

TRADING UPDATE

For the first quarter ended 31 March 2023



FIDELITY LIFE

ASSURANCE OF ZIMBABWE

Economic Landscape

Q1 2023 was characterised by the depreciation of the local currency, which despite the opening of the 2023 flue cured tobacco marketing season, shed off 26% points on the official interbank market. Also in the quarter was the adoption of a blended inflation rate as the official inflation rate for the country. The new blended inflation rate is a reflection of the prevailing multiple currency regime dominated by the United States (US) Dollar. Year-on-year blended inflation was therefore 87.6% in March 2023, down from 105.5% in December 2022. Average monthly inflation for the quarter was negative 0.25% suggesting a marginal decline in the prices of goods and services in the economy. Notwithstanding, the spike in ZWL prices is not a true reflection of blended inflation rate.

In the short term, the ZWL is expected to remain under pressure on account of election related spending and the on-going infrastructure development projects. The use of foreign currency for local transactions is therefore expected to gain more prominence as the year progresses.

Business Operations Review

Life and Pensions Business

The business continued to re-orient operations to core business which saw the life and pensions business continuing to anchor the Group in terms of business growth through acquisition of new business and new product development. The major driver in the growth of new business was the group business schemes which grew by 6% compared to same period the prior year. Annuities and individual life contributed 35% to the growth in new business during the period. The Vaka Yako product under individual life continues to be the best selling product with 30% of the total policies having been sold for the period to March 2023 compared to 18% growth same period prior year.

The life and pensions business component in Malawi complemented the growth in the Group's overall business growth and as a foreign asset is expected to continue providing a good hedge against the prevailing Zimbabwe inherent country risk, regardless of the current Malawi economic challenges that might have a negative impact on the business as an investment.

Micro lending business

The micro-lending business recorded remarkable growth in new business with an increase in the number of new segments coming on board increasing by 200% compared to the same period prior year. The company also registered an increase of 300% in the number of partnership agreements signed with key strategic partners compared to same period prior year. These partnerships are key to new business and new markets growth. The non-performing loans ratio ended the period at 5% compared to 4.5% same period prior year.

Other non-insurance businesses

Non-insurance businesses (Actuarial Consulting Services and Wealth Management) displayed impressive growth in new business and services being offered in the first quarter of 2023 compared to the same prior year. The Actuarial Consulting Services new business growth increased by 66% being driven by new international reporting standards and regulatory frameworks coming into effect this year. The Wealth Management business recorded an increase in funds under management by 14% compared to prior year. An exciting development in the wealth management business was the introduction of a new service line property projects management services. The business units remain important to the Group's strategic thrust as they form a significant component of the company's cradle to grave model.

Outlook

Notwithstanding the challenging operating environment, the business remains optimistic that its robust strategy and resilient brand continues to be of relevant for Zimbabweans. By partnering digitalization and innovation, the Group is looking to improve its accessibility and ensure product appropriateness for its clients.

By order of the board

R. Chidora
Company Secretary
16 May 2023

Directors: L. T. Gwata (Chairman), T. Chitsike, G. Dhombo, F. Dzanya, S. Kudenga, L. Mabhanga, I. Mvere, H. Nemaire, R. Chihota (Managing Director)
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