

Trading Update

for the nine months ended
30 September 2021



FIDELITY LIFE

Economic landscape

Zimbabwe's projected GDP growth for 2021 was revised from 7.4% to 7.8% in the July 2021 Mid-Term Budget Review on the back of an expected strong agriculture output, price stability and COVID-19 containment. Inflation eased to double digit figures for the first time in 2 years as the country appeared on course to tame one of its nemesis for the past two years. The local unit (ZWL) was relatively stable on the Foreign Currency Auction System (FCAS) but was in free-fall on the parallel market. The depreciation gathered momentum in September 2021 leading to a wave of price increases that threatened the relative price stability the country had enjoyed since the second half of 2020. The Central Bank responded with a raft of measures aimed at curbing foreign currency trading on the parallel market and strengthening operations of the FCAS.

The business has adopted an investment strategy that prioritises asset preservation in light of the depreciation and loss of value of the local currency. The disparity between the official exchange rate and the parallel market rate is presenting a challenge when it comes to conversion of United States dollar denominated revenue to Zimbabwe dollar as well as the determination of Zimbabwe dollar prices for properties.

The country is making steady progress with the COVID-19 vaccination programme with more than 2.53 million or 17% of the population having been fully vaccinated. Infections and deaths have reduced significantly after peaking in July 2021, and economic activity has resumed in all the sectors.

Financial performance (Inflation Adjusted)

The Group's inflation adjusted total core revenue for the nine months under review increased by 121% up from ZWL506.8 million in prior period to ZWL1,121.4 million. The life assurance businesses remains the cornerstone of the Group, contributing 85% to Group core revenue. Revenue growth was achieved on the back of new business acquired, and premium reviews in line with economic developments. The Group's digitalisation drive enabled operating units to underwrite business during COVID-19 induced lockdown periods with minimal disruption. In addition the Group recorded a steady growth in United States dollar denominated revenue. Our other businesses - medical aid, micro-lending, asset management, funeral services and actuarial consultancy services, contributed positively to the Group's core revenue recorded during the period.

In comparison to 2020 corresponding period, total revenue for the Group declined by 37% to ZWL 1,445.2 million in inflation adjusted terms. Investment income for the nine months declined by 87% due to depressed property prices and this explains the decline in total revenue. The use of the stable official exchange rate in converting United States dollar fair market values for properties to Zimbabwe dollar resulted in understatement of property values and depressed fair value gains.

There was a marginal decrease of 1% in inflation adjusted total claims and expenses as compared to prior period from ZWL1, 425.7 million to ZWL1, 414.6 million. Included in total claims and expenses are claims and benefits which grew by 216% against prior year. The increase in claims and benefits surged due to COVID-19 related claims, emanating from retrenchments, increased withdrawal benefits and increased annuity payouts. The Group realized a 65% saving on the Southview water pipeline project with project costs incurred during the period lowering from ZWL547.6 million to ZWL190.0 million in the current period as the project reaches its tail end.

The Group posted a healthy operating profit of ZWL302.4 million as compared to ZWL211.2 million.

Outlook

As the percentage of the population vaccinated increases world over, scientists predict a reduction in the rate of transmission as well as mutations of the virus. This should increase economic productivity going into 2022. On this note, the Group through FLIMAS engaged in a vaccination campaign, encouraging the public, clients and employees to be vaccinated.

Our strategy will continue to drive initiatives that: grow our customer base; enhance customer experience; increase our core revenue and achieve operational efficiencies. Value preservation for all key stakeholders remains a key focus going into the future.

By order of the board

A handwritten signature in black ink, appearing to read 'C. Matongo'.

C. MATONGO
Company Secretary
10 November 2021