



BIHL GROUP

BOTSWANA INSURANCE HOLDINGS LIMITED

PRELIMINARY UNAUDITED GROUP RESULTS

for the year ended 31 December 2023

KEY FEATURES

The directors hereby present the unaudited consolidated financial results of Botswana Insurance Holdings Limited (BIHL) and its subsidiaries (the group) for the financial year ended 31 December 2023. The full year audited financials have been delayed due to the extensive work required to compile the new IFRS17 reporting standard notes and disclosures. The audited group financial statements are expected to be published on or before 30 April 2024.

These financial results are presented in accordance with IFRS Accounting Standards (previously IFRS "International Financial Reporting Standards" requirements, and the group has adopted IFRS 17, the insurance reporting standard which took effect on 1 January 2023. The comparative numbers have been restated to comply with this new standard.

REVENUE

Net insurance service result



Investment service result



Revenue from contracts with customers



Value of new business



EARNINGS

Operating profit



Core earnings



Share of profit of associates



Profit attributable to equity holders

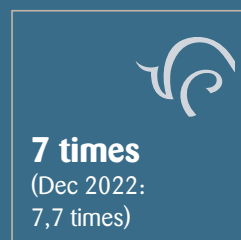


ASSETS UNDER MANAGEMENT (AUM)



SOLVENCY

Business is well capitalised; required capital for the group is covered



GROUP EQUITY VALUE



DIVIDENDS

Paid as dividends during the 2023 financial year



Made up of:

Interim dividend **P218 million**

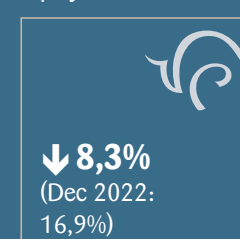
Final dividend **P285 million**

Special dividend **P251 million**

Final dividend proposed (not subjected to tax)



Return on group equity value



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	31 Dec 2023 P'000	Restated ^{1, 2} 31 Dec 2022 P'000	Restated ¹ 31 Dec 2021 P'000
ASSETS			
Property and equipment	170 052	173 158	183 232
Intangible assets	97 247	101 197	107 076
Right-of-use assets	11 879	14 713	8 112
Investment property	26 480	12 260	10 160
Investments in associates and joint ventures	1 761 651	1 910 194	1 972 698
Long-term reinsurance assets	–	–	64 840
Non-current asset held for sale	–	99 988	–
Financial assets at fair value through profit or loss	14 935 316	15 411 628	15 385 244
Bonds	8 543 705	8 426 652	8 663 449
Investment in property funds and companies	1 277 962	1 205 650	1 173 325
Equity investments	3 040 954	2 589 245	2 403 845
Money market instruments	2 072 695	3 190 081	3 144 625
Loans at amortised cost	–	–	31 957
Other receivables	135 632	186 940	140 814
Cash and cash equivalents	170 583	400 711	137 418
Total assets	17 308 840	18 310 789	18 041 551
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Stated capital	204 936	154 936	154 936
Non-distributable reserves	115 842	354 149	395 716
Retained earnings	3 292 911	3 267 691	3 190 026
Total equity attributable to equity holders of the parent	3 613 689	3 776 776	3 740 678
Non-controlling interests	23 751	22 428	18 728
Total equity	3 637 440	3 799 204	3 759 406
Liabilities			
Insurance contract liabilities	7 391 187	6 997 685	6 764 028
Investment contract liabilities	3 598 953	3 298 512	3 238 037
External investors in consolidated funds	2 082 020	3 619 273	3 635 183
Long-term reinsurance liability	36 346	45 486	–
Derivatives instrument	25 429	37 259	42 366
Deferred tax liability	141 908	73 545	138 974
Lease liability	12 707	16 210	9 234
Other payables	357 359	394 180	449 293
Tax payable	18 624	26 246	3 441
Related party balances	6 867	3 189	1 589
Total equity and liabilities	17 308 840	18 310 789	18 041 551

¹ Restated for correction of error in the prior period, refer to Appendix A.

² Restated for transition to IFRS 17, refer to Appendix A.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	31 Dec 2023 P'000	Restated^{1, 2} 31 Dec 2022 P'000
Net result from life insurance contracts	585 752	143 193
Result from life insurance contracts	601 727	156 444
Net insurance service result	286 394	277 710
Insurance revenue	2 422 501	2 392 542
Insurance service expenses	(2 120 634)	(2 089 982)
Income or expense from reinsurance contracts	(15 473)	(24 850)
Investment service result	315 333	(121 266)
Insurance finance income or expense	(463 795)	(349 018)
Reinsurance finance income or expense	(26 935)	(19 511)
Investment income on assets held in respect of insurance contracts	806 063	247 263
Other expenses relating to insurance operations	(15 975)	(13 251)
Result from other operations	538 652	468 745
Revenue from contracts with customers	295 546	259 591
Other revenue	156 969	89 925
Investment income	284 903	(23 920)
Interest income using the effective interest rate (EIR)	4 395	4 127
Other interest income from investment contracts	179 223	245 282
Fair value (losses)/gains from derivatives instrument	(11 830)	(5 107)
Change in fair value of investment contract liabilities	(191 331)	144 129
Change in fair value of external investors' liabilities	86 571	36 538
Net changes in investment contract benefits	(265 794)	(281 820)
Other expenses	(256 018)	(268 942)
Administration expenses	(218 189)	(204 278)
Sales remuneration	(37 067)	(63 588)
Finance cost on leases	(762)	(1 076)
Impairments	(7 188)	(5 231)
Profit before equity accounted earnings and other income	861 198	337 765
Profit on sale of associate	141 669	–
Share of profit of associates and joint ventures	78 934	216 456
Profit before tax	1 081 801	554 221
Income tax expense	(302 737)	(105 419)
Profit for the year	779 064	448 802
Profit attributable to:		
– Equity holders of the parent	771 494	442 578
– Non-controlling interests	7 570	6 224
Total profit for the year	779 064	448 802
Earnings per share (thebe) (attributable to ordinary equity holders of the parent)		
– Basic	273	158
– Diluted	273	158

¹ Restated for correction of error in the prior period, refer to Appendix A.

² Restated for transition to IFRS 17, refer to Appendix A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	31 Dec 2023 P'000	Restated ^{1, 2} 31 Dec 2022 P'000
Profit for the year	779 064	448 803
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	(167 479)	(13 951)
Total comprehensive income for the year	611 585	434 851
Total comprehensive income attributable to:		
– Equity holders of the parent	604 015	428 627
– Non-controlling interests	7 570	6 224
	611 585	434 851

¹ Restated for correction of error in the prior period, refer to Appendix A.

² Restated for transition to IFRS 17, refer to Appendix A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	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 31 December 2021	154 936	395 716	2 781 611	3 332 263	18 728	3 350 991
IFRS 17 transition adjustment	–	–	408 154	408 154	–	408 154
Balance as at 1 January 2022 restated²	154 936	395 716	3 189 765	3 740 417	18 728	3 759 145
Profit for the year ¹	–	–	442 578	442 578	6 224	448 802
Foreign currency translation reserve movement	–	(13 951)	–	(13 951)	–	(13 951)
Share-based payment expense	–	5 215	–	5 215	–	5 215
Cost of treasury shares (acquired)/ disposed	–	1 117	–	1 117	–	1 117
Dividend paid	–	–	(402 440)	(402 440)	(2 524)	(404 964)
Transfers from non-distributable reserves to retained earnings	–	(33 948)	33 948	–	–	–
Other movements in reserves	–	–	3 840	3 840	–	3 840
Balance as at 31 December 2022 restated^{1, 2}	154 936	354 149	3 267 691	3 776 776	22 428	3 799 204
Profit for the year	–	–	771 494	771 494	7 570	779 064
Foreign currency translation reserve movement	–	(167 479)	–	(167 479)	–	(167 479)
Share-based payment expense	–	(47 066)	–	(47 066)	–	(47 066)
Cost of treasury shares (acquired)/ disposed	–	(33 223)	–	(33 223)	–	(33 223)
New shares issued	50 000	–	–	50 000	–	50 000
Dividend paid	–	–	(753 930)	(753 930)	(6 247)	(760 177)
Transfers from non-distributable reserves to retained earnings	–	9 461	(9 461)	–	–	–
Other movements in reserves	–	–	17 117	17 117	–	17 117
Balance as at 31 December 2023	204 936	115 842	3 292 911	3 613 689	23 751	3 637 440

¹ Restated for correction of error in the prior period, refer to Appendix A.

² Restated for transition to IFRS 17, refer to Appendix A.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	31 Dec 2023 P'000	Restated 31 Dec 2022 P'000
Cash generated (utilised in)/generated from operations	(425 600)	244 493
Cash generated from operations ¹	115 692	244 688
Interest received	246 218	295 056
Dividend received from equity investments	56 851	70 791
Dividend received from associates and joint ventures	144 928	149 844
Interest paid	(762)	(1 076)
Tax paid	(228 350)	(109 846)
Dividend paid	(760 177)	(404 964)
Net cash flow utilised in investing activities¹	235 145	23 464
Purchase of property and equipment	(8 953)	(6 652)
Purchase of computer software	(5 902)	(5 201)
Receipts from loans receivable at amortised cost	–	35 317
Proceeds from sale of investment in associates	250 000	–
Net cash flows from financing activities	(39 673)	(4 664)
Payment of principal portion of lease liabilities	(6 450)	(5 781)
Disposal of treasury shares	(33 223)	1 117
Net (decrease)/increase in cash and cash equivalents	(230 128)	263 293
Cash and cash equivalents at the beginning of the year	400 711	137 418
Cash and cash equivalents at the end of the year	170 583	400 711

¹ The prior year has been restated due the error classification of cash movements in investments held as part of operating activities, refer to Appendix A.

GROUP EMBEDDED VALUE

For the year ended 31 December 2023

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; and
- 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 year ended 31 December 2023, 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.

	Year ended 31 Dec 2023 P'000	Year ended 31 Dec 2022 P'000
Group equity value results		
Shareholders' net assets after fair value adjustments	3 212 601	3 464 538
Shareholders' net assets, excluding goodwill	3 638 614	3 464 538
Fair value adjustments	(426 013)	–
Value of in-force	2 166 084	2 294 753
Value before cost of capital	1 986 011	1 910 101
Fair value adjustments	314 080	519 774
Cost of capital	(134 007)	(135 122)
Required capital	457 412	447 951
Required capital cover	7,00	7,70
Group equity value per share (Pula)	18,90	20,40
Group equity value at the beginning of the year	5 759 291	5 292 077
IFRS 17 transition adjustment	75 539	–
Asset mismatch reserve	(44 080)	–
Group equity value at the beginning of the year – restated	5 790 750	–
Group equity value at the end of year	5 378 685	5 759 291
Group equity value earnings	477 022	892 629
Change in group equity value	(412 066)	467 214
Movement in capital	135 158	22 975
Dividends paid	753 930	402 440
Return on group equity value	8,3%	16,9%

	Year ended 31 Dec 2023 P'000	Year ended 31 Dec 2022 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	203 811	209 011
Value of new business	140 347	176 199
Operating experience variances	179 931	103 876
Mortality/morbidity	(10 557)	100 607
Persistency	12 225	(10 115)
Expenses	20 951	(7 037)
Working capital	126 787	–
Other	30 525	20 421
Operating assumption changes	(253 274)	(76 972)
Mortality/morbidity	(64 230)	(41 109)
Persistency	(166 069)	(6 911)
Expenses	(78 200)	(10 673)
Other	55 225	(18 279)
Embedded value earnings from operations	270 815	412 113
Investment variances	143 974	82 605
Economic assumption changes	109 209	(17 524)
Investment return	(70 720)	29 313
Risk discount rate	179 929	(46 837)
Embedded value earnings from covered business	523 998	477 194
Return on shareholders' assets	158 718	263 576
Investment returns	14 760	15 198
Net profit non-life operations	143 958	248 378
Change in shareholders' fund adjustments	(205 693)	151 860
Changes in treasury share adjustments	2 627	(640)
Movement in fair value of incentive scheme shares	(47)	13 991
Movement in present value of holding company expenses	(28 560)	(7 974)
Movement in other net worth adjustments	(179 713)	146 483
Group equity value earnings	477 023	892 629

GROUP EMBEDDED VALUE continued

	Year ended 31 Dec 2023 P'000	Year ended 31 Dec 2022 P'000
a) Value of new business		
Value of new business at point of sale	140 347	160 274
Value before cost of capital	149 715	173 338
Recurring premium	79 139	83 129
Single premium	70 576	90 209
Cost of capital	(9 368)	(13 064)
b) Fair value adjustments	314 080	519 773
Staff share scheme	(23 006)	(22 959)
Non-life operations write-up to fair value (Bifm)	389 923	332 087
Non-life operations write-up to fair value – other	100 295	255 261
Group holding expenses	(194 927)	(166 367)
Reversal of cross-holding adjustment	41 795	39 168
Consisting of:		
Net asset value adjustments		
Value of in-force adjustments	314 080	519 773
c) Assumptions		
The main assumptions used are as follows:		
Economic assumptions	% p.a.	% p.a.
Risk discount rate	10,15	11,65
Overall investment return (before taxation)	6,65	8,15
Expense inflation rate	4,10	5,15

COMMENTARY

For the year ended 31 December 2023

ECONOMIC ENVIRONMENT

The year 2023 began with a lot of uncertainty regarding inflation and interest rates across the globe which negatively impacted investment markets. As the year progressed, it became increasingly clear that the pressure on central banks to raise interest rates further had substantially reduced. These indications of slowing inflation and a cooling labour market led market participants to price in an accelerated path of rate cuts for 2024, prompting a broad rally across the global bond market. This saw significant investment returns accruing in offshore portfolios as the year ended.

Locally, the new Pension Fund Investment Rules (PFR2), which came into effect in 2023, were a topical theme throughout the year, leading to an increase in banking sector liquidity towards the end of the year as pension funds began the process of repatriating their funds onshore. The risk of asset bubbles remains prevalent, with the property market seemingly having begun heating up from a pricing perspective.

Following its December 2023 meeting, the central bank's Monetary Policy Committee (MPC) announced a 25-basis points rate cut in the monetary policy rate to 2,40%. The announcement came as a surprise to market players as the consensus expectation was that the MPC would maintain a steady hand and keep the rate unchanged.

Botswana's real gross domestic product grew by 3,2% in Q3 2023, down from 6,3% registered in the same quarter in the previous year, negatively impacted by weaker performance from the mining sector.

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 except for the new accounting policies adopted by the group on insurance contracts as necessitated by the new IFRS 17 standard.

FINANCIAL OVERVIEW

Analysis of earnings

	Year to 31 Dec 2023 P'000	Restated Year to 31 Dec 2022 P'000	% change
Operating profit	798 689	224 120	256
Investment income on shareholders' assets	72 205	72 324	–
Core earnings	870 894	296 444	194
Profit on sale of associate	141 669	–	100
Share of profit of associates and joint ventures net of tax	78 934	216 456	(64)
Investment surpluses on shareholders assets	(9 696)	41 321	123
Profit before tax	1 081 801	554 221	95
Tax	(302 737)	(105 419)	187
Profit after tax	779 064	448 802	74

COMMENTARY continued

Group operating profit increased by 256% for the year ended 31 December 2023 compared to the prior year. Life operating profit increased significantly compared to the prior year mainly due to higher investment returns earned from positive fair value gains across insurance contracts and IFRS 9 investment contracts. The asset management business operating profit for the year, excluding the Zambian operation results, was 20% higher than the prior year owing to increased AUM. Equity-accounted earnings decreased by 64% mainly due to the underperformance from Letshego Holdings as impairments surged. The NICO Holdings Group posted a strong set of results for the year despite the 44% devaluation of the Kwacha against the Botswana Pula which resulted in a P82 million foreign currency exchange loss recognised in the statement of other comprehensive income.

Group equity value

The group equity value decreased to P5,38 billion from P5,76 billion (2022). The group equity value allowed for dividends of P754 million paid during the year ended 31 December 2023. The decrease in group equity value is driven by a decrease in the value of in-force for the life insurance business and negative fair value adjustments for the non-life businesses, specifically Letshego and NICO.

Value of new life business

The value of new business decreased by 12% to P140 million compared to the prior year mainly due to lower new business volumes.

Overview of operations

For management purposes, the group is organised into two principal business areas based on their products and services, and 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 Life), 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 year ended 31 Dec 2023	Life business P'000	Asset management P'000	Other P'000	Inter- segmental P'000	Consoli- dated P'000
Net insurance service result	286 394	–	–	–	286 394
Investment service result	315 333	–	–	–	315 333
Other expenses relating to insurance operations	(15 975)	–	–	–	(15 975)
Net result from life insurance operations	585 752	–	–	–	585 752
Revenue from contracts with customers					
– Internal	–	3 327	–	(3 327)	–
– External	137 379	158 167	–	–	295 546
Other revenue	156 969	–	–	–	156 969
Investment income ¹	264 024	16 875	851 901	(847 897)	284 903
Interest income using the EIR	2 088	–	2 307	–	4 395
Other interest income from investment contracts	–	–	376 572	(197 349)	179 223
Fair value (losses)/gains from derivatives instrument	(11 830)	–	–	–	(11 830)
Change in fair value of investment contract liabilities	(226 054)	34 723	–	–	(191 331)
Change in fair value of external investors' liabilities	–	–	182 967	(96 396)	86 571
Net changes in investment contract benefits	–	–	(559 539)	293 745	(265 794)
Result from other operations	322 576	213 092	854 208	(851 224)	538 652
Depreciation	(9 988)	(1 230)	(841)	–	(12 059)
Amortisation and impairment	(9 164)	(568)	(120)	–	(9 852)
Right-of-use asset depreciation	(5 319)	(1 420)	(1 734)	2 702	(5 771)
Administration expenses	(60 754)	(79 543)	(74 863)	16 703	(198 457)
Sales remuneration	(37 067)	–	–	–	(37 067)
Profit before equity-accounted earnings	786 036	130 331	776 650	(831 819)	861 198
Profit on sale of associate	–	–	141 669	–	141 669
Net equity-accounted earnings	–	–	78 934	–	78 934
Profit before tax	786 036	130 331	997 253	(831 819)	1 081 801
Income tax expense	(221 160)	(19 624)	(61 953)	–	(302 737)
Profit after tax	564 876	110 707	935 300	(831 819)	779 064
Segment assets and liabilities					
Total assets	14 299 587	5 464 023	1 831 875	(4 284 340)	17 311 145
Total liabilities	11 617 775	4 925 295	1 233 681	(4 103 047)	13 673 704

¹ Included under other are dividends received from subsidiaries and associates by the holding company which are then eliminated under the inter-segmental line.

COMMENTARY continued

For the year ended 31 Dec 2022	Life business P'000	Asset management P'000	Other P'000	Inter- segmental P'000	Consoli- dated P'000
Net insurance service result	277 710	–	–	–	277 710
Investment service result	(121 266)	–	–	–	(121 266)
Other expenses relating to insurance operations	(13 251)	–	–	–	(13 251)
Net result from life insurance operations	143 193	–	–	–	143 193
Revenue from contracts with customers					
– Internal	–	2 383	–	(2 383)	–
– External	118 455	141 136	–	–	259 591
Other revenue	89 925	–	–		89 925
Investment income ¹	(44 644)	17 108	486 585	(482 969)	(23 920)
Interest income using the EIR	1 541	–	2 586	–	4 127
Other interest income from investment contracts	–	–	419 750	(174 468)	245 282
Fair value (losses)/gains from derivatives instrument	(5 107)	–	–	–	(5 107)
Change in fair value of investment contract liabilities	103 436	40 693	–	–	144 129
Change in fair value of external investors' liabilities	–	–	41 485	(4 947)	36 538
Net changes in investment contract benefits	–	–	(461 235)	179 415	(281 820)
Result from other operations	263 606	201 320	489 171	(485 352)	468 745
Depreciation	(14 668)	(1 221)	(837)	–	(16 726)
Amortisation and impairment	(10 277)	(555)	(248)	–	(11 080)
Right-of-use asset depreciation	(5 653)	(1 065)	(1 282)	2 347	(5 653)
Administration expenses	(56 204)	(71 396)	(53 462)	3 934	(177 126)
Sales remuneration	(63 588)	–	–	–	(63 588)
Profit before equity-accounted earnings	256 409	127 083	433 342	(479 069)	337 765
Net equity-accounted earnings	–	–	216 456	–	216 456
Profit before tax	256 409	127 083	649 798	(479 069)	554 221
Income tax expense	(66 232)	(18 632)	(20 555)	–	(105 419)
Profit after tax	190 177	108 451	629 243	(479 069)	448 802
Segment assets and liabilities					
Total assets	13 684 660	6 754 562	1 826 157	(3 950 143)	18 315 236
Total liabilities	10 917 834	6 220 147	1 224 792	(3 846 742)	14 516 031

¹ Included under other are dividends received from subsidiaries and associates by the holding company which are then eliminated under the inter-segmental line.

LIFE INSURANCE BUSINESS

New accounting standard

2023 marks the first year in which Botswana Life's annual financial statements are being presented in accordance with the new IFRS 17 *Insurance Contracts* standard. Insurers are required to present comparative financial information for the year immediately preceding the date of initial application to enable meaningful comparison, therefore, the 2022 results previously published have been restated in accordance with the new standard.

Transitioning

IFRS 17 requires a restatement of a company's results as if IFRS 17 had always been applicable (the 'fully retrospective approach') unless it is 'impracticable' to do so. Where a fully retrospective approach has been impracticable, Botswana Life has followed a fair value approach. These transitioning revaluations have resulted in a release of P408 million from policyholder liabilities to shareholder equity.

2023 performance

Profit before tax from insurance operations has increased by 136% compared to the prior year. The key driver for the increase in profitability is a 326% increase in investment returns earned during the year on the back of positive fair value gains across assets backing insurance contracts and IFRS 9 *Investment Contracts*.

The insurance service result has remained stable compared to the prior year, with both insurance revenue and insurance service expenses increasing by 1% compared to 2022. 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 2023 amounted to P181 million which was P96 million lower than for 2022. This reduction has been the result of reduced new business volumes and high lapses. Insurance service expenses were higher in 2023 mainly due to increased notional deferred acquisition costs.

Value of new business which measures the present value of future new business profits declined by 12% owing to declining new business volumes as well as assumption strengthening on the group business portfolio.

ASSET MANAGEMENT BUSINESS

The Bifm Group's operating profit for the year grew by 1% over the prior year. The Zambian business operation was the main detractor as it closed the year with a significantly lower operating performance, owing to a once-off positive accounting adjustment recorded in the prior year. Operating profits excluding the Zambian operations registered 20% year-on-year growth. The growth in profits was mainly driven by operating income which closed 13% higher than the prior year, driven by a substantial increase in AUM. Bifm's contribution to the group performance continues to grow and impact results positively, recording an operating profit improvement of 15% against the prior year.

Total Bifm AUM increased by 16% to close the year at P44,5 billion (2022: P38,5 billion), including Zambia's P5,9 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 a final dividend. The group-required capital cover is 7 times, having reduced from 7,7 times in the previous year. The reduction in required capital cover was driven by the drop in group equity value from P5,76 billion to P5,38 billion which was influenced by the sale of FSG during the first quarter.

LOOKING AHEAD

2024 marks the start of a new strategy for the group, having officially closed off the 2018 – 2023 strategy period. There is a lot of groundwork that management has laid over the years and will leverage going into the future. Work will continue to focus on strengthening the group's position in the market, by driving growth of new business, client retention, human capital development and efficiency of operations, while delivering solid returns to the shareholders.

DIVIDEND DECLARATION

The directors have resolved to award a final dividend of 110 thebe per share (not subjected to tax).

The important dates pertaining to the dividends are:

Declaration date	25 March 2024
Ex-dividend date	15 April 2024
Record date	17 April 2024
Payment of dividend	25 April 2024

For and on behalf of the board

Dr Keith Jefferis
BIHL Board Chairperson

Catherine Lesetedi
Group Chief Executive Officer

25 March 2024

APPENDIX A

1. RESTATEMENTS

1.1. STATEMENT OF FINANCIAL POSITION RESTATEMENTS

1.1.1. IFRS 17 adoption

The adoption of IFRS 17 had a material impact on the way the group recognises, measures and discloses its rights and obligations under insurance policies. The impact of the transition to IFRS 17 is summarised below. IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. The standard has resulted in a profound change to the accounting in IFRS financial statements for insurance companies. This has had a significant impact on data, systems and processes used to produce information for financial reporting purposes.

IFRS 17 Insurance Contracts replaces IFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2023. The group commenced the application of the standard on 1 January 2023 and has restated 2022 comparatives when reporting on 2023 financial periods.

The group applies IFRS 17 Insurance Contracts to insurance policies it issues and reinsurance contracts it holds. The group does not presently issue reinsurance contracts or insurance contracts with discretionary participating features. All references to insurance contracts apply to insurance contracts issued or acquired and reinsurance contracts held, unless specifically stated otherwise.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and aims to ensure relevant information that faithfully represents the insurance contracts of the group. This will provide a basis for users of the financial statements to assess the effect that the insurance contracts have on the group's financial position, performance and cash flows.

IFRS 17 requires new disclosures about the amounts recognised in the financial statements, including detailed reconciliations of insurance liabilities, the measurement impact of recognising new contracts and disclosures about significant estimates and judgements made when applying the standard. Disclosures are expanded with additional detail on the nature and extent of risks related to insurance contracts. The group has assessed the impact of the initial application of IFRS 17 on the statement of financial position as at 31 December 2021/ 1 January 2022 (being the date of transition).

Transition

The IFRS 17 standard is applicable to annual periods beginning on or after 1 January 2023. However, the requirement for 2022 comparative information means that the IFRS 17 transition

statement of financial position is required at 31 December 2021 (as the end of the last period before 1 January 2022).

When determining the insurance liabilities at transition, the IFRS 17 standard should be applied retrospectively as if it had always been applied unless it is 'impracticable' to do so based on the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. This retrospective approach is referred to as the full retrospective approach (FRA). Where it is impracticable to apply IFRS 17 retrospectively, various simplifications are permitted when adopting the modified retrospective approach (MRA) or fair value approach (FVA) provided that certain criteria have been met. The FVA has to be applied if there is no reasonable and supportable information to apply the MRA.

The transition approach has been determined at a group of insurance contracts level. The high-level distribution of transition approaches across the group is summarised below:

- The FRA was applied to groups of contracts measured under the premium allocation approach (PAA)
- For contracts measured under the general measurement method or variable fee approach, the FRA is not applied to any groups of contracts issued before 1 January 2019
- The FVA is applied to the remaining groups of contracts, including closed books of business (old policies that are no longer being sold by the group).

The group has followed the FVA only where a fully retrospective approach is impracticable. Impracticability has been determined by assessments of the availability of:

- historical expense, lapse and mortality data to perform a risk adjustment calibration
- actual historical premiums and charges to calculate actual versus expected premiums, which unlocks the contractual service margin (CSM)
- historical expense cash flows at a portfolio level to calculate the CSM at initial recognition for historical new business cohorts
- historical discount rates at an entity level to calculate liabilities at historical points in time
- credible and complete raw data from the policy administration system or raw data from a different source.

From this assessment, an impracticability cut-off date of 1 January 2019 was derived, with all policy groups incepting before this date measured at fair value. The impact of the first-time application of IFRS 17 by recognition and measurement basis (and as compared to the manner previously reported in accordance with IFRS 4 at 31 December 2021) is summarised as follows:

	IFRS 17				
	Gross P'000	Reinsurance P'000	Net reinsurance P'000	IFRS 4 P'000	Transition impact P'000
General model					
Individual life risk	(780 945)	64 840	(716 105)	23 842	(739 946)
Annuities – guaranteed	6 722 174	–	6 722 174	6 332 460	389 715
Life – other	85 992	–	85 992	119 231	(33 239)
Total	6 027 222	64 840	6 092 062	6 475 532	(383 470)
Premium allocation approach					
Credit life	523 326	–	523 326	523 326	–
Group life	74 439	(10 855)	63 584	63 584	–
Total	597 765	(10 855)	586 910	586 910	–
IFRS 9					
Unit-linked investment	3 157 647	–	3 157 647	2 903 164	254 483
Annuity certain	94 035	–	94 035	94 035	–
Annuity discretionary reserves	–	–	–	387 799	(387 799)
Deferred acquisition cost	(6 823)	–	(6 823)	–	(6 823)
Total	3 244 860	–	3 244 860	3 384 999	(140 139)
Impact before tax			9 923 832	10 447 441	(523 609)
Deferred tax					115 194
Impact net of tax					(408 415)

APPENDIX A continued

The table below reflects the impact of the IFRS 17 changes to the affected balances in the statement of financial position as at 1 January 2022, and changes are documented in the notes that follow.

	Reported closing balance (IFRS 4) P'000	Insurance assets and liabilities P'000	Reinsurance assets and liabilities P'000	Change in insurance liability valuation P'000	IFRS 9 investment contracts – DAC asset P'000	Deferred tax P'000	Recalculated opening balances (IFRS 17) P'000	Net impact P'000
ASSETS								
Reinsurance	10 855	–	(10 855)	64 840	–	–	64 840	53 985
Total	10 855	–	(10 855)	64 840	–	–	64 840	53 985
LIABILITIES								
Insurance contract liabilities	10 444 306	76 833	(60 305)	(3 696 806)	–	–	6 764 028	(3 680 278)
Investment contract liability	335 862	(76 833)	49 450	3 244 860	(6 823)	–	3 546 516	3 210 654
Deferred tax liability	9 234	–	–	–	–	115 194	124 428	115 194
Total	10 789 402	–	(10 855)	(451 946)	–	115 194	10 434 972	(354 430)
EQUITY								
Retained income	2 781 611	–	–	516 786	6 823	(115 194)	3 190 026	408 415
Total	2 781 611	–	–	516 786	6 823	(115 194)	3 190 026	408 415

- **Reallocation of insurance assets and liabilities**

IFRS 17 requires cash flows that directly relate to the fulfilment of the insurance contracts and reinsurance contracts held to be included as part of the insurance contract and reinsurance contract asset/liability. This step therefore moves claims payable and premium receivables into insurance contract liabilities and reinsurance premiums payable and reinsurance recoveries receivable into reinsurance contract liabilities for IFRS 17. These items were classified as either receivables or payables under IFRS 4 and were not included as part of policyholder actuarial liabilities. The net effect of this change is that under IFRS 17, assets reduce and liabilities reduce by that same amount and the net asset value is unchanged.

- **Reinsurance assets and liabilities adjustments**

This accounts for the change in the valuation of reinsurance contract assets from IFRS 4 to IFRS 17 based on fully retrospective and fair value actuarial calculations. Additionally, in order to present a consolidated disclosure of the reinsurance asset/liability position in the balance sheet, reinsurance receivables and payables previously classified under IFRS 4 and presented under other assets and trade and other payables, respectively, have been reclassified into the reinsurance asset line.

- **Reclassification: IFRS 4 to IFRS 9**

The total liability (of IFRS 17 and IFRS 9 contracts) reduced and the biggest reduction came from the individual life risk portfolio as the group now holds negative reserves under IFRS 17 which was not the case under IFRS 4. The second impact came from the release of annuity discretionary reserves.

- **Release of margins and discretionary reserves**

The adjustment represents:

- i. The change in valuation of insurance contract liabilities from IFRS 4 to IFRS 17. Measurement of insurance contract liabilities under IFRS 17 requires the release of all discretionary and compulsory reserves held on IFRS 4 liabilities to be replaced by a risk adjustment which represents the compensation the insurer requires for non-financial risk on future cash flows. Adjustments are also made for the introduction of a CSM representing the future profits the insurer stands to earn as it provides future services. These valuation changes are adjusted against retained earnings and other reserves.
- ii. Separate presentation of investment contracts falling under IFRS 9. Some contracts classified as life insurance contracts under IFRS 4 could no longer be classified as insurance contracts under IFRS 17 as they do not carry significant insurance risk. This affects unit-linked investment contracts with no risk riders and annuity-certain contracts. These contracts are accounted for using IFRS 9 principles and are presented as investment contract liabilities in the statement of financial position.
- iii. The expected future tax effects arising from the earnings impact of transitioning to IFRS 17 resulting in a deferred tax asset.

- **Deferred tax impacts**

The expected future tax effects arising from the earnings impact of transitioning to IFRS 17.

1.1.2. An error in associates

During the current financial year, the group's associate, Letshego Holdings Limited, identified an error in the manner in which it previously estimated expected credit losses (ECL) on those loans which had defaulted at the reporting date. The historical ECL calculation had incorrectly applied a discount factor to such loans, resulting in a material misstatement of the ECL balances and resultant charges to income in prior periods. The group has corrected the impact of this error through a retrospective restatement of its equity-accounted share of the associate's results after tax, as summarised below.

	As previously reported Audited 2022 P'000	Adjustments P'000	Restated 2022 P'000
Investments in associates and joint ventures			
Carrying amounts at the beginning of the year	1 972 698	–	1 972 698
Equity-accounted earnings	236 674	(20 218)	216 456
Dividend received	(149 844)	–	(149 844)
Reclassified to held for sale	(99 988)	–	(99 988)
Change in reserves in associates	(15 177)	–	(15 177)
Foreign currency translation differences	(13 951)	–	(13 951)
Carrying amount at the end of the year	1 930 412		1 910 194
Income statement impact			
Profit before equity-accounted earnings (as restated) ¹	337 765	–	337 765
Equity-accounted earnings	236 674	(20 218)	216 456
Profit after tax	574 439	(20 218)	554 221

¹ Restated for transition to IFRS 17. Refer to paragraph 2(i) above.

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Below is a summary of the restatements on the statement of financial position.

	Restated 2022 P'000	Error in associate P'000	IFRS 17 P'000	As previously reported Audited 2022 P'000	Restated 2021 P'000	IFRS 17 P'000	As previously reported Audited 2021 P'000
ASSETS							
Property and equipment	173 158	–	–	173 158	183 232	–	183 232
Intangible assets	101 197	–	–	101 197	107 076	–	107 076
Right-of-use assets	14 713	–	–	14 713	8 112	–	8 112
Investment property	12 260	–	–	12 260	10 160	–	10 160
Investments in associates and joint ventures	1 910 194	(20 217)	–	1 930 411	1 972 698	–	1 972 698
Long-term reinsurance assets	–	–	(7 555)	7 555	64 840	53 985	10 855
Non-current assets held for sale	99 988	–	–	99 988	–	–	–
Financial assets at fair value through profit or loss	15 411 628	–	–	15 411 628	15 385 244	–	15 385 244
Bonds	8 426 652	–	–	8 426 652	8 663 449	–	8 663 449
Investment in property funds	1 205 650	–	–	1 205 650	1 173 325	–	1 173 325
Equity investments	2 589 245	–	–	2 589 245	2 403 845	–	2 403 845
Money market instruments	3 190 081	–	–	3 190 081	3 144 625	–	3 144 625
Loans at amortised cost	–	–	–	–	31 957	–	31 957
Insurance and other receivables	186 940	–	(168 106)	355 046	140 814	(139 911)	280 725
Deferred tax	–	–	(2 016)	2 016	–	–	–
Cash and cash equivalents	400 711	–	–	400 711	137 418	–	137 418
Total assets	18 310 789	(20 217)	(177 677)	18 508 683	18 041 551	(85 926)	18 127 477
EQUITY AND LIABILITIES							
Stated capital	154 936	–	–	154 936	154 936	–	154 936
Non-distributable reserves	354 149	–	1 442	352 707	395 716	–	395 716
Retained earnings	3 267 691	(20 217)	271 252	3 016 656	3 190 026	408 415	2 781 611
Total equity attributable to equity holders of the parent	3 776 776	(20 217)	272 694	3 524 299	3 740 678	408 415	3 332 263
Non-controlling interests	22 428	–	–	22 428	18 728	–	18 728
Total equity	3 799 204	(20 217)	272 694	3 546 727	3 759 406	408 415	3 350 991
Liabilities							
Insurance contract liabilities	6 997 685	–	(3 514 075)	10 511 760	6 764 028	(3 680 278)	10 444 306
Investment contract liability	3 298 512	–	3 298 512	–	3 238 037	3 238 037	–
Long-term reinsurance liability	45 486	–	45 486	–	–	–	–
External investors in consolidated funds	3 619 273	–	–	3 619 273	3 635 183	–	3 635 183
Derivatives instrument	37 259	–	–	37 259	42 366	–	42 366
Deferred tax liability	73 545	–	73 545	–	138 974	115 194	23 780
Lease liability	16 210	–	–	16 210	9 234	–	9 234
Other payables	394 180	–	(353 839)	748 019	449 293	(167 294)	616 587
Tax payable	26 246	–	–	26 246	3 441	–	3 441
Related party balances	3 189	–	–	3 189	1 589	–	1 589
Total equity and liabilities	18 310 789	(20 217)	(177 677)	18 508 683	18 041 551	(85 926)	18 127 477

1.2. STATEMENT OF CASH FLOWS RESTATEMENT

During prior periods, the group classified cash flows arising from the acquisition and disposal of investments held in the ordinary course of its business operations (i.e. to meet policyholder and other operating obligations) as investing activities. Such classification was not appropriate given that these acquisition and disposal activities are part of the group's normal operations and should thus have been classified as part of cash flows from operating activities. This error has been corrected through retrospective restatement of previously reported amounts, as set out below.

	As previously reported Audited 2022 P'000	Adjustments P'000	Restated 2022 P'000
Cash generated utilised in/generated from operations	630 895	(386 402)	244 493
Cash generated from operations	631 093	(386 402)	244 691
Interest received	295 053	–	295 053
Dividend received from equity investments	70 791	–	70 791
Dividend received from associates and joint ventures	149 844	–	149 844
Interest paid	(1 076)	–	(1 076)
Tax paid	(109 846)	–	(109 846)
Dividend paid	(404 964)	–	(404 964)
Net cash flows utilised in investing activities	(362 938)	386 402	23 464
Purchase of property and equipment	(6 652)	–	(6 652)
Purchase of computer software	(5 201)	–	(5 201)
Acquisition of property investments	(39 091)	39 091	–
Net purchases and withdrawals of bonds	(54 242)	54 242	–
(Purchase)/withdrawals of equity investments	(247 282)	247 282	–
Net purchases and withdrawals of money market instruments	(45 787)	45 787	–
Receipts from loans receivable at amortised cost	35 317	–	35 317

This correction has no impact on amounts and balances reported in other components of the condensed group annual financial statements.

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
*(appointed 28 July 2023)*****
 Robert Dommissie**
 John Hinchliffe*
 Lieutenant General Tebogo Masire
 Nigel Suliaman**
 Kobus Vlok**
 Chandrakant Chauhan
(resigned 6 March 2023)
 Mahube Mpugwa
(resigned 17 August 2023)
 Edwin Elias
(appointed 22 August 2023)
 Kate Maphage
(appointed 20 September 2023)

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** *South African*

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