

TRADING UPDATE

For three months ended 31 March 2021



FIDELITY LIFE

ASSURANCE OF ZIMBABWE

Economic landscape

The beginning of the first quarter coincided with the onset of the COVID-19 second wave in Zimbabwe and a return to more stringent movement restrictions. Despite the depressed economic activity experienced in the quarter, the exchange rate and price stability that characterized the second half of 2020 persisted. Month-on-month inflation averaged 3.71% during the quarter while the Zimbabwe dollar suffered depreciation of 3.1% on the Foreign Currency Auction System. Of concern, however, is the widening gap between the official auction rate and the parallel market rate which creates room for rent-seeking behavior.

Financial performance (Inflation Adjusted)

The Group's inflation adjusted core revenue increased by 55% from ZWL\$163.8 million in 2020 to ZWL\$253.2 million in the first quarter anchored by the life assurance subsidiaries which contributed 87% to the Group's total core revenue. The life assurance subsidiaries registered strong growth above inflation. Locally, this was achieved through well-considered upward reviews of both premiums and policy values to protect value for policyholders. The growth was also supported by a general increase in pension contributions arising from modest salary reviews by companies.

The Malawi subsidiary, by its foreign nature, generates foreign currency revenue which is a hedge against high Zimbabwe inflation. However, the Group's inflation adjusted total revenue decreased by 16% from ZWL\$387.5 million for the first quarter of 2020 to ZWL\$326.1 in the current year. The decrease in total revenue was as a result of a 66% decrease in investment income, itself mainly driven by investment property fair value gains. Property fair value gains are computed in relation to movement in exchange rate, which grew by less than inflation rate.

Inflation adjusted total expenses grew by 12% from ZWL\$167.8 to ZWL\$187.1 in the current period. Expenses are mainly driven by the changes in insurance liabilities which constitute 47% of the total expenses in the current year compared to 45% in same period prior year.

The Group posted profit before tax of ZWL\$139.0 million for the period ended 31 March 2021, a decrease of 37% as compared to ZWL\$219.7 million posted same period prior year.

Outlook

Roll-out of vaccination programs has raised hopes of a turnaround in the pandemic later this year, though new waves and variants of the virus pose concerns for the outlook. Expectations of a bumper maize harvest have raised hopes of an agriculture-led economic recovery in 2021. Given the low economic base resulting from two consecutive years of economic decline, marginal economic growth is expected in 2021.

Our strategic focus remains on value preservation for our key stakeholders which includes policyholders, clients, shareholders and employees. We will continue to ensure that all business units are profitable, cash generating and operating efficiently.

By order of the board

C. Matongo
Company Secretary

14 May 2021