

YEAR-END RESULTS 31 DECEMBER



BIHL GROUP

BOTSWANA INSURANCE HOLDINGS LIMITED

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The directors hereby present the abridged audited consolidated financial results of Botswana Insurance Holdings Limited (BIHL) and its subsidiaries (the Group) for the year ended 31 December 2020.

KEY FEATURES

Revenue

- Net insurance premium income increased by **11% to P2,9 billion**
- Recurring premium income increased by **8% to P1,6 billion**
- Fee revenue increased by **11% to P109 million**
- Value of new business decreased by **18% to P129 million**

Assets under management

- Assets under management increased by **4% to P30,3 billion**

Earnings

- Operating profit increased by **4% to P393 million**
- Core earnings increased by **4% to P426 million**
- Profit attributable to equity holders increased by **22% to P532 million**

Solvency

- The business is well capitalised; required capital for the group subsidiaries is covered **6,3 times** (December 2019: 7,1 times)

Embedded value

- Embedded value increased to **P4,78 billion** (December 2019: P4,65 billion)
- Return on group embedded value was **13%** (December 2019: 13%)

Dividends

- **P424 million** paid as dividends during the period (December 2019: P369 million)
- Final dividend proposed of **P184 million** net of tax (December 2019: P166,6 million net of tax)

GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	2020 P'000	2019 P'000
ASSETS		
Property and equipment	179 261	154 562
Intangible assets	99 089	104 226
Right-of-use assets	15 514	20 767
Investment property	10 160	121 615
Investments in associates and joint ventures	1 713 994	1 664 623
Long-term reinsurance assets	9 259	7 718
Financial assets at fair value through profit or loss	14 489 435	13 955 742
– Bonds (Government, public authority, listed and unlisted corporates)	9 282 087	8 608 179
– Investment in property funds and companies	1 055 880	729 294
– Equity investments (local and foreign)	2 042 429	1 784 202
– Money market instruments	2 109 039	2 834 067
Loans at amortised cost	36 132	50 000
Insurance and other receivables	284 199	247 033
Tax refund due	–	5 258
Cash, deposits and similar securities	239 637	162 095
Total assets	17 076 680	16 493 639
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Stated capital	154 936	154 936
Non-distributable reserves	243 967	223 186
Retained earnings	2 585 714	2 561 131
Total equity attributable to equity holders of the parent	2 984 617	2 939 253
Non-controlling interests	25 228	23 597
Total equity	3 009 845	2 962 850
Liabilities		
Policyholder liabilities under insurance contracts	10 847 636	10 444 102
External investors in consolidated funds	2 519 241	2 667 763
Derivatives instrument	2 400	5 810
Deferred tax liability	19 521	22 161
Lease liability	16 858	21 431
Insurance and other payables	625 907	353 753
Tax payable	31 736	–
Related party balances	3 536	15 869
Total equity and liabilities	17 076 680	16 493 639

GROUP CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	2020 P'000	2019 P'000
Revenue		
Net insurance premium income	2 879 625	2 597 852
Gross premium income – Recurring	1 635 388	1 510 609
– Single	1 301 267	1 140 404
Insurance premiums ceded to reinsurers	(57 030)	(53 161)
Investment income	369 636	1 138 243
Fee revenue	108 935	98 414
Profit on sale of subsidiary	1 396	3 472
Investment income	30 279	171 594
Interest income using effective interest rate (EIR)	6 838	11 165
Other interest income	658 991	797 600
Net gains/(losses) on financial assets held at fair value through profit or loss	(436 803)	55 998
Total revenue	3 249 261	3 736 095
Net insurance and investment contract benefits and claims	(2 058 818)	(2 622 131)
Gross insurance benefits and claims	(1 689 071)	(1 649 328)
Reinsurance claims	39 240	34 580
Change in liabilities under investment contracts	(3 912)	(421 258)
Change in policyholder liabilities under insurance contracts	(403 534)	(584 757)
Change in contract liabilities ceded to reinsurers	(1 541)	(1 368)
Expenses	(781 538)	(719 005)
Sales remuneration	(424 194)	(397 221)
Administration expenses	(348 775)	(316 700)
Finance cost on leases (IFRS 16)	(861)	(1 110)
Impairment losses	(7 708)	(3 974)
Profit before share of profit of associates and joint ventures	408 905	394 959
Share of profit of associates and joint ventures	257 268	142 233
Profit before tax	666 173	537 192
Tax expense	(128 664)	(98 919)
Profit for the period from continuing operations	537 509	438 273

GROUP CONSOLIDATED INCOME STATEMENT continued

For the year ended 31 December 2020

	2020 P'000	2019 P'000
Discontinued operations		
Profit for the period from discontinued operations	–	2 191
Profit for the period	537 509	440 464
Profit attributable to:		
– Equity holders of the parent from continuing operations	531 999	434 720
– Equity holders of the parent from discontinued operations	–	2 191
– Non-controlling interests	5 510	3 553
	537 509	440 464
Earnings per share (thebe) attributable to ordinary equity holders of the parent		
– Basic	193	158
– Diluted	193	158
Earnings per share (thebe) from continuing operations		
– Basic	193	157
– Diluted	193	157

GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 P'000	2019 P'000
Profit for the period	537 509	440 464
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)</i>		
Exchange differences on translation of foreign operations	(70 212)	(6 486)
Total comprehensive income for the period	467 297	433 978
Total comprehensive income attributable to:		
– Equity holders of the parent	461 787	428 234
– Equity holders of the parent from discontinued operations	–	2 191
– Non-controlling interests	5 510	3 553
	467 297	433 978

GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Stated capital P'000	Non-distributable reserves P'000	Retained earnings P'000	Total equity attributable to equity holders of the parent P'000	Non-controlling interests P'000	Total equity P'000
For the year ended 31 December 2020						
As at 1 January 2020						
Opening balances	154 936	223 186	2 561 131	2 939 253	23 597	2 962 850
Profit for the period	–	–	531 999	531 999	5 510	537 509
Foreign currency translation reserve movement	–	(70 212)	–	(70 212)	–	(70 212)
Dividend paid	–	–	(424 201)	(424 201)	(3 879)	(428 080)
Transfers from retained earnings to non-distributable reserves	–	91 799	(91 799)	–	–	–
Other movement in reserves	–	(806)	8 584	7 778	–	7 778
Balances as at 31 December 2020	154 936	243 967	2 585 714	2 984 617	25 228	3 009 845
For the year ended 31 December 2019						
As at 1 January 2019						
Opening balances	154 936	323 449	2 340 180	2 818 565	22 008	2 840 573
Profit for the year	–	–	437 011	437 011	3 553	440 564
FCTR Movement	–	(6 486)	–	(6 486)	–	(6 486)
Dividend paid	–	–	(368 684)	(368 684)	(2 176)	(370 860)
Transfers from non-distributable reserves to retained earnings	–	(98 296)	98 296	–	–	–
Other movements in reserves	–	4 519	54 328	58 847	212	59 059
Balances as at 31 December 2019	154 936	223 186	2 561 131	2 939 253	23 597	2 962 850

GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 P'000	2019 P'000
Net cashflows from operating activities	955 391	541 633
Cash generated from operations	649 700	(17 513)
Interest received	665 829	808 865
Dividend received from equity investments	33 500	147 144
Dividend received from associates and joint ventures	105 969	73 247
Interest expense on leases (IFRS 16)	(861)	(1 110)
Tax paid	(70 666)	(98 139)
Dividend paid	(428 080)	(370 861)
Net cashflows utilised in investing activities	(873 276)	(488 406)
Purchase of property and equipment	(32 280)	(8 541)
Purchase of computer software	(1 934)	(15 545)
Proceeds from sale of investment in subsidiaries	4 388	25 000
Purchase of investment in associates	(2 633)	(31 568)
Acquisition of property investments	(207 605)	(410 901)
Purchase of Bonds	(1 157 880)	(466 352)
(Purchase)/withdrawals of equity investments	(202 237)	1 722 400
Repayments from loan advances	–	393 951
Withdrawal/(purchase) of money market instruments	716 206	(1 696 850)
Receipts from loans receivable at amortised cost	10 698	–
Net cashflows from financing activities	(4 573)	(3 976)
Payment of principal portion of lease liabilities (IFRS 16)	(4 573)	(3 976)
Net (decrease)/increase in cash and cash equivalents	77 542	49 251
Cash and cash equivalents at the beginning of the year	162 095	112 844
Cash and cash equivalents at the end of the year	239 637	162 095

GROUP EMBEDDED VALUE

Definition of embedded value

Embedded value represents an estimate of the economic value of the company excluding the value attributable to future new business and the value attributable to minority interests. Embedded value comprises:

- the value of the shareholders' net assets;
- fair value adjustments; and
- the value of in-force business.

The value of in-force business is the present value of future after-tax profits arising from business in force at the valuation date, discounted at the risk discount rate, and adjusted for the cost of capital required to support the business.

The value of new business represents the value of projected after-tax profits at the point of sale arising from new policies sold during the year to 31 December 2020, accumulated to the end of the period at the risk discount rate. The value is adjusted for the cost of capital required to support the new business.

Embedded value results for the year ended 31 December 2020

	Year to 31 Dec 2020 P'000	Year to 31 Dec 2019 P'000
Embedded value results		
Shareholders' net assets after fair value adjustments	2 910 930	2 840 992
Shareholders' net assets, excluding goodwill	2 910 930	2 840 992
Value of in-force business	1 870 893	1 810 554
Value before cost of capital	1 812 147	1 775 420
Fair value adjustments	235 748	183 102
Cost of capital	(177 002)	(147 968)
Embedded value at the end of the period	4 781 823	4 651 546
Embedded value at the beginning of the year	4 651 546	4 419 430
Required capital	463 221	401 158
Required capital cover	6,3	7,1
Embedded value per share (Pula)	16,93	16,47
Embedded value earnings	603 960	574 919
Change in embedded value	130 278	222 788
Movement in capital	49 480	(16 553)
Dividends paid	424 202	368 684
Return on embedded value (%)	13,0	13,0

	Year to 31 Dec 2020 P'000	Year to 31 Dec 2019 P'000
Embedded value results		
These earnings can be analysed as follows:		
Expected return on life business in force	175 575	146 522
Value of new business	138 551	170 428
Value at point of sale	128 803	157 699
Expected return to the end of the period	9 748	12 729
Operating experience variances	55 726	88 659
Mortality/morbidity	57 338	27 612
Persistency	(1 942)	29 136
Expenses	(13 392)	8 185
Other	13 722	23 726
Operating assumption changes	(6 321)	(20 085)
Mortality/morbidity	84 481	(15 851)
Persistency	(5 432)	(61 680)
Expenses	(88 721)	76 521
Other	3 351	(19 075)
Embedded value earnings from operations	363 531	385 524
Investment variances	26 571	39 440
Economic assumption changes	(74 301)	30 543
Embedded value earnings from covered business	315 801	455 507
Return on shareholders' assets	235 512	122 200
Investment returns	(16 146)	(19 573)
Net profit non-life operations	251 658	141 773
Change in shareholders' fund adjustments	52 646	(2 788)
Changes in treasury share adjustments	3 425	(77 531)
Movement in fair value of incentive scheme shares	(5 240)	(5 830)
Movement in present value of holding company expenses	(7 242)	(5 243)
Movement in other net worth adjustments	61 703	85 816
Embedded value earnings	603 959	574 919

	Year to 31 Dec 2020 P'000	Year to 31 Dec 2019 P'000
Embedded value results		
a) Value of new business		
Value of new business at point of sale	128 803	157 699
Value before cost of capital	139 438	165 204
Recurring premium	78 742	106 282
Single premium	60 696	58 922
Cost of capital	(10 635)	(7 505)
Expected return to the end of the period	9 748	12 729
b) Fair value adjustments	235 748	183 102
Staff share scheme	(33 836)	(28 596)
Non-life operations write-up to fair value	253 039	178 929
Non-life operations write-up to fair value – other	128 990	141 397
Group holding expenses	(155 344)	(148 102)
Reversal of cross holding adjustment	42 899	39 474
<i>Consisting of:</i>		
Value of in-force adjustments	235 748	183 102

Economic environment

2020 was an unprecedented year where the global economy and financial markets had to demonstrate resilience and overcome severe challenges emanating from the COVID-19 pandemic. The year began on a relatively positive note only to be countered by the news of the COVID-19 virus that was first reported in December 2019 in Wuhan, China. The virus spread rapidly to the rest of the world and prompted the World Health Organisation to declare the disease a global pandemic on 11 March 2020. Governments around the world, in an effort to contain the spread of the outbreak, were quick to implement preventive measures ranging from total lockdowns, extreme social distancing and travel bans.

The human cost of the outbreak and its crippling impact on global supply chains resulted in a total capital market capitulation in March. To curb the economic fall-out, global policymakers responded with extraordinary monetary and fiscal measures that dwarfed the measures implemented during the global financial crisis. The policy measures together with some progress achieved on the vaccine front and easing of restrictions in a handful of economies, helped the return of risk appetite and the strongest third quarter rally in equities since 2009. It was, however, evident that the global economic recovery would be a protracted one, lagging pre-COVID-19 levels and continuing into 2021. Overall financial markets closed the year on a strong note as a result of a positive US presidential election outcome and further fiscal stimulus, Brexit deal finalisation, the EU announcing a large financial support packages and central banks affirming their commitment to maintain the quantitative easing measures.

In Botswana, the effects of the COVID-19 pandemic were severely felt in March with the rise in COVID-19 infections regionally, prompting the Government of Botswana to pre-emptively close its borders. On 31 March 2020, His Excellency President Mokgweetsi Masisi declared a State of Emergency (SoE) and a national lockdown for 28 days. Non-essential businesses were ordered to shut down while essential services were scaled down to skeletal staff requiring movement permits. The Government extended the lockdown for another month to contain local infections and later in September extended the SoE for another six months. The Government's measures to contain local infections were initially largely successful, with active cases remaining low for the bulk of the year. The economic fall out, because of the lockdown and extreme social distancing measures, however, has been significant on the mining, property and tourism sectors of the economy with the associated fall in employment levels and disposable income for households.

Data released showed that the Botswana economy contracted by 24% in Q2 2020 with the mining sector the hardest hit, contracting by 60,2% year-on-year. The local economy contracted by a further 6% over the Q3 2020, a notable improvement given the post-lockdown pick-up in economic activity. In September, S&P Global affirmed Botswana's sovereign rating at BBB+ and changed the outlook from stable to negative citing weaker fiscal outlook due to the impact of COVID-19 and weaker diamond exports.

The Bank of Botswana opted to cut the bank rate twice by 0,5%, in April and October, citing the adverse impact of the COVID-19 pandemic on the local economy. The bank hinted that inflation is expected to remain below the objective range of 3% to 6% until Q3 2021 and GDP is expected to decline by 8,9% in 2020, thus justifying a supportive tone from the Monetary Policy Committee. Inflation closed the year below the target range recording 2,2% in December 2020.

Contrasting a strong rally in international markets, local markets continued to face headwinds and sentiments remained negative as a new COVID-19 variant plagued the Southern African region. Local equities on aggregate remained in negative territory and shed 8,2% over the year 2020. Banking stocks were the worst performers, retail and property sectors held well while non-bank financial stocks gained. Government bond yields fell earlier in the year and rose sharply in December with a marked increase in the Government borrowing in local currency. The Botswana Pula lost 2,1% against the US Dollar, while it appreciated by 2,7% against the South African Rand in 2020.

Accounting policies and presentation

The accounting policies adopted for the period comply in all material respects with International Financial Reporting Standards (IFRS) and are presented in the manner required by the Insurance Industry Act, 2015 and the Companies Act (CAP 42:01). These policies are consistent with those applied for the year ended 31 December 2019.

Financial overview

Analysis of earnings

	Year to 31 Dec 2020 P'000	Year to 31 Dec 2019 P'000	% change
Operating profit	392 989	376 277	4
Investment income on shareholders' assets	33 317	35 341	(6)
Core earnings	426 306	411 618	4
Profit on sale of a subsidiary	1 396	3 472	100
Share of profit of associates and joint ventures net of tax	257 268	142 233	81
Investment surpluses/(losses) on shareholder assets	(24 307)	(23 684)	3
Profit before tax	660 663	533 639	24
Tax	(128 664)	(98 919)	30
Profit after tax	531 999	434 720	22
Profit for the period from discontinued operations	–	2 191	(100)
Profit attributable to ordinary shareholders	531 999	436 911	22
Minority shareholders' interest	5 510	3 553	55
Total profit	537 509	440 464	22

Operating profit for the group improved by 4% for the year ended 31 December 2020 compared to the same period last year. Operating profit for the life business remained steady showing resilience despite the challenging economic environment brought about by the COVID-19 pandemic. The asset management business operating profit for the year is 11% higher than the prior year owing to an improved assets under management position from the previous year leading to higher fee income earned. Share of profits of associates and joint ventures increased by 81%; in December 2019 there was a P106 million impairment due to a drop in fair value of Letshego Holdings Limited which did not recur this year. The other associates, Funeral Services Group, Botswana Insurance Company Limited and Nico Malawi Holdings reported significantly better results compared to last year.

Embedded value

The group's embedded value increased to P4,78 billion from the P4,65 billion reported as at 31 December 2019. The embedded value allows for P424 million dividends paid during the year.

Value of new life business

The value of new business decreased to P128 million from P158 million in the prior year. New business volumes were low, impacted by the COVID-19 lockdowns, while the margins on single premium business were contributed.

Overview of operations

For management purposes, the group is organised into four principal business areas based on their products and services and these make up the four reportable operating segments as follows:

- The life insurance segment which provides life insurance services to its customers through Botswana Life Insurance Limited, Botswana's leading life insurance company, a full subsidiary of the group.
- The asset management segment which provides asset management services to its customers through Botswana Insurance Fund Management Limited, and Bifm Unit Trusts, both subsidiaries of the group.
- The general insurance segment which provides legal insurance and short-term insurance to its customers through Botswana Insurance Company Limited (BIC) and BIHL Insurance Company Limited (BIHLIC) respectively – the group holds a 50% interest in BIC which in turn holds 100% of BIHLIC.
- BIHL also has associate holdings of 28,05% in Letshego Holdings Limited, 37,59% in Funeral Services Group and 25,1% in Nico Holdings Limited (Malawi).

Inter-segment transactions that occurred during 2020 and 2019 between business segments took place on an arm's-length basis in a manner similar to transactions with third parties. Segmental income, segment expenses and segment results include those transfers between business segments, which are eliminated on consolidation. The sources of revenue for segments included under "Other" segments are Holding Company and the Corporate Social Investment Trust.

Segment results

For the year ended 31 December 2020

Continuing operations

	Life business P'000	Asset management P'000	General insurance P'000	Associates and joint ventures P'000	Other P'000	Inter- segmental P'000	Consolidated P'000
Premium revenue	2 879 625	–	–	–	–	–	2 879 625
Fee revenue							
– Internal	–	2 141	–	–	–	(2 141)	–
– External	–	127 214	–	–	(18 279)	–	108 935
Investment income	636 246	(2 862)	–	–	488 664	(432 779)	689 269
Interest income using EIR	3 851	–	–	–	2 987	–	6 838
Profit on sale of subsidiary	–	–	1 396	–	–	–	1 396
Net gain/(loss) from financial assets held at fair value through profit or loss	(393 385)	6 584	–	–	(69 219)	19 218	(436 802)
Total net income	3 126 337	133 077	1 396	–	404 153	(415 702)	3 249 261
Net insurance benefits and claims	(1 649 831)	–	–	–	–	–	(1 649 831)
Change in policyholder liabilities under insurance contracts	(403 534)	–	–	–	–	–	(403 534)
Change in liabilities under investment contracts	–	(3 912)	–	–	–	–	(3 912)
Administration expenses	(256 345)	(60 611)	–	–	(43 541)	10 181	(350 316)
Finance costs	–	–	–	–	(861)	–	(861)
Impairment losses	(7 708)	–	–	–	–	–	(7 708)
Selling expenses	(424 194)	–	–	–	–	–	(424 194)
Profit before share of profit of associates and joint ventures	384 725	68 554	1 396	–	359 751	(405 521)	408 905
Share of profit of associates and joint ventures	–	–	21 140	236 128	–	–	257 268
Tax expense	(92 763)	(23 184)	–	–	(9 597)	(3 120)	(128 664)
Profit for the year	291 962	45 370	22 536	236 128	350 154	(408 641)	537 509

Segment results continued

For the year ended 31 December 2019

Continuing operations

	Life business P'000	Asset management P'000	General insurance P'000	Associates and joint ventures P'000	Other P'000	Inter- segmental P'000	Consolidated P'000
Premium revenue	2 597 852	–	–	–	–	–	2 597 852
Fee revenue							
– Internal	–	1 731	–	–	–	(1 731)	–
– External	–	120 836	–	–	(22 422)	–	98 414
Investment income	726 354	248 261	–	–	613 955	(619 376)	969 194
Interest income using EIR	8 381	–	–	–	2 784	–	11 165
Profit on sale of subsidiary	–	–	3 472	–	–	–	3 472
Net gain/(loss) from financial assets held at fair value through profit or loss	(116 259)	159 128	–	–	180 243	(167 114)	55 998
Total net income	3 216 328	529 956	3 472	–	774 560	(788 221)	3 736 095
Net insurance benefits and claims	(1 614 748)	–	–	–	–	–	(1 614 748)
Change in policyholder liabilities under insurance contracts	(586 125)	–	–	–	–	–	(586 125)
Change in liabilities under investment contracts	–	(421 258)	–	–	–	–	(421 258)
Administration expenses	(227 809)	(59 806)	–	–	(30 817)	1 731	(316 701)
Finance costs	–	–	–	–	(1 110)	–	(1 110)
Impairment losses	–	–	–	–	(3 974)	–	(3 974)
Selling expenses	(397 221)	–	–	–	–	–	(397 221)
Profit before share of profit of associates and joint ventures	390 425	48 892	3 472	–	738 660	(786 490)	394 959
Share of profit of associates and joint ventures	–	–	13 921	128 312	–	–	142 233
Tax expense	(94 074)	(18 746)	–	–	5 864	8 037	(98 919)
Profit for the year from continuing operations	296 351	30 146	17 393	128 312	744 524	(778 453)	438 273
Profit for the year from discontinued operations	–	–	2 191	–	–	–	2 191
Profit for the year	296 351	30 146	19 584	128 312	744 524	(778 453)	440 464

Segment assets and liabilities

	Life business P'000	Asset manage- ment P'000	Other P'000	Inter- segmental P'000	Consoli- dated P'000
At 31 December 2020					
Total assets	13 678 407	5 011 273	1 873 845	(3 486 845)	17 076 680
Total liabilities	13 678 407	5 011 273	1 873 845	(6 496 690)	14 066 835
At 31 December 2019					
Total assets	12 928 868	535 773	6 612 714	(3 583 716)	16 493 639
Total liabilities	10 899 230	46 099	6 038 071	(3 416 703)	13 566 697

Life insurance business

Net premium income grew by 11% from P2,60 billion in 2019 to P2,88 billion in 2020, with all income lines posting growth of at least 6% and above. Total new business written declined by 4% on both individual life recurring and some of the group lines as a result of the effects of COVID-19 pandemic. Recurring premium income grew by 8% from P1,51 billion in December 2019 to P1,64 billion in 2020 underpinned by group lines.

The value of new business, which represents the present value of future profits from new business premiums written during the year declined by 18% against prior year mainly due to low value of new business margins on the annuity line as well as low new business volumes on the individual life products. Operating profit remained stable compared to the prior year showing resilience despite the challenging economic environment introduced by COVID-19. Operating expenses increased as a result of costs incurred to implement COVID-19 health and safety measures in our offices and branches as well as providing employees the necessary equipment to enable working remotely. This is after factoring cost savings from travel and discretionary expenses.

As a result of the COVID-19 impact, the business accelerated its digitisation projects. These will enable us to continue to write new business, enhance the customer experience by giving our customers online capability to access our platforms as well as several options to pay their premiums.

The economy is forecast to contract due to uncertainties associated with COVID-19. Management is focused on ensuring there are appropriate levels of liquidity and improving the efficiency of the business given the pressures on revenue because of COVID-19.

Asset management business

The BIFM group achieved pleasing results for the year 2020. Operating profit increased by 11% year-on-year. This good performance is attributable to an improved assets under management position for the Botswana business from the previous year following the acquisition of new mandates, hence higher fee income. Costs were well managed. The Zambia business showed a decline of 22% because of the Kwacha depreciation and lower investment management fee rates. Assets under management for the year were P30,3 billion including Zambia's P3,1 billion and Bifm Unit Trusts at P1,8 billion.

Capital management and solvency

The group remains well positioned in terms of capital management and solvency. This was taken into consideration by the board when resolving a final dividend. The board has confidence in the group's ability to maintain dividends at this level while ensuring that its capital position remains solid and aligned with future capital requirements while sustaining healthy levels of return on group equity value.

Looking ahead

The increasing COVID-19 risk will continue to put pressure on our traditional face-to-face business model; therefore to continue to serve our clients better and conveniently we will be focusing on executing our digitalisation strategy. This will assist in maintaining the group's position as a market leader while focusing on looking for opportunities to expand the offerings of the group. The focus on collaboration has yielded results in the past and management will continue to drive internal synergies as well as mutually beneficial partnerships with key clients.

We would like to thank all our clients, brokers, agents, staff and other stakeholders for the ongoing partnerships and support and look forward to serving them in the future.

Dividend declaration

The directors have resolved to award a final dividend of 65 thebe per share (net of tax).

The important dates pertaining to the dividends are:

Declaration date	3 March 2021
Ex-dividend date	9 April 2021
Record date	13 April 2021
Payment of dividend	23 April 2021

For and on behalf of the board

B Dambe-Groth **C Lesetedi**
Chairperson Group CEO

3 March 2021

CORPORATE INFORMATION

Directors

Batsho Dambe-Groth (*Chairperson*)
Catherine Lesetedi (*Group CEO*)
Kudakwashe Mukushi (*Group CFO*)***
Kobus Vlok**
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