisory company thereby paving way for the creation of new revenue lines for the Group.

### 5. OUTLOOK

ZHL is now focused on extracting synergy driven performance from all its heartland business units as well as restructuring the property business. Cash generation, cost control, technology optimisation to enhance operational efficiency, and brand visibility will remain key performance drivers for the Group as it seeks to create long term value for all its stakeholders.

#### By Order of the Board



Lovemore Madzinga  
**GROUP COMPANY SECRETARY**  
13 November 2020