



ABRIDGED UNAUDITED GROUP RESULTS  
FOR THE PERIOD ENDED 30 JUNE 2021



The directors hereby present the abridged unaudited consolidated financial results of Botswana Insurance Holdings Limited (BIHL) and its subsidiaries (the 'group') for the period ended 30 June 2021.

## KEY FEATURES

### Revenue

- Net insurance premium income increased by **28%** to **P1,56 billion**
- Recurring premium income increased by **13%** to **P917 million**
- Fee revenue increased by **16%** to **P62 million**
- Value of new business increased by **47%** to **P91 million**

### Assets under management

- Assets under management increased by **10%** to **P33,4 billion**

### Earnings

- Operating profit decreased by **44%** to **P112 million**
- Core earnings decreased by **42%** to **P118 million**
- Profit attributable to equity holders decreased by **24%** to **P200 million**

### Solvency

- The business is well capitalised; required capital for the group subsidiaries is covered **7,8 times** (June 2020: 6,0 times)

### Embedded value

- Embedded value increased to **P4,94 billion** (June 2020: P4,69 billion)
- Return on group embedded value decreased to **11,7%** (June 2020: 12,4%)

### Dividends

- **P184 million** paid as dividends during the period (June 2020: P214 million)
- Interim dividend of **nil thebe** (June 2020: 57 thebe); to preserve cash given the uncertainty of COVID-19 claims

## GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	As at 30 Jun 2021 P'000	As at 30 Jun 2020 P'000	As at 31 Dec 2020 P'000
<b>ASSETS</b>			
Property and equipment	178 732	151 157	179 261
Intangible assets	99 780	112 810	99 089
Right-of-use assets	13 047	18 141	15 514
Investment property	10 160	143 525	10 160
Investments in associates and joint ventures	1 808 874	1 672 867	1 713 994
Long-term reinsurance assets	4 034	11 358	9 259
<b>Financial assets at fair value through profit or loss</b>	<b>14 668 497</b>	<b>15 308 612</b>	<b>14 489 435</b>
– Bonds (Government, public authority, listed and unlisted corporates)	9 376 315	9 275 646	9 282 087
– Investment in property funds and companies	1 094 191	750 702	1 055 880
– Equity investments (local and foreign)	2 138 122	1 902 375	2 042 429
– Money market instruments	2 059 869	3 379 889	2 109 039
Loans at amortised cost	37 352	39 256	36 132
Derivatives instrument	–	29 035	–
Insurance and other receivables	275 807	325 486	284 199
Related party balances	–	137	–
Tax refund due	2 373	–	–
Cash, deposits and similar securities	203 464	113 625	239 637
<b>Total assets</b>	<b>17 302 120</b>	<b>17 926 009</b>	<b>17 076 680</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Stated capital	154 936	154 936	154 936
Non-distributable reserves	223 731	278 125	243 967
Retained earnings	2 677 666	2 506 365	2 585 714
<b>Total equity attributable to equity holders of the parent</b>	<b>3 056 333</b>	<b>2 939 426</b>	<b>2 984 617</b>
Non-controlling interests	26 287	19 347	25 228
<b>Total equity</b>	<b>3 082 620</b>	<b>2 958 773</b>	<b>3 009 845</b>
<b>Liabilities</b>			
Policyholder liabilities under insurance contracts	11 034 965	11 098 249	10 847 636
External investors in consolidated funds	2 465 825	3 519 610	2 519 241
Derivatives instrument	27 391	–	2 400
Deferred tax liability	19 549	19 577	19 521
Lease liability	14 452	18 902	16 858
Insurance and other payables	656 255	306 607	625 907
Tax payable	–	4 291	31 736
Related party balances	1 063	–	3 536
<b>Total equity and liabilities</b>	<b>17 302 120</b>	<b>17 926 009</b>	<b>17 076 680</b>

# GROUP CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2021

	Period to 30 Jun 2021 P'000	Period to 30 Jun 2020 P'000	Year to 31 Dec 2020 P'000
<b>Revenue</b>			
Net insurance premium income	1 556 799	1 213 066	2 879 625
Gross premium income – Recurring	916 558	811 764	1 635 388
– Single	669 685	436 063	1 301 267
Insurance premiums ceded to reinsurers	(29 444)	(34 761)	(57 030)
Fee revenue	61 617	53 026	108 935
Profit on sale of subsidiary	–	–	1 396
Investment income	20 403	13 486	30 279
Interest income using effective interest rate (EIR)	2 432	1 845	6 838
Other interest income	388 326	501 788	658 991
Net (losses)/gains on financial assets held at fair value through profit or loss	(400 117)	31 812	(436 803)
<b>Total revenue</b>	<b>1 629 460</b>	<b>1 815 023</b>	<b>3 249 261</b>
<b>Net insurance and investment contract benefits and claims</b>	<b>(1 087 927)</b>	<b>(1 263 645)</b>	<b>(2 058 818)</b>
Gross insurance benefits and claims	(1 116 880)	(762 689)	(1 689 071)
Reinsurance claims	33 333	10 155	39 240
Change in liabilities under investment contracts	(56 576)	(57 377)	(3 912)
Change in policyholder liabilities under insurance contracts	57 420	(457 373)	(403 534)
Change in contract liabilities ceded to reinsurers	(5 224)	3 639	(1 541)
<b>Expenses</b>	<b>(419 770)</b>	<b>(342 129)</b>	<b>(781 538)</b>
Sales remuneration	(238 503)	(167 111)	(424 194)
Administration expenses	(180 966)	(174 588)	(348 775)
Finance cost on leases (IFRS 16)	(301)	(430)	(861)
Impairment losses	–	–	(7 708)
<b>Profit before share of profit of associates and joint ventures</b>	<b>121 763</b>	<b>209 249</b>	<b>408 905</b>
Share of profit of associates and joint ventures	123 942	112 559	257 268
<b>Profit before tax</b>	<b>245 705</b>	<b>321 808</b>	<b>666 173</b>
Tax expense	(42 163)	(55 418)	(128 664)
<b>Profit for the period</b>	<b>203 452</b>	<b>266 390</b>	<b>537 509</b>

# GROUP CONSOLIDATED INCOME STATEMENT continued

For the period ended 30 June 2021

	Period to 30 Jun 2021 P'000	Period to 30 Jun 2020 P'000	Year to 31 Dec 2020 P'000
– Equity holders of the parent	200 203	263 684	531 999
– Non-controlling interests	3 339	2 706	5 510
	<b>203 542</b>	<b>266 390</b>	<b>537 509</b>
<b>Earnings per share (thebe) attributable to ordinary equity holders of the parent</b>			
– Basic	72	94	193
– Diluted	72	94	193

# GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2021

	Period to 30 Jun 2021 P'000	Period to 30 Jun 2020 P'000	Year to 31 Dec 2020 P'000
Profit for the period	203 542	266 390	537 509
<b>Other comprehensive income</b>			
<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	56 238	(25 728)	(70 212)
<b>Total comprehensive income for the period</b>	<b>259 780</b>	<b>240 662</b>	<b>467 297</b>
<b>Total comprehensive income attributable to:</b>			
– Equity holders of the parent	256 441	237 956	461 787
– Non-controlling interests	3 339	2 706	5 510
	<b>259 780</b>	<b>240 662</b>	<b>467 297</b>



# GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2021

	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
<b>For the period ended 30 June 2021</b>						
<b>As at 1 January 2021</b>						
Opening balances	154 936	243 967	2 585 714	2 984 617	25 228	3 009 845
Profit for the period	–	–	200 203	200 203	3 339	203 542
Foreign currency translation reserve movement	–	56 795	–	56 795	–	56 795
Dividend paid	–	–	(183 541)	(183 541)	(2 280)	(185 821)
Transfers from non-distributable reserves to retained earnings	–	(79 911)	79 911	–	–	–
Other movement in reserves	–	2 880	(4 621)	(1 741)	–	(1 741)
<b>Balances as at 30 June 2021</b>	<b>154 936</b>	<b>223 731</b>	<b>2 677 666</b>	<b>3 056 333</b>	<b>26 287</b>	<b>3 082 620</b>
<b>For the period ended 30 June 2020</b>						
<b>As at 1 January 2020</b>						
Opening balances	154 936	223 186	2 561 131	2 939 253	23 597	2 962 850
Profit for the period	–	–	263 684	263 684	2 706	266 390
Foreign currency translation reserve movement	–	(25 728)	–	(25 728)	–	(25 728)
Dividend paid	–	–	(213 686)	(213 686)	(6 956)	(220 642)
Transfers from non-distributable reserves to retained earnings	–	77 197	(77 197)	–	–	–
Other movement in reserves	–	3 470	(27 567)	(24 097)	–	(24 097)
<b>Balances as at 30 June 2020</b>	<b>154 936</b>	<b>278 125</b>	<b>2 506 365</b>	<b>2 939 426</b>	<b>19 347</b>	<b>2 958 773</b>

# GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2021

	Period to 30 Jun 2021 P'000	Period to 30 Jun 2020 P'000	Year to 31 Dec 2020 P'000
<b>Net cash flows from operating activities</b>	<b>577 884</b>	<b>764 207</b>	<b>955 391</b>
Cash generated from operations	682 216	917 971	1 293 741
Interest received	22 835	788	40 341
Dividend received from equity investments	49 673	49 673	14 947
Dividend received from associates and joint ventures	85 526	68 714	105 969
Interest expense on leases (IFRS 16)	(301)	(430)	(861)
Tax paid	(76 244)	(51 867)	(70 666)
Dividend paid	(185 821)	(220 642)	(428 080)
<b>Net cash flows utilised in investing activities</b>	<b>(611 952)</b>	<b>(810 578)</b>	<b>(873 276)</b>
Purchase of property and equipment	(5 402)	–	(32 280)
Purchase of computer software	(5 792)	11 652	(1 934)
Proceeds from sale of investment in subsidiaries	–	–	4 388
Purchase of investment in associates	–	(2 661)	(2 633)
Acquisition of property investments	(38 311)	(43 318)	(207 605)
Purchase of bonds	(539 500)	(367 467)	(1 157 880)
Purchase of equity investments	(94 505)	(118 173)	(202 237)
Withdrawal/(purchase) of money market instruments	57 717	(301 355)	716 206
Receipts from loans receivable at amortised cost	–	10 744	10 698
<b>Net cash flows from financing activities</b>	<b>(2 105)</b>	<b>(2 099)</b>	<b>(4 573)</b>
Payment of principal portion of lease liabilities (IFRS 16)	(2 105)	(2 099)	(4 573)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(36 173)</b>	<b>(48 470)</b>	<b>77 542</b>
Cash and cash equivalents at the beginning of the period	239 637	162 095	162 095
<b>Cash and cash equivalents at the end of the period</b>	<b>203 464</b>	<b>113 625</b>	<b>239 637</b>

# GROUP EMBEDDED VALUE

## Definition of embedded value

The 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. The 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 period to June 2021, 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

	Period to 30 Jun 2021 P'000	Period to 30 Jun 2020 P'000	Year to 30 Dec 2020 P'000
<b>Embedded value results</b>			
<b>Shareholders' net assets after fair value adjustments</b>	<b>3 001 693</b>	2 876 436	2 910 930
Shareholders' net assets, excluding goodwill	3 001 693	2 876 436	2 910 930
<b>Value of in-force business</b>	<b>1 941 215</b>	1 815 886	1 870 893
Value before cost of capital	1 790 885	1 791 960	1 812 147
Fair value adjustments	293 981	196 842	235 748
Cost of capital	(143 651)	(172 916)	(177 002)
Embedded value at the end of the period	<b>4 942 908</b>	4 692 322	4 781 823
Embedded value at the beginning of the year	<b>4 781 823</b>	4 651 546	4 651 546
Required capital	<b>382 446</b>	478 355	463 221
Required capital cover	<b>7,8</b>	6,0	6,3
Embedded value per share (Pula)	<b>17,51</b>	16,62	16,93
<b>Embedded value earnings</b>	<b>271 624</b>	280 504	603 960
Change in embedded value	<b>161 085</b>	40 777	130 278
Movement in capital	<b>(73 002)</b>	26 041	49 480
Dividends paid	<b>183 541</b>	213 686	424 202
<b>Return on embedded value (%)</b>	<b>11,7</b>	12,4	13,0

	Period to 30 Jun 2021 P'000	Period to 30 Jun 2020 P'000	Year to 30 Dec 2020 P'000
<b>Embedded value results continued</b>			
<b>These earnings can be analysed as follows:</b>			
Expected return on life business in force	<b>100 898</b>	96 162	175 575
Value of new business	<b>94 352</b>	71 631	138 551
Value at point of sale	<b>90 737</b>	66 186	128 803
Expected return to the end of the period	<b>3 615</b>	5 445	9 748
Operating experience variances	<b>(53 245)</b>	35 535	55 726
Mortality/morbidity	<b>(72 969)</b>	18 817	57 338
Persistency	<b>(2 113)</b>	6 633	(1 942)
Expenses	<b>13 770</b>	(3 311)	(13 392)
Other	<b>8 067</b>	13 396	13 722
Operating assumption changes	<b>(73 152)</b>	(24 558)	(6 321)
Mortality/morbidity	<b>(39 109)</b>	2 027	84 481
Persistency	<b>(9 489)</b>	(13 063)	(5 432)
Expenses	<b>(332)</b>	(6 237)	(88 721)
Other	<b>(24 222)</b>	(7 285)	3 351
<b>Embedded value earnings from operations</b>	<b>68,853</b>	178 771	363 531
Investment variances	<b>31,999</b>	18 899	26 571
Economic assumption changes	<b>–</b>	(48 369)	(74 301)
<b>Embedded value earnings from covered business</b>	<b>100,852</b>	149 300	315 801
Return on shareholders' assets	<b>112 537</b>	117 318	235 512
Investment returns	<b>(5 256)</b>	(9 780)	(16 146)
Net profit non-life operations	<b>117 793</b>	127 098	251 658
Change in shareholders' fund adjustments	<b>58 234</b>	13 884	52 646
Changes in treasury share adjustments	<b>(433)</b>	(2 337)	3 425
Movement in fair value of incentive scheme shares	<b>(3 344)</b>	1 410	(7 242)
Movement in present value of holding company expenses	<b>(5 886)</b>	2 598	(5 240)
Movement in other net worth adjustments	<b>67 897</b>	12 213	61 703
<b>Embedded value earnings</b>	<b>271 623</b>	280 502	603 959

	Period to 30 Jun 2021 P'000	Period to 30 Jun 2020 P'000	Year to 30 Dec 2020 P'000
<b>Embedded value results</b> continued			
<b>a) Value of new business</b>			
Value of new business at point of sale	90 737	66 187	128 803
Value before cost of capital	95 574	68 773	139 438
Recurring premium	45 350	48 895	78 742
Single premium	50 224	19 878	60 696
Cost of capital	(4 837)	(2 586)	(10 635)
Expected return to the end of the period	3 615	5 445	9 748
<b>b) Fair value adjustments</b>	293 981	196 842	235 748
Staff share scheme	(37 181)	(27 186)	(33 836)
Non-life operations write-up to fair value	278 960	190 867	253 039
Non-life operations write-up to fair value (other)	170 966	141 528	128 990
Group holding expenses	(161 230)	(145 504)	(155 344)
Reversal of cross-holding adjustment	42 466	37 137	42 899
<i>Consisting of:</i>			
Value of in-force adjustments	293 981	196 842	235 748

### Economic environment

The year started with successful COVID-19 vaccine roll-outs in First World countries and announcements of further fiscal stimulus that led to the market expectation of a full reopening of the global economy. Europe made substantial progress on the vaccination front, closing the gap with the US and UK, while emerging economies continued to experience slow vaccine roll-outs. At the start of the year, the new US administration announced a massive USD1.9 trillion fiscal stimulus that equating to 9% of the US gross domestic product.

Economic data released showed a robust pickup in economic activity, mainly attributable to the successful reopening of the economies and pent-up consumer demand. The optimism surrounding global growth outlook and higher demand drove commodity prices higher in the first quarter, with both crude oil and copper prices increasing significantly during the period. The pickup in economic activity and commodity prices also resulted in inflation rising, particularly in the US. This stoked market fears of an earlier tapering of quantitative easing measures in the first quarter of the year and caused bond yields to significantly rise. Subsequent comments, however, by US Federal Reserve officials sought to allay any worries over tightening monetary policy too quickly. Overall, the first half of the year proved very positive for global markets with risky assets rallying significantly.

Against the positive international market backdrop, local sentiment remained negative due to rising COVID-19 infections that have restricted freedom of movement and have hampered economic recovery efforts. Healthcare facilities were overwhelmed and vaccine roll-outs have been very slow as supply of vaccines has not met demand. In general, economic data released reflected sluggish local business

activity with credit extension slowing in March on the back of weak credit uptake by firms. The March Business Expectations Survey suggested that pessimism persisted in the second quarter of 2021, with tight credit and cost pressures being the primary concerns. On a more positive note, De Beers reported a persistent increase in diamond sales in the first half of 2021, reflecting strong international demand. Botswana's headline inflation rose sharply in the second quarter, breaching the upper band of the Bank of Botswana's target range in May and touching 8,2% in June. The sharp rise in inflation resulted from the increase in value-added taxation to 14%, revision of income tax brackets and changes in administered prices that came into effect on 1 April 2021.

The Bank of Botswana bank rate remained unchanged in its April and June Monetary Policy Committee meetings, viewing the sharp rise in inflation rate as transitory. The local equity market reflected international market optimism and turned positive in the second quarter, led by financial and consumer stocks. The sharp rise in inflation and increased Government borrowings led to a further rise in bond yields. The Botswana Pula depreciated by 0,8% and 3,7% against the US Dollar and the South African Rand respectively over the first half of the year.

### 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 2020.

## Financial overview

### Analysis of earnings

	Period to 30 Jun 2021 P'000	Period to 30 Jun 2020 P'000	% change
<b>Operating profit</b>	<b>112 260</b>	201 738	(44)
Investment income on shareholders' assets	5 572	788	607
<b>Core earnings</b>	<b>117 832</b>	202 526	(42)
Share of profit of associates and joint ventures net of tax	123 942	112 559	10
Investment surpluses/(losses) on shareholder assets	592	4 017	(85)
<b>Profit before tax</b>	<b>242 366</b>	319 102	(24)
Tax	(42 163)	(55 418)	(24)
<b>Profit after tax</b>	<b>200 203</b>	263 684	(24)
Minority shareholders' interest	3 339	2 706	23
<b>Total profit</b>	<b>203 542</b>	266 390	(24)

Operating profit for the group decreased by 44% over the six months to June 2021 compared to the prior year. Operating profit for the life business decreased by 48% on account of excess mortality experienced during the period. A significant part of the increase in mortality was due to COVID-19-related deaths. The asset management business's operating profit for the period increased by 15% compared to the prior year owing to an improved asset under management position leading to higher fee income earned. Share of profits of associates and joint ventures increased by 10% mainly due to the good performance of Funeral Services Group (FSG) as the funeral undertaking business reported significantly better results compared to last year.

### Embedded value

The group's embedded value increased to P4,94 billion from the P4,69 billion reported as at 30 June 2020. The embedded value allows for P184 million of dividends paid during the first half of the year.

### Value of new life business

The value of new business increased by 47% to P91 million compared to the prior year. New business volumes for the individual life retail and group funeral portfolios were higher compared to the prior year. Prior year new business sales were lower due to COVID-19 lockdowns. The annuity portfolio also performed very well with better VNB margins and improved volumes compared to the prior year.

### Overview of operations

For management purposes, the group is organised into three principal business areas based on their products and services and these, along with another category for "other", 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 (BLIL), 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 (BIFM) and BIFM Unit Trusts, both subsidiaries of the group;
- BIHL also has associate holdings of 28,05% in Letshego Holdings Limited, 37,62% in FSG, 25,1% in Nico Holdings Limited (NICO), 50% in Botswana Insurance Company Limited (BIC) and 49% in Aflife Zambia; and
- Other; being the non-operating holding company which directly holds the investment in BLIL, BIFM, NICO and BIC.

Inter-segment transactions that occurred during 2021 and 2020 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

## Continuing operations

	Life business P'000	Asset management P'000	Associates and joint ventures P'000	Other P'000	Inter- segmental P'000	Consolidated P'000
<b>For the period ended 30 June 2021</b>						
Premium revenue	1 556 799	–	–	–	–	1 556 799
Fee revenue						
– Internal	–	1 060	–	–	(1 060)	–
– External	–	62 677	–	(1 060)	–	61 617
Investment income	20 471	337	–	184 212	(184 617)	20 403
Interest income using EIR	687	–	–	1 745	–	2 432
Other interest income	319 329	68 997	–	–	–	388 326
Net loss from financial assets held at fair value through profit or loss	(387 978)	(12 139)	–	–	–	(400 117)
<b>Total net income</b>	<b>1 509 308</b>	<b>120 932</b>	<b>–</b>	<b>184 897</b>	<b>(185 677)</b>	<b>1 629 460</b>
Net insurance benefits and claims	(1 083 547)	–	–	–	–	(1 083 547)
Change in policyholder liabilities under insurance contracts	52 196	–	–	–	–	52 196
Change in liabilities under investment contracts	–	(56 576)	–	–	–	(56 576)
Administration expenses	(129 504)	(31 504)	–	(25 372)	5 414	(180 966)
Finance costs	–	–	–	(301)	–	(301)
Selling expenses	(238 503)	–	–	–	–	(238 503)
<b>Profit before share of profit of associates and joint ventures</b>	<b>109 950</b>	<b>32 852</b>	<b>–</b>	<b>159 224</b>	<b>(180 263)</b>	<b>121 763</b>
Share of profit of associates and joint ventures	–	–	123 942	–	–	123 942
Tax expense	(26 441)	(7 640)	–	(10 260)	2 178	(42 163)
<b>Profit for the period</b>	<b>83 509</b>	<b>25 212</b>	<b>123 942</b>	<b>148 964</b>	<b>(178 085)</b>	<b>203 542</b>



## Segment results continued

## Continuing operations

	Life business P'000	Asset management P'000	Associates and joint ventures P'000	Other P'000	Inter- segmental P'000	Consolidated P'000
<b>For the period ended 30 June 2020</b>						
Premium revenue	1 213 066	–	–	–	–	1 213 066
Fee revenue						
– Internal	–	981	–	–	(981)	–
– External	–	54 007	–	(981)	–	53 026
Investment income	22 088	(8 275)	–	235 126	(235 453)	13 486
Interest income using EIR	707	–	–	1 138	–	1 845
Other interest income	470 856	30 932	–	–	–	501 788
Net gain/(loss) from financial assets held at fair value through profit or loss	(8 728)	40 540	–	–	–	31 812
<b>Total net income</b>	<b>1 697 989</b>	<b>118 185</b>	<b>–</b>	<b>235 283</b>	<b>(236 434)</b>	<b>1 815 023</b>
Net insurance benefits and claims	(752 534)	–	–	–	–	(752 534)
Change in policyholder liabilities under insurance contracts	(453 734)	–	–	–	–	(453 734)
Change in liabilities under investment contracts	–	(57 377)	–	–	–	(57 377)
Administration expenses	(128 901)	(29 846)	–	(19 539)	3 698	(174 588)
Finance costs	–	–	–	(430)	–	(430)
Selling expenses	(167 111)	–	–	–	–	(167 111)
<b>Profit before share of profit of associates and joint ventures</b>	<b>195 709</b>	<b>30 962</b>	<b>–</b>	<b>215 314</b>	<b>(232 736)</b>	<b>209 249</b>
Share of profit of associates and joint ventures	–	–	112 559	–	–	112 559
Tax expense	(47 636)	(8 682)	–	(595)	1 495	(55 418)
<b>Profit for the period</b>	<b>148 073</b>	<b>22 280</b>	<b>112 559</b>	<b>214 719</b>	<b>(231 241)</b>	<b>266 390</b>

## Segment assets and liabilities

	Life business P'000	Asset manage- ment P'000	Other P'000	Inter- segmental P'000	Consoli- dated P'000
<b>As at 30 June 2021</b>					
<b>Total assets</b>	<b>13 748 395</b>	<b>5 367 659</b>	<b>1 863 651</b>	<b>(3 677 585)</b>	<b>17 302 120</b>
<b>Total liabilities</b>	<b>13 748 395</b>	<b>5 367 659</b>	<b>1 863 651</b>	<b>(6 760 205)</b>	<b>14 219 500</b>
<b>As at 30 June 2020</b>					
Total assets	13 578 752	6 152 367	1 836 125	(3 641 235)	17 926 009
Total liabilities	11 509 086	5 710 449	1 226 799	(3 479 098)	14 967 236

## Life insurance business

Premium income grew by 28% during HY1 2021 from P1,21 billion attained in HY1 2020 to P1,56 billion with most income lines contributing positively. New business written grew by 67% year-on-year underpinned by solid performance from some of the group lines. The value of new business, which represents the present value of future profits from new business premiums written during the half year, also grew by 47% year-on-year. Operating profit declined by 48% year-on-year to P102 million. The major contributor to the decline in operating profit was the unprecedented excess mortality experienced during the period. P119 million worth of claims were classified as COVID-19 claims across the different product lines, representing 29% of the total claims. The net insurance claims and benefits paid increased by 44% in total compared to the prior year. Our balance sheet remains well capitalised despite these negative shocks.

Management continued to roll-out the five-year strategy focused on steering the company towards sustained growth. The fiduciary services offering was launched in July 2021. This new arm of the business will be focused solely on offering estate planning products and services including wills to Botswana Life clients. This is a first in Botswana's insurance landscape and a step in the right direction in ensuring that all Botswana have access to our holistic long-term financial solutions and advisory services. The business continued to enhance its digital platforms such as the customer portal, WhatsApp for Business and its website, to ensure that we continue to service our customers remotely and improve the

customer experience. The impacts of COVID-19 are expected to continue to be felt in our operations and new business for the rest of the year.

## Asset management business

The BIFM group yielded improved results for the half year compared to the prior year. Operating profit increased by 24% attributable to an increase of 18% in operating income as a result of higher assets under management and lower operating costs. The Zambia business, on the other hand, closed 12% better than last year due to positive performance of the asset management business despite the economic headwinds that saw the Kwacha deteriorate sharply over the past year. Total assets under management as at 30 June 2021 closed at P33,4 billion, including Zambia's at P3,3 billion, which is an increase of 10% as compared to the prior year.

## Capital management and solvency

The group remains well positioned in terms of capital management and solvency. The group's capital position strengthened during the period and the balance sheet is likely to be able to absorb future fluctuations in terms of capital demands. The decision not to declare a dividend was premised on a prudent approach to preserve cash for the life business to deal with any further shocks that might arise from the COVID-19 pandemic. The trajectory of the excess mortality currently being experienced remains uncertain due to the speed at which the virus mutates and the slow roll-out of vaccines in the country and across the region. At the time of making

this decision, official data indicated that only 7% of the population was fully vaccinated in Botswana.

The board will review the impact of COVID-19 and excess mortality on the group's earnings at the end of the year when considering declaring a final dividend. The board is confident that the group's capital position remains solid as it is well above the regulatory requirement and is able to sustain healthy levels of return on group equity value.

## Looking ahead

There has been an increase in claims due to general excess mortality and COVID-19-related claims during the period, and the situation is not likely to change in the immediate future as access to vaccines remains a challenge. The unprecedented level of excess mortality present risks to the business. Management will be implementing appropriate actions to mitigate this risk to ensure the group's value proposition remains sound going into the future. The risk mitigating actions include driving profitable top-line growth to ensure the business is able to navigate the current wave while delivering much-needed support to our policyholders.

The group has augmented its efforts to safeguard the safety and well-being of employees and clients from the risk of transmission by a combination of actions, including introduction of a hybrid structure of working between office and home, dispersing essential staff in several locations and ramping

up the use of digital channels to limit face-to-face interactions. A steady adoption of our digital platforms has been observed with an acceleration in the second half of the period as the Delta variant has taken hold. We will continue to explore ways to limit unnecessary face-to-face interaction between staff and our clients while ensuring that the quality of our service remains uncompromised.

The focus on collaboration within the group has once again yielded pleasing results 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 on-going partnerships and support and look forward to serving them in the future.

## Dividend declaration

The directors have resolved not to award an interim dividend for the period ended 30 June 2021. The decision not to declare a dividend was premised on a prudent approach to preserve cash for the life business to deal with any further shocks that might arise from the COVID-19 pandemic.

For and on behalf of the board

**Batsho Dambe-Groth**  
Chairperson

**Catherine C Lesetedi**  
Group CEO

18 August 2021

## CORPORATE INFORMATION

## Directors

Batsho Dambe-Groth (*Chairperson*)  
Catherine Lesetedi (*Group CEO*)  
Kudakwashe Mukushi (*Group CFO*)\*\*\*  
Kobus Vlok\*\* Chandra Chauhan  
Andrew Cartwright\*\* John Hinchliffe\*  
Mahube Mpugwa  
Lieutenant General Tebogo Masire  
Nigel Suliaman\*\* Robert Dommissie\*\*

\* British  
\*\* South African  
\*\*\* Zimbabwean

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