

The Directors hereby present unaudited abridged consolidated financial results of Botswana Insurance Holdings Limited (BIHL) and its subsidiaries (the 'Group') for the six months ended 30 June 2014.

## KEY FEATURES

### Revenue

Net premium income increased by 15% to P 997.3 million  
 Fee income increased by 19% to P55.1 million  
 Value of new business increased by 84% to P72.2 million

### Assets under management

Assets under management increased by 3% to P27.9 billion

### Earnings

Operating profit before tax increased by 22% to P 151 million  
 Core earnings increased by 9% to P162.2 million  
 Profit attributable to equity holders remained flat at P234.6 million

### Solvency

Business is well capitalized, required capital for the life business is covered 8.8 times (December 2013: 7.7 times)

### Embedded Value

Embedded value increased by 10% to P3.6 billion. (December 2013: P 3.3 billion)

### Dividends

P 98.4 million paid as dividends during the period (2013: P56.2 million)  
 Interim normal dividend proposed of P 118.1 million (gross of tax)

### Economic environment

Global growth remains fragile. Industrial production in the US and Euro-zone slowed down in the first half of 2014. Emerging market economies have also slowed in production, but still account for the bulk of global growth.

The US Federal Reserve Bank has made some progress on its employment mandate, core inflation rate has remained below 2 percent for almost six years now. In Europe, the threat of deflation makes reducing rates less risky and there is a chance that the European Central Bank (ECB) might adopt a less conventional monetary policy such as quantitative easing. The main focus worldwide remains growth and monetary policy will continue to be accommodative in major economies.

The local economy recorded a commendable year-on-year growth of 5.2 percent in the first quarter of 2014 and trade surplus of P6.5 billion was recorded in 2013, the first annual trade surplus since 2007. Shortages in electricity, water and slowing credit growth to business remain a challenge. The growth in GDP was due to the growth in the mining sector, hotels and restaurants. The growth in mining contribution was attributable to increases in diamond production. Inflation has remained within the central bank target range of 3 - 6 percent. Inflation is expected to pick up slightly by year-end, but on average should remain within the central bank target range. Credit to the business sector has seen some increase; increasing to 10.8 percent year on year in April 2014, from 3.6 percent in November 2013. The growth in the business sector credit could be seen as a sign of improvement.

## 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 Botswana Insurance Industry Act (Cap 46:01) and the Companies Act of Botswana (Companies Act, 2003). These policies are consistent with those applied for the year ended 31 December 2013

## FINANCIAL OVERVIEW

### Analysis of earnings

	6 months to June 2014 P'000	6 months to June 2013 P'000	% Change	Year to 31 Dec 2013 P'000
<b>Analysis of earnings</b>				
Operating profit	150,978	123,672	22%	277,273
Investment income on shareholders' assets	11,262	24,972	(55%)	32,807
Core Earnings	162,240	148,644	9%	310,080
Share of profit of associates net of tax	107,718	92,323	17%	189,202
Investment surpluses on shareholders assets	14,699	43,486	(66%)	80,112
Profit before tax	284,657	284,453	-	579,394
Tax (46,470)	(46,470)	(47,426)		(84,621)
Profit after tax	238,187	237,027	1%	494,773
Minority shareholders' interest	(3,634)	(1,878)		(2,273)
<b>Profit attributable to ordinary shareholders</b>	<b>234,553</b>	<b>235,149</b>	<b>-</b>	<b>492,500</b>

### Segmental analysis

	Life Insurance		Asset Management		Associates		Other**	
	6 months to June 2014 P'000	6 months to June 2013 P'000	6 months to June 2014 P'000	6 months to June 2013 P'000	6 months to June 2014 P'000	6 months to June 2013 P'000	6 months to June 2014 P'000	6 months to June 2013 P'000
Premium revenue	972,175	845,382	-	-	-	-	25,085	21,942
Fee revenue	-	-	55,132	57,928	-	-	-	-
Inter segmental*	-	-	2,686	2,622	-	-	-	-
<b>Profit/(loss) for the period after tax</b>	<b>153,833</b>	<b>142,452</b>	<b>32,533</b>	<b>33,793</b>	<b>107,718</b>	<b>92,323</b>	<b>(59,532)</b>	<b>(33,419)</b>

Notes: \* Accounted as investment expense by Botswana Life  
 \*\*Other includes general insurance, group office and Corporate Social Investment (CSI) activities

### Operating Profit/(Loss) by business

	6 months to June 2014 P'000	6 months to June 2013 P'000	%
Life	161,653	124,642	30%
Asset management	24,737	19,058	30%
General insurance	(7,349)	(4,563)	61%
Associates	137,688	120,521	14%
Others	(28,063)	(15,464)	81%
<b>Total</b>	<b>288,666</b>	<b>244,193</b>	<b>18%</b>

Operating profit for the life business increased by 30 percent due to good operational earnings from all the business lines. The asset management result has been positively affected by the growth in assets under management due to the good investment returns and clients' net contributions during the year. The short term insurance result has been adversely affected by increased claims in the Legal Guard portfolio as well as the ongoing struggle to achieve profitability in the general lines business. Other expenses relate to the Unit Trusts business and a partial impairment of goodwill relating to the Sure business.

Investment income which comprises dividend income and interest income decreased by 55 percent due to the prevailing low interest rate environment. Investment surpluses significantly reduced due to market volatilities.

### Embedded value

The Group's embedded value has increased by 10 percent to P3.6 billion. The embedded value growth was driven by the growth of the value in force for the life business and significant growth in the operating profit. The embedded value allows for P98.4 million dividends paid during the period.

### Value of new life business

The value of new life business grew significantly compared to the prior period. This is off the back of increased volumes across all product lines in the life insurance business.

## OVERVIEW OF OPERATIONS

### Life insurance business

The improvement in the performance of the local economy continued into the first half of 2014 steered by the mining sector. Consistent with the real growth in domestic GDP, we have been experiencing strong new business volumes on all lines with a growth of 15 percent in premium income over H1 2013. The annuity line which contributes substantially to our single premium income posted a solid recovery which spearheaded the growth in total Net Premium Income from P845 million in H1 2013 to P972 million in H1 2014.

Operating Profit grew 30 percent year on year to P 161.7 million from P124.6 million reported in June 2013. All business lines contributed positively to this performance. There was however under achievement on the investment linked individual life business which suffered as a result of reduced investment returns compared to prior year. Unit costs were contained within budget and are 3 percent lower than prior year due to improved new business volumes and disciplined expenditure by management.

The Life Rewards card continued to serve our clients well in availing them a convenient way to receive their benefits and this was evidenced by the increased uptake as it exceeded the 17,000 mark in terms of issued cards with policyholder benefit disbursements through the card exceeding P90 million.

Management continues to focus on the implementation of the Sekgantshwane 2014 strategy to make certain that the organization inches closer towards achieving its goal of competing with the best of the best.

### Asset management business

BIFM Holdings' first half of the year results reflect solid performance in a challenging market and operating environment. There has been strong performance from both BIFM and the Zambia business. Year on year operating profit grew by 30%, while profit before tax and minorities is 3% lower than prior year. The latter is due to extraordinary income received in 2013 which was not repeated in 2014. The good performance is on the back of a strong asset under management position mainly due to market growth and to a lesser extent net fund inflows. Additionally we have seen positive contribution from our various investment property companies. Total assets under management (including Zambia) currently stand at P27.9 billion.

The Unit Trust business, launched last year, continues to experience slow growth. However there are indications that the business will attain reasonable growth by the end of the year.

### Short term insurance business

The BIHL Sure business is comprised of two distinct business lines; the general lines that provides conventional short term insurance solutions and Legal Guard, the leading legal expenses cover product in the country.

The focus in the Legal Guard part of the business is currently on reinvigorating the product. To this end, a major effort was initiated to increase sales, improve service delivery and enhance internal efficiencies to reaffirm ourselves as the market leaders in legal assistance cover. The optimization of Legal Guard is starting to show positive signs and the process is envisaged to continue for the remainder of 2014. 2014 also sees us proudly celebrate the 10th anniversary of the introduction to Botswana of legal assistance solutions for our clientele, a milestone that underpins the relevance of this product offering.

The General Lines business kept on making losses beyond our level of tolerance. Management consequently entered into negotiations with Botswana Insurance Company Limited (BIC) to sell off the general lines book to BIC and we have now received all required regulatory approvals. We envisage the migration of the general lines book to be completed by mid-September 2014.

## CAPITAL MANAGEMENT AND SOLVENCY

The Group still remains in a very strong position with respect to capital adequacy. The continued strong position was taken into consideration by the board when resolving an interim dividend that was significantly higher than the comparative interim dividend of previous years. The board has consequently adopted an approach in terms of which future dividends will be paid at a level where the Group's capital position will remain strong but more aligned with future capital requirements across the Group and sustained levels of Return on Group Equity Value.

## LOOKING AHEAD

We continue to focus on our key twin strategies of growth and profitability. However, uncertainty in the global markets is expected to continue to affect the results. We would like to thank all our Clients, Brokers, Agents, Staff and other Stakeholders for the on-going partnership and support and look forward to serving them in the future.

## CHANGES IN DIRECTORSHIPS

### Resignations

Mr. Ullum Corea resigned as a director on 12 February 2014.  
 Mr. Themba Gamezwe resigned as a director on 01 July 2014.

## DIVIDEND DECLARATION

The Directors have resolved to award an interim dividend of 42 thebe per share (gross of tax).

### The important dates pertaining to the dividends are:

Declaration date	19 August 2014
Last day to register for dividend	03 October 2014
Payment of dividend	17 October 2014

For and on behalf of the Board

**B Dambe-Groth (Chairman)**

**G Hassam (Group CEO)**

31 August 2014



