

BOTSWANA INSURANCE HOLDINGS LIMITED (BIHL) (Incorporated in Botswana on 21 November 1990) (Registration number: BW00000798601)

Share code: BIHL and ISIN BW 000 000 0033 (BIHL or the Company or the Group)

COVID 19 Business Update

Operational Update: COVID-19 Pandemic and Quarter 1 2020

COVID-19 has had an extraordinary impact on almost every country in the world leading to the World Health Organisation (WHO) declaring it a pandemic. Governments and Monetary authorities around the world have swiftly responded with varied measures to try and combat the impact of COVID-19 on public health and its unavoidable impact on economic growth. These events have seen significant increase in market volatility with stock markets across the globe losing significant value over the last 60 days.

Botswana has not been spared by this pandemic with a total of 22 cases reported to date. The government has moved swiftly to put in place measures to contain the spread of the pandemic with the announcement of a 28-day lockdown which commenced on the 3rd of April 2020 and a State of Public Emergency has been declared for a period of 6 months

The Botswana Insurance Holdings Limited Board is aware that these are uncertain times and shareholders would be keen to understand the impact of the pandemic on the operations of the business thus far and the interventions if any that are being implemented to continue to serve clients and preserve value during these trying times. This update provides information in respect of the BIHL Group's financial performance for the first quarter of the 2020 financial year as well as the possible impact of COVID-19 on BIHL's operations and financial position.

RESULTS FOR THE QUARTER ENDED 31 MARCH 2020

Consistent with the performance trends witnessed in the second half of 2019, the Group had a reassuring start to the 2020 financial year with strong growth in key performance indicators compared to the first 3 months of 2019:

- Premium income showed a 7% growth compared to the same period last year spurred by:
 - A 11% growth in recurring premiums
 - A 1% growth in single premium
- Admin Fee revenue from the Asset Management business grew by 8% compared to prior year with the growth in AUM witnessed in the second half of the year contributing to this increase. The 1st quarter of 2020 saw a significant decline in offshore stock market indices, and this will negatively impact Assets Under Management in the short to medium term
- Share of profits from associates increased by 9% owing to resilient growth witnessed in the different associates
- New Business premiums grew by 11% compared to the first 3 months of 2019 and this translated to Value of New Business growth of 22% due to better new business margins compared to prior year.

COVID-19 OPERATIONAL IMPACT

The operating environment deteriorated substantially since mid-March 2020 as government instituted measures aimed at controlling the spread of the Coronavirus. A global recession is now predicted by most economists and Botswana is not an exception: The Virus is likely to impact the following key sources of revenue for the nation of Botswana:

- The South Africa lockdown and possible recession should see the revenues from SACU negatively impacted
- The reduced diamond sales will have an impact on government diamond revenues
- The tourism sector is likely to be hard hit by the travel bans/restrictions which are being imposed across the world
- Due to limited business activity especially during the lockdown period, we expect job losses and an increase in the unemployment rate, which is already high at 20% particularly in the youth
- We expect households to be under significant financial pressure leading to reduced spending and increases in Bank arrears.
- SMME's will be severely impacted, and we expect many to go out of business unless they are supported

The above factors will impact the Government's ability to respond to the pandemic given the limited fiscal space available. This notwithstanding, the government has announced a P2 billion package and several measures to relieve businesses that are impacted by the virus – the Government has opened up the fund to receive donations from the private sector. The impact on the BIHL Group's operations is summarized below.

BIHL remains well capitalized and resilient despite the volatile conditions we are facing. The Group employs a prudent reserving approach and capital management philosophy as well as appropriate risk management processes of which the diversification strategy is a key cog. It is imperative to remind shareholders that conditions remain highly uncertain thus the financial position referred to in this announcement is likely to change over time.

A state of emergency has been announced in Botswana and indeed in some of the countries where the BIHL Group is invested in either directly or indirectly. Countries have imposed lockdowns. The main businesses within the BIHL Group have completed their pandemic plans, aimed at protecting the health and safety of all staff and preserving the business. The main focus of these plans includes:

- Compliance with regulations on the movement of people
- Emphasis on personal hygiene
- Employee distancing techniques in the work environment
- Limitations around international & domestic travel
- Maximum utilization of the capacity to work from home
- Self-isolation where staff have traveled or might have been exposed to the virus
- Continuous communication to staff, clients & other stakeholders

The Group's operations have been classified as essential services. During the lockdown period, the Group will operate on a limited staff basis, with only core staff on site. We should therefore be able to service our clients, though this will not be at the usual level of service. The ability to write new business is affected and elaborated on in the Outlook section below.

SOLVENCY

Botswana Life Insurance Limited is the largest business in the BIHL stable and accounts for 99% of the Group's Capital Requirements. The Group's CAR Cover as at 31 December 2019 was 7.1 times and this provides the group with sufficient capital buffer should the volatility in markets and other COVID-19 related impacts on operations result in reduction in the value of assets backing CAR, or in an increase in the required capital.

CLAIMS & PERSISTENCY EXPERIENCE

To date there has not been any impact on claims and persistency within the Group. The Group has considered and taken a stance that it will be accepting COVID-19 related claims when they do eventually occur.

OUTLOOK

Economic Growth in Botswana will be lower than anticipated and might even result in a recession. This poses a risk to growth in new business volumes as well as persistency experience. Increased pressure on corporate earnings will also heighten credit risk. New business volumes are furthermore restricted by lockdowns in markets where investee companies operate thus limiting advisors' ability to conduct business. Where direct channels are available, these will assist in bringing some relief to this challenge.

Equity, bond and currency markets across the globe are expected to remain volatile in the foreseeable future. The impact of the downgrade by Moody's of both the South African and Botswana sovereign ratings is yet to be seen but might add to volatility of asset prices especially in the South African market. The Average investment market levels, the exchange rates and the level of long-term interest rates are key factors that may have an impact on operational earnings and Group Equity Value to be reported for the six month to 30 June 2020 and the year ended 31 December 2020.

BIHL is well positioned to weather the current conditions – we have a solid balance sheet; strong operational processes and the skill sets to navigate these tough times.

The information contained in this circular has not been reviewed and reported on by the BIHL Group's external auditors. Shareholders are further advised that this is not a trading statement per BSE requirements.