

UNAUDITED GROUP RESULTS

for the half-year ended 30 June 2024



**IMPROVING
LIVELIHOODS**

KEY FEATURES

The directors hereby present the unaudited consolidated financial results of Botswana Insurance Holdings Limited (BIHL) and its subsidiaries (the group) for the six months ended 30 June 2024.

REVENUE

Net insurance service result increased by



Investment service result decreased by



Revenue from contracts with customers increased by



Value of new business decreased by



EARNINGS

Operating profit decreased by



Core earnings decreased by



Equity-accounted earnings decreased by



Profit attributable to equity holders decreased by



SOLVENCY

The business is well capitalised; required capital for the group is covered



DIVIDENDS

Paid as dividends during the half period to June 2024



Interim dividend declared not subject to tax



Special dividend declared not subject to tax

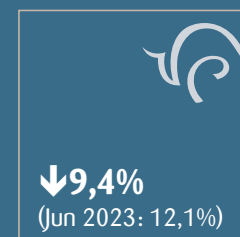


GROUP EQUITY VALUE

decreased by



Return on group equity value decreased



ASSETS UNDER MANAGEMENT (AUM)

increased by



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	30 June 2024 P'000	30 June 2023 P'000	Restated 31 December 2023 P'000
ASSETS			
Property and equipment	169 181	168 395	170 052
Intangible assets	93 118	99 748	97 247
Right-of-use assets	10 475	11 771	11 879
Investment property	26 480	12 260	26 480
Investments in associates and joint ventures	1 591 474	1 929 315	1 758 469
Reinsurance contract assets	15 851	18 823	17 874
Insurance contract assets	822 187	755 957	612 935
Financial assets at fair value through profit or loss¹	16 814 781	15 060 315	15 439 113
Bonds	9 861 545	8 585 402	8 543 705
Investment in property funds and companies	1 253 434	1 243 146	1 277 962
Equity investments (local and foreign)	3 148 379	2 775 627	3 040 954
Money market instruments	2 551 423	2 456 140	2 576 492
Other receivables	95 291	93 758	135 632
Cash and cash equivalents	219 255	280 420	170 583
Total assets	19 858 093	18 430 762	18 440 264
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Stated capital	204 936	154 936	204 936
Non-distributable reserves	121 406	361 258	106 375
Retained earnings	3 030 367	3 196 480	3 302 730
Total equity attributable to equity holders of the parent	3 356 709	3 712 674	3 614 041
Non-controlling interests	23 640	22 542	23 751
Total equity	3 380 349	3 735 216	3 637 792
Liabilities			
Insurance contract liabilities	8 905 680	7 768 306	8 004 121
Investment contract liabilities	3 782 463	3 495 379	3 598 953
External investors in consolidated funds ¹	3 236 154	2 818 421	2 585 817
Reinsurance contract liability	53 771	–	54 222
Derivatives instrument	25 882	22 533	25 429
Deferred tax liability	142 134	108 822	141 908
Lease liability	10 902	13 033	12 707
Other payables	316 254	433 845	353 824
Tax payable	566	31 798	18 624
Related party balances	3 938	3 409	6 867
Total equity and liabilities	19 858 093	18 430 762	18 440 264

¹ Restated for correction of error in the prior period; refer to appendix 1.

CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2024

	30 June 2024 P'000	30 June 2023 P'000	31 December 2023 P'000
Net result from life insurance operations	149 014	291 815	585 751
Result from life insurance contracts	149 728	293 623	601 726
Net insurance service result	86 525	72 990	286 393
Insurance revenue	1 189 895	1 403 995	2 422 502
Insurance service expenses	(1 087 496)	(1 319 434)	(2 120 634)
Income or expense from reinsurance contracts	(15 874)	(11 571)	(15 475)
Investment service result	63 203	220 633	315 333
Insurance finance income or expense	(463 920)	(146 203)	(463 795)
Reinsurance finance income or expense	(12 758)	(3 712)	(26 935)
Investment income on assets held in respect of insurance contracts	539 881	370 548	806 063
Other expenses relating to insurance operations	(714)	(1 808)	(15 975)
Result from other operations	278 702	218 706	541 111
Revenue from contracts with customers	157 579	145 664	295 546
Investment income	210 806	150 852	284 903
Interest income using the effective interest rate (EIR)	1 716	2 268	4 395
Other interest income from external investors in consolidated funds	178 434	110 369	202 721
Fair value losses from derivative instrument	453	(14 726)	(11 830)
Change in fair value of investment contract liabilities	(91 853)	(65 352)	(31 903)
Change in fair value of external investors' liabilities	6 199	13 617	88 254
Net changes in external investors in consolidated funds	(184 633)	(123 986)	(290 975)
Other expenses	(135 198)	(141 500)	(263 205)
Administration expenses	(111 537)	(117 376)	(214 495)
Sales remuneration	(21 322)	(18 534)	(37 067)
Finance cost on leases (IFRS 16)	(365)	(385)	(762)
Other impairments	(1 974)	(5 205)	(10 881)
Profit before share of profit of associates, joint ventures and other income	292 518	369 021	863 657
Profit on sale of associate	–	141 669	141 669
Equity-accounted earnings	78 742	129 161	78 934
Impairment of an investment in associate	(189 345)	–	–
Profit before tax	181 915	639 851	1 084 260
Income tax expense	(93 318)	(145 187)	(302 737)
Profit for the period	88 597	494 664	781 523
Profit attributable to:			
– Equity holders of the parent	88 708	491 215	773 953
– Non-controlling interests	(111)	3 449	7 570
Total profit for the period	88 597	494 664	781 523
Earnings per share (thebe) (attributable to ordinary equity holders of the parent)			
– Basic	31	175	274
– Diluted	31	174	272

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2024

	30 June 2024 P'000	30 June 2023 P'000	31 December 2023 P'000
Profit for the period	88 597	494 664	781 523
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss (net of tax):</i>			
Exchange differences on translation of foreign operations	(15 342)	(5 764)	(170 662)
Total comprehensive income for the period	73 255	488 900	610 861
Total comprehensive income attributable to:			
– Equity holders of the parent	73 366	485 451	603 291
– Non-controlling interests	(111)	3 449	7 570
	73 255	488 900	610 861

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2024

	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 interest P'000	Total equity P'000
Balance as at 1 January 2023	154 936	350 208	3 267 691	3 772 835	22 428	3 795 263
Profit for the period	–	–	491 215	491 215	3 449	494 664
Foreign currency translation reserve movement	–	(5 764)	–	(5 764)	–	(5 764)
Dividend paid	–	–	(541 547)	(541 547)	(3 335)	(544 882)
Transfer from retained earnings to non-distributable reserves	–	12 821	(12 821)	–	–	–
Other movements in reserves	–	3 993	(8 058)	(4 065)	–	(4 065)
Balance as at 30 June 2023	154 936	361 258	3 196 480	3 712 674	22 542	3 735 216
Profit for the year	–	–	773 953	773 953	7 570	781 523
Foreign currency translation reserve movement	–	(170 662)	–	(170 662)	–	(170 662)
Share-based payment expense	–	5 168	–	5 168	–	5 168
Transfer from retained income/ (transfer to statutory reserve)	–	9 461	(9 461)	–	–	–
Transfer to retained earnings from share-based reserve	–	(29 199)	29 199	–	–	–
Cost of treasury shares acquired	–	(8 601)	(2 459)	(11 060)	–	(11 060)
New shares issued	50 000	(50 000)	–	–	–	–
Dividend paid	–	–	(753 930)	(753 930)	(6 247)	(760 177)
Other movements in reserves	–	–	(2 263)	(2 263)	–	(2 263)
Balance as at 31 December 2023	204 936	106 375	3 302 730	3 614 041	23 751	3 637 792
Profit for the period	–	–	88 708	88 708	(111)	88 597
Foreign currency translation reserve movement	–	(15 342)	–	(15 342)	–	(15 342)
Share-based payment expense	–	3 425	–	3 425	–	3 425
Cost of treasury shares acquired	–	(975)	–	(975)	–	(975)
Dividend paid	–	–	(325 655)	(325 655)	–	(325 655)
Transfer from retained earnings to non-distributable reserves	–	27 923	(27 923)	–	–	–
Other movements in reserves	–	–	(7 493)	(7 493)	–	(7 493)
Balance as at 30 June 2024	204 936	121 406	3 030 367	3 356 709	23 640	3 380 349

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2024

	30 June 2024 P'000	30 June 2023 P'000	31 December 2023 P'000
Cash generated from/(utilised in) operations	57 689	(364 186)	(458 823)
Cash generated from operations	264 926	79 722	58 971
Interest received	180 150	133 064	269 716
Dividend received from equity investments	32 280	32 337	56 851
Dividend received from associates and joint ventures	32 035	74 745	144 928
Interest paid	(365)	(385)	(762)
Tax paid	(125 682)	(138 787)	(228 350)
Dividend paid	(325 655)	(544 882)	(760 177)
Net cash flow utilised in investing activities	(6 847)	244 983	235 145
Purchase of property and equipment	(5 379)	(1 270)	(8 953)
Purchase of computer software	(1 468)	(3 747)	(5 902)
Proceeds from sale of investment in associates	–	250 000	250 000
Net cash flows from financing activities	(2 170)	(1 088)	(6 450)
Payment of principal portion of lease liabilities (IFRS 16)	(2 170)	(2 318)	(6 450)
Disposal of treasury shares	–	1 230	–
Net increase/(decrease) in cash and cash equivalents	48 672	(120 291)	(230 128)
Cash and cash equivalents at the beginning of the period	170 583	400 711	400 711
Cash and cash equivalents at the end of the period	219 255	280 420	170 583

GROUP EQUITY VALUE (UNAUDITED)

For the period ended 30 June 2024

GROUP EQUITY VALUE

The group equity value is an aggregate of embedded value from the life insurance-covered business and the fair value of all other shareholders' net assets. It represents an estimate of the economic value of the group excluding the value attributable to future new business from life insurance and the value attributable to minorities.

The group equity value comprises:

- The value of the shareholders' net assets
- Fair value adjustments
- The value of in-force business including the value of new business written during the year.

DEFINITION OF EMBEDDED VALUE

The embedded value represents an estimate of the economic value of the life insurance-covered business excluding the value attributable to future new business. Covered business represents the group's long-term insurance business for which the value of new and in-force contracts is attributable to shareholders.

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 ended 30 June 2024, accumulated to the end of the year at the risk discount rate. The value is adjusted for the cost of capital required to support the new business.

Botswana Insurance Holdings Limited

	Six months ended 30 June 2024 P'000	Six months ended 30 June 2023 P'000	Year ended 31 December 2023 P'000
Group equity value results			
Group equity value			
Shareholders' net assets after fair value adjustments	2 845 627	3 595 142	3 212 601
Shareholders' net assets excluding goodwill	3 293 717	3 595 142	3 638 614
Asset mismatch reserve	(448 090)	–	(426 013)
Value of in-force	2 422 240	1 962 791	2 166 084
Value before cost of capital	2 051 387	1 725 820	1 986 011
Fair value adjustments	480 801	372 964	314 080
Cost of capital	(109 949)	(135 993)	(134 007)
Group equity value at the beginning of the year	5 378 685	5 759 291	5 759 291
IFRS 17 transition adjustment	–	112 512	75 539
Asset mismatch reserve	–	–	(44 080)
Reinstatement – modelling change	76 294	–	–
Group equity value at the beginning of the year – restated	5 454 978	5 871 803	5 834 830
Group equity value at the end of the year	5 267 866	5 557 933	5 378 685
Required capital	485 335	460 772	457 412
Required capital cover	6,80	7,80	8,00
Group equity value per share (Pula)	18,49	19,70	18,90
Group equity value earnings	247 162	345 695	477 022
Change in group equity value	(187 112)	(201 359)	(412 066)
Movement in capital	108 313	5 507	135 158
Dividends paid	325 655	541 547	753 930
Return on group equity value (%)	9,4	12,1	8,3

	Six months ended 30 June 2024 P'000	Six months ended 30 June 2023 P'000	Year ended 31 December 2023 P'000
Group equity value results			
These earnings can be analysed as follows:			
Embedded value earnings from covered business			
Expected return on life business in force	93 607	58 302	203 811
Value of new business	56 196	62 981	140 347
Operating experience variances	61 010	(45 014)	179 931
Mortality/morbidity	(328)	15 500	(10 557)
Persistency	(1 569)	(78 385)	12 225
Expenses	(7 085)	17 871	20 951
Working capital	70 737	–	126 787
Other	(745)	–	30 525
Operating assumption changes	(137 899)	(38 582)	(253 274)
Mortality/morbidity	(15 811)	(3 870)	(64 230)
Persistency	–	(22 048)	(166 069)
Expenses	(52 691)	(3 835)	(78 200)
Other	(69 397)	(8 829)	55 225
Investment variances	13 362	98 231	143 974
Economic assumptions changes	84 301	43 644	109 209
Investment return	(26 359)	36 113	(70 720)
Risk discount rate	110 660	7 531	179 929
Earnings from life business	170 577	179 562	523 998
Return on shareholders' assets	(90 442)	198 121	158 718
Investment returns	11 703	113 191	14 760
Net profit non-life operations	(101 840)	84 930	143 958
Change in shareholders' fund adjustments	166 722	(146 809)	(205 693)
Changes in treasury share adjustments	975	2 084	2 627
Movement in fair value of incentive scheme shares	(17 255)	(2 448)	(47)
Movement in present value of holding company expenses	(9 383)	(15 894)	(28 560)
Movement in other net worth adjustments	192 385	(130 551)	(179 713)
Group equity value earnings	247 162	342 386	477 023

GROUP EQUITY VALUE (UNAUDITED) continued

	Six months ended 30 June 2024 P'000	Six months ended 30 June 2023 P'000	Year ended 31 December 2023 P'000
a) Value of new business			
Value of new business at point of sale	56 196	62 981	140 347
Value before cost of capital	61 046	67 920	149 715
Recurring premium	20 659	35 412	79 139
Single premium	40 387	32 508	70 576
Cost of capital	(4 850)	(4 939)	(9 368)
b) Fair value adjustments			
Staff share scheme	(40 261)	(25 407)	(23 006)
Non-life operations write-up to fair value (Bifm)	466 224	320 405	389 923
Bifm write-up to fair value	466 224	320 405	389 923
Non-life operations write-up to fair value – other	216 379	218 975	100 295
FSG write-up to fair value	–	55 364	–
Nico write-up to fair value	106 381	96 601	28 244
BIC write-up to fair value	109 998	67 010	72 051
Group holding expenses	(204 310)	(182 261)	(194 927)
Reversal of cross-holding adjustment	42 770	41 252	41 795
Total	480 802	372 964	314 080
<i>Consisting of:</i>			
Net asset value adjustments			
Value of in-force adjustments	480 802	372 964	314 080
c) Assumptions			
The main assumptions used are as follows:			
Economic assumptions (% pa)			
Risk discount rate	9,30	9,30	10,15
Expense inflation rate	3,14	3,14	4,19

COMMENTARY

For the period ended 30 June 2024

ECONOMIC ENVIRONMENT

Markets were largely influenced by inflation and interest rate expectations over the first half of 2024. The US stock markets have been showing mixed signals despite rallying towards the end of the first half of the year. Economic growth in the Eurozone remains subdued but industrial activity does appear to be picking up. The European Central Bank cut rates by 25 basis points in June with further cuts in the offing. Equities in the area were, nonetheless, negatively impacted by political uncertainty, not least the snap election called by President Macron in France.

Domestically, the local economy is facing clear challenges, despite a positive start to the year. The gross domestic product (GDP) figures released by Statistics Botswana for the first quarter of 2024 showed that real GDP contracted by 5,3%, as compared to growth of 5,3% registered in the first quarter of 2023. The decrease in real value added by the diamond traders was the largest detractor, as the sector declined by 46,8%. The diamond sector remains the main determinant of local economic conditions. Other sectors that influenced the decline in real GDP are mining and quarrying, water and electricity and manufacturing, which decreased by 24,8%, 10,7% and 0,8%, respectively. Despite the lower GDP print, there are various Government reforms and policies aimed at supporting the economy's growth over the short to medium term. These include supportive monetary and fiscal policies as well as the implementation of the Economic Recovery and Transformation Plan and the Transitional National Development Plan.

Inflation, recorded at 2,8% at the end of June 2024, breached the lower end of the Bank of Botswana's objective range of 3% to 6%. This is the second time in 2024 that inflation has breached the lower limit, the first being in March (2,9%). The Bank of Botswana expects that inflation will remain within the objective range for the rest of the year, with an average of 3,6% for 2024. The Monetary Policy Committee (MPC), on 13 June 2024, reduced the Monetary Policy Rate by 25 basis points to 2,15%. The cut surprised the market, however, the MPC supported the decision as recognition that the economy would continue operating below full capacity in the short term.

ACCOUNTING POLICIES AND PRESENTATION

The accounting policies adopted for the year comply in all material respects with IFRS® Accounting Standards (formerly IFRS (International Financial Reporting Standards)) and are presented in the manner required by the Insurance Industry Act, 2015. These policies are consistent with those applied for the year ended 31 December 2023.

FINANCIAL OVERVIEW

Analysis of earnings

	30 June 2024 P'000	30 June 2023 P'000	% change
Operating profit	266 113	351 195	(24)
Investment income on shareholders' assets	33 373	23 277	43
Core earnings	299 486	374 472	(20)
Profit on sale of associate	–	141 669	(100)
Equity-accounted earnings	78 742	129 161	(39)
Impairment of an investment in associate	(189 345)	–	(100)
Investment surpluses on shareholders' assets	(6 968)	(5 451)	28
Profit before tax	181 915	639 851	(72)
Tax	(93 318)	(145 187)	(36)
Profit after tax	88 597	494 664	(82)

COMMENTARY continued

The group's operating profit declined by 24% for the period ended 30 June 2024 compared to the prior year. Life operating profit decreased significantly compared to the prior year driven by the volatility of the market yield curve movements in the current period leading to lower mismatch profits. The asset management business operating profit for the period, excluding the Zambian operation results, was 25% higher than the prior year owing to increased AUM. Equity-accounted earnings decreased by 39% mainly due to the underperformance from Letshego Africa Holdings Limited as impairments continued to surge. Nico Holdings Group continues to post impressive results with increased contribution to the overall group performance.

Group equity value

The group equity value decreased to P5,27 billion from P5,56 billion recorded in June 2023. The group equity value allowed for dividends of P326 million paid during the period ended 30 June 2024. The decrease in group equity value is driven by a decrease in the net asset value, especially Letshego whose carrying value was impaired by P189 million.

Value of new life business

The value of new business decreased by 11% to P56 million compared to the prior year mainly due to lower retail new business volumes and compressed margins.

Overview of operations

For management purposes, the group is organised into two principal business areas based on their products and services. These make up the 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 (Bifm) and Bifm Unit Trusts, both subsidiaries of the group.

Segments that do not fall under the two key segments have been classified under 'other'. These comprise associate businesses (Letshego Africa Holdings Limited, Nico Holdings PLC, Botswana Insurance Company Limited, Grand Reinsurance Tanzania and BIHL Insurance Company Limited) and the holding company.

Inter-segment transactions 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.

SEGMENT RESULTS

For the period ended 30 June 2024	Life business P'000	Asset management P'000	Other P'000	Inter- segmental P'000	Consoli- dated P'000
Net insurance service result	86 525	–	–	–	86 525
Investment service result	63 203	–	–	–	63 203
Other expenses relating to insurance operations	(714)	–	–	–	(714)
Net result from life insurance operations	149 014	–	–	–	149 014
Revenue from contracts with customers					
– Internal	–	3 744	–	(3 744)	–
– External	70 982	86 597	–	–	157 579
Investment income	197 479	13 268	380 378	(380 319)	210 806
Interest income using the EIR	424	–	1 292	–	1 716
Other interest income from investment contracts	–	–	269 924	(91 490)	178 434
Fair value (losses)/gains from derivatives instrument	453	–	–	–	453
Change in fair value of investment contract liabilities	(107 910)	16 057	–	–	(91 853)
Change in fair value of external investors' liabilities	–	–	31 157	(24 958)	6 199
Net changes in investment contract benefits	–	–	(301 081)	116 448	(184 633)
Result from other operations	161 428	119 666	381 671	(384 063)	278 702
Depreciation	(5 240)	(591)	(419)	–	(6 250)
Amortisation and impairment	(5 353)	(221)	(23)	–	(5 597)
Right-of-use asset depreciation	(1 328)	(710)	(717)	1 351	(1 404)
Administration expenses	(32 499)	(42 270)	(43 443)	17 587	(100 625)
Sales remuneration	(21 322)	–	–	–	(21 322)
Profit before equity-accounted earnings	244 700	75 874	337 069	(365 125)	292 518
Net equity-accounted earnings	–	–	78 742	–	78 742
Impairment of an investment in associate	–	–	(189 345)	–	(189 345)
Profit before tax	244 700	75 874	226 466	(365 125)	181 915
Income tax expense	(53 838)	(8 030)	(31 450)	–	(93 318)
Profit after tax	190 862	67 844	195 016	(365 125)	88 597
Segment assets and liabilities					
Total assets	14 746 934	5 923 376	1 877 783	(2 690 000)	19 858 093
Total liabilities	12 406 388	5 354 699	1 254 575	(2 514 278)	16 501 384

COMMENTARY continued

For the period ended 30 June 2023	Life business P'000	Asset management P'000	Other P'000	Inter- segmental P'000	Consoli- dated P'000
Net insurance service result	72 990	–	–	–	72 990
Investment service result	220 633	–	–	–	220 633
Other expenses relating to insurance operations	(1 808)	–	–	–	(1 808)
Net result from life insurance operations	291 815	–	–	–	291 815
Revenue from contracts with customers					
– Internal	–	1 498	–	(1 498)	–
– External	68 690	76 974	–	–	145 664
Investment income	146 750	4 229	560 904	(561 031)	150 852
Interest income using the EIR	1 047	–	1 221	–	2 268
Other interest income from investment contracts	–	–	214 528	(104 159)	110 369
Fair value (losses)/gains from derivatives instrument	(14 726)	–	–	–	(14 726)
Change in fair value of investment contract liabilities	(84 355)	19 003	–	–	(65 352)
Change in fair value of external investors' liabilities	–	–	24 567	(10 950)	13 617
Net changes in investment contract benefits	–	–	(239 095)	115 109	(123 986)
Result from other operations	117 406	101 704	562 125	(562 529)	218 706
Depreciation	(5 010)	(646)	(422)	–	(6 078)
Amortisation and impairment	(4 801)	(303)	(92)	–	(5 196)
Right-of-use asset depreciation	(2 717)	(710)	(866)	1 351	(2 942)
Administration expenses	(44 115)	(38 525)	(36 813)	10 703	(108 750)
Sales remuneration	(18 534)	–	–	–	(18 534)
Profit before equity-accounted earnings	334 044	61 520	523 932	(550 475)	369 021
Profit on sale of associate	–	–	141 669	–	141 719
Net equity-accounted earnings	–	–	129 161	–	129 111
Profit before tax	334 044	61 520	794 762	(550 475)	639 851
Income tax expense	(87 813)	(8 965)	(48 409)	–	(145 187)
Profit after tax	246 231	52 555	746 353	(550 475)	494 664
Segment assets and liabilities					
Total assets	13 821 869	5 887 792	1 851 919	(3 130 818)	18 430 762
Total liabilities	11 168 085	5 313 696	1 260 329	(3 024 022)	14 718 088

LIFE INSURANCE BUSINESS

Profit before tax from insurance operations is 53% of the prior year's results. The key driver for reduced earnings is lower investment service results which is 66% below the prior year. This drop in earnings is driven by the volatility of the market yield curve movements experienced during the current period leading to lower mismatch profits than in the prior period.

The insurance service results, which are the core earnings for the life business, are 21% higher than the prior period due to a reduced negative renewal expenses variance, a reduced negative premium variance and higher earned premiums on the corporate line business. Revenue is mainly driven by the expected release from the contractual service margin (CSM) and the risk adjustment (RA). The CSM represents the unearned profits released as the insurance service is provided. CSM and RA releases for the current period amounted to P84 million compared to P92 million in the prior period. However, negative variances and the loss components were lower in the current period.

Value of new business which measures the present value of future new business profits declined by 11% overall, mainly owing to the low value of new business margins and new business volumes on the retail risk business. The corporate business line have shown strong growth compared to the prior period.

ASSET MANAGEMENT BUSINESS

Bifm Group's operating profit for the period grew by 41% over the prior year same period as most underlying businesses recorded improved performance for the period under review. The Zambian operations continued to benefit from the Pula/Kwacha currency movement effects as well as a once-off accounting adjustment. Operating profits, excluding the Zambian operations, registered 25% year-on-year growth. The growth in profits was mainly driven by operating income which closed 15% higher than the prior year driven by a substantial increase in AUM. Bifm Unit Trusts also recorded positive performance as the operating profit went up 3,8 times compared to the same period in 2023.

Total Bifm Group AUM increased by 16% to close the period at P48,2 billion (June 2023: P41,4 billion), including Zambia's P6,8 billion and Bifm Unit Trusts at P2,6 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 to declare an interim dividend. The group's required capital cover is 6,8 times, having reduced from 7,8 times in the previous year. The reduction in required capital cover was driven by the drop in group equity value from P5,56 billion to P5,27 billion, which was influenced by the sale of FSG during the first quarter of 2023.

LOOKING AHEAD

The current business climate is challenging, driven by a dimmer outlook on Botswana's GDP growth. This presents difficulties for management in driving business growth, retaining clients and delivering solid returns to the shareholders. However, opportunities remain for optimising operations, improving efficiencies and driving growth in certain segments of the market. By focusing on these areas, management expects to navigate the tough period ahead and work towards sustaining business success.

DIVIDEND DECLARATION

The directors have resolved to award an interim dividend of 66 thebe per share and a special dividend of 6 thebe per share (not subject to tax).

The important dates pertaining to the dividends are:

Declaration date	21 August 2024
Ex-dividend date	11 October 2024
Record date	15 October 2024
Payment of dividend	25 October 2024

For and on behalf of the board

Dr Keith Jefferis
BIHL Board Chairman

Catherine Lesetedi
Group Chief Executive Officer

21 August 2024

APPENDIX 1

Restatements of prior year

Minority balance on the collective investment undertaking

During the current financial period, the group identified an error in the manner in which it previously calculated external investors in consolidated funds, which represents the minority portion in the collective investment undertaking. In 2023, the consolidation adjustments resulted in incorrectly understating the external investors in consolidated funds and the money market instruments in the group's statement of financial position by P504 million respectively. The group has corrected the impact of this error through a retrospective restatement as summarised below.

	As previously reported Audited 2023 P'000	Adjustments P'000	Restated 2023 P'000
Financial assets at fair value through profit or loss	14 935 316	503 797	15 439 113
Bonds	8 543 705	–	8 543 705
Investment in property funds and companies	1 277 962	–	1 277 962
Equity investments (local and foreign)	3 040 954	–	3 040 954
Money market instruments	2 072 695	503 797	503 797
External investors in consolidated funds	2 082 020	503 797	2 585 817

CORPORATE INFORMATION

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Incorporated in 1990 in Botswana
Company registration number:
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Catherine Lesetedi
(*Group Chief Executive Officer*)
Kudakwashe Mukushi
(*Group Chief Financial Officer*)***
Andrew Cartwright**
Mustafa Sachak****
Robert Dommissie**
John Hinchliffe*
(retired 25 March 2024)
Lieutenant General Tebogo Masire
Nigel Suliaman**
Kobus Vlok**
(resigned 25 March 2024)
Edwin Elias
Kate Maphage

* *British*

** *South African*

*** *Zimbabwean*

**** *American*

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