

Trading Update

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022



FIDELITY LIFE

ASSURANCE OF ZIMBABWE

Economic Overview

Interventions by the Government and Reserve Bank of Zimbabwe (RBZ) halted the free-fall of the Zimbabwe Dollar and stabilized the parallel market exchange rate which had been the major driver of inflation in the country. As a result, monthly inflation eased to single digit in the quarter and year-on-year inflation assumed a downward trajectory. The gap between the parallel market and the official exchange rate declined to less than 20% thus eliminating arbitrage opportunities. In further positive developments, foreign currency receipts for the 8 months to August 2022 were up by 32% compared to prior year, while gold deliveries for the 9 months to September 2022 were up by 36% from prior year. Despite the 2021-22 agricultural season being characterized by below normal rainfall, tobacco output defied the odds as deliveries marginally surpassed prior year by 1% while receipts were 10% higher.

On the downside, the punitive interest rate regime adversely affected aggregate demand and the retail sector reported a decline in volumes. According to the Ministry of Finance and Economic Development, Gross Domestic Product (GDP) growth for the current year is set to fall short of the revised projection of 4.6%. The stock market also fell victim to the current policies as the USD market capitalization declined by 76% in the 9 months under review.

The RBZ has committed to maintain the current tight monetary policy and complementary measures to stabilize the exchange rate and prices. We expect month on month inflation to remain below 5% in the last quarter of 2022 resulting in a projected year-on-year inflation of 250%. The looming 2023 National Budget is expected to further reinforce the macroeconomic stability that the country has experienced in the second half of 2022.

Financial Performance

The Group's total core revenue for the 9 months to September 2022 increased by 100% in inflation-adjusted terms and 234% in historical cost terms from the same period prior year. Core revenue was driven by the life assurance businesses contributing 82% (2021:78%) to the Group total core revenue underpinned by growth in individual life business due to an increase in the uptake of the Vaka Yako investment product premiums, aggressive premium reviews, and employee benefits premium income growth as a result of salary increases, indexed business and foreign currency denominated products. Non-insurance businesses contributed 18% to the core revenue with the micro-

lending business spurring the non-insurance revenue contribution by 43%.

The Group's total income for the 9 months to September 2022 increased by 393% in inflation-adjusted terms and 681% in historical terms from the same period prior year. Total income was driven by premium income, fair value adjustments from investment property and equities.

The Group's profit for the period grew by 1532% in inflation-adjusted terms and 200% in historical cost terms reflecting a change in investment properties valuation methodology from USD valuations in prior year to ZWL valuations during the period under review.

Business Operations Review

Life and Pensions Business

In line with our strategy, the choice of markets and products being rolled out by the Company continue to bear fruit and contribute significantly to the business growth. Compared to the third quarter of 2021, all business lines grew by close to 100%.

Non-insurance businesses

All the non-insurance businesses namely micro-lending, medical, funeral, actuarial services, property and asset management continue to strive and show positive results during the third quarter of 2022 on the back of insistent business growth initiatives and cross-selling activities within the Group.

Outlook

The stability of the micro-economy characterized from the second to the third quarter is expected to contribute towards positive economic growth. Our businesses are forecasted to finish the year on a positive trajectory of business growth as they respond to unfolding market trends to offer the appropriate products, services and solutions to our clients.

By order of the Board

R. Chidora

Company Secretary

9 November 2022