

Group Consolidated Income Statement

	6 months to June 2013 P'000	6 months to June 2012 P'000	% Change	Year to 31 Dec 2012 P'000
Revenue				
Net premiums	867,324	1,010,115	(14%)	1,949,585
Gross premiums - recurring	456,920	473,870		908,800
- single	417,985	546,394		1,061,613
Premiums ceded to reinsurers	(7,581)	(10,149)		(20,828)
Other income	2,002,360	739,088		1,162,607
Fee income	55,307	43,024	29%	74,700
Investment income	356,359	162,955		628,915
Profit on sale of subsidiary	-	-		6,075
Net gains on financial assets held at fair value through profit or loss and investment properties	1,590,694	533,109		452,917
Total revenue	2,869,684	1,749,203	64%	3,112,192
Net insurance and investment contract benefits and claims	(2,418,201)	(1,406,762)		(2,314,707)
Gross benefits and claims paid	(491,915)	(415,599)		(914,906)
Reinsurance claims	3,434	4,250		10,730
Change in liabilities under investment contracts	(1,282,184)	(434,382)		(383,646)
Change in policyholder liabilities under insurance contracts	(647,536)	(561,031)		(1,026,885)
Expenses	(250,463)	(219,711)	14%	(508,636)
Sales remuneration	(112,250)	(94,039)		(219,165)
Administration expenses	(138,213)	(125,672)		(289,471)
Profit before share of profit of associates and joint ventures	201,020	122,730	64%	288,849
Share of profit of associates and joint ventures	87,576	87,721		196,482
Profit before tax	288,596	210,451	37%	485,331
Tax	(51,569)	(38,501)		(90,936)
Current tax	(50,070)	(36,492)		(85,835)
Deferred tax	(1,499)	(1,964)		(5,420)
Other taxes	-	(45)		319
Profit for the period	237,027	171,950	38%	394,395
Profit attributable to:				
- Equity holders of the parent	235,149	170,727	38%	390,918
- Non-controlling interests	1,878	1,223		3,477
	237,027	171,950	38%	394,395
Earnings per share (thebe) (attributable to ordinary equity holders of the parent)				
- Basic	87	64	37%	146
- Diluted	87	64	36%	145
Number of shares for calculating earnings per share				
Number of shares in issue	281,070,652	281,070,652		281,070,652
Less shares in share scheme and treasury shares	(12,116,473)	(13,712,289)		(12,960,247)
Shares used for calculating basic earnings per share	268,954,179	267,358,363		268,110,405
Weighted number of dilutive options	2,125,111	1,241,552		1,782,906
Shares used for calculating diluted earnings per share	271,079,290	268,599,915		269,893,311

Group Consolidated Statement of Comprehensive Income

	6 months to June 2013 P'000	6 months to June 2012 P'000	Year to 31 Dec 2012 P'000
Profit for the period	237,027	171,950	394,395
Other comprehensive income			
Exchange differences on translating foreign operations	11,307	3,622	10,718
Total comprehensive income for the period	248,334	175,572	405,113
Total comprehensive income attributable to:			
- Equity holders of the parent	246,456	174,349	401,636
- Non-controlling interests	1,878	1,223	3,477
	248,334	175,572	405,113

Group Consolidated Statement of Financial Position

	At 30 June 2013 P'000	At 30 June 2012 P'000	At 31 Dec 2012 P'000
ASSETS			
Property and equipment	11,886	16,857	10,911
Intangible assets	154,077	144,118	154,001
Long-term reinsurance assets	5,676	14,961	9,041
Investment property	536,733	495,544	495,798
Investments in associates and joint ventures	1,337,275	1,069,538	1,268,707
Financial assets at fair value through profit or loss	14,382,758	9,594,781	12,517,189
- Bonds (Government, public authority, listed and unlisted corporates)	9,985,370	3,043,812	5,475,367
- Equity investments (Local and foreign)	3,941,190	6,197,250	6,786,531
- Policy loan and other loan advances	329,419	138,501	138,235
- Money market instruments	126,779	215,218	117,056
Deferred tax asset	2,129	190	190
Trade and other receivables	216,528	222,296	185,080
Tax refund due	22,410	3,484	15,412
Related party balances	-	1,530	-
Cash, deposits and similar securities	489,276	1,391,022	760,539
Total assets	17,158,748	12,954,321	15,416,868
EQUITY AND LIABILITIES			
Equity attributable to equity holders of parent			
Stated capital	130,821	130,821	130,821
Non-distributable reserves	642,345	516,514	574,914
Retained earnings	1,367,679	1,107,670	1,239,226
Total equity attributable to equity holders of parent	2,140,845	1,755,005	1,944,961
Non-controlling interests	35,529	31,519	33,651
Total equity	2,176,374	1,786,524	1,978,612
Liabilities			
Policyholder liabilities under:	14,442,955	10,704,699	12,966,214
- Insurance contracts	6,230,565	5,117,174	5,592,072
- Investment contracts	8,212,390	5,587,525	7,374,142
Deferred tax liability	19,170	14,885	17,939
Tax payable	5,663	-	5,257
Related party balances	2,122	-	4,157
Trade and other payables	512,464	448,213	444,689
Total equity and liabilities	17,158,748	12,954,321	15,416,868

Group Consolidated Statement of Changes in Equity

	Stated capital P'000	Non distributable reserves P'000	Retained earnings P'000	Total Equity attributable to equity holders of parent P'000	Non- controlling interests P'000	Total Equity P'000
Year to 31 December 2012						
Opening balances	130,821	468,891	1,091,083	1,690,795	36,050	1,726,845
Profit for the year	-	-	390,918	390,918	3,477	394,395
Dividend paid	-	-	(157,400)	(157,400)	-	(157,400)
Transfers from retained earnings to non-distributable reserves	-	62,426	(62,426)	-	-	-
Other movements in reserves	-	43,597	(22,949)	20,648	(5,876)	14,772
Balances at 31 December 2012	130,821	574,914	1,239,226	1,944,961	33,651	1,978,612
Period to 30 June 2013						
Opening balances	130,821	574,914	1,239,226	1,944,961	33,651	1,978,612
Profit for the period	-	-	235,149	235,149	1,878	237,027
Dividend paid	-	-	(56,214)	(56,214)	-	(56,214)
Transfers from retained earnings to non-distributable reserves	-	42,087	(42,087)	-	-	-
Other movements in reserves	-	25,344	(8,395)	16,949	-	16,949
Balances at 30 June 2013	130,821	642,345	1,367,679	2,140,845	35,529	2,176,374

Group Consolidated Statement of Cash Flows

	6 months to June 2013 P'000	6 months to June 2012 P'000	Year to 31 Dec 2012 P'000
Cash flows from operating activities	7,325	69,436	2,032,108
Cash flows (utilised in)/ from investing activities	(278,588)	72,986	(2,520,169)
Net (decrease)/increase in cash and cash equivalents	(271,263)	142,422	(488,061)
Cash and cash equivalents at the beginning of the period	760,539	1,248,600	1,248,600
Cash and cash equivalents at the end of the period	489,276	1,391,022	760,539

Group Embedded Value

The embedded value represents an estimate of the value of the Group, excluding the value attributable to minority interests and goodwill attributable to future new business. The embedded value comprises:

- * the value of the shareholders' net assets; and
- * the value of the in-force business adjusted for the cost of required capital to support this business.

The value of the in-force is the present value of future after-tax profits arising from business in force at the calculation date.

	6 months to June 2013 P'000	6 months to June 2012 P'000	Year to 31 Dec 2012 P'000
Embedded value results			Restated
Shareholders' net assets after fair value adjustments	2,387,500	1,990,043	2,164,327
Shareholders' net assets, excluding goodwill	2,025,925	1,640,087	1,829,874
Fair value adjustments	361,575	349,956	334,453
Value of in-force	571,936	482,531	536,541
Value before cost of capital	724,936	644,068	708,461
Fair value adjustments	(46,118)	(68,335)	(63,027)
Cost of capital	(106,882)	(93,202)	(108,893)
Embedded value at end of period	2,959,436	2,472,574	2,700,868
Required Capital	331,436	255,473	316,400
Required Capital Cover	6.3	6.7	5.8
Embedded value per share (Pula)	11.00	9.25	10.07
Embedded value earnings			
Embedded value at end of period	2,959,436	2,472,574	2,700,868
Embedded value at beginning of period	2,700,868	2,409,662	2,409,662
Change in embedded value	258,568	62,912	291,206
Dividends paid	56,214	115,239	157,400
Embedded value earnings	314,782	178,151	448,606
Return on embedded value	25%	15%	19%
These earnings can be analysed as follows:			
Expected return on life business in force	40,558	42,982	80,200
Value of new business	39,163	39,348	99,307
Value at point of sale	34,769	37,213	90,198
Expected return to end of period	4,394	2,135	9,109
Operating experience variances	35,273	37,604	7,599
Mortality/Morbidity	24,264	30,050	58,696
Persistence	15,536	8,079	(23,974)
Expenses	(7,832)	(1,422)	(6,867)
Other	3,305	897	(20,256)
Operating assumption changes	(17,314)	(41,627)	18,140
Mortality/morbidity	-	5,320	6,679
Persistence	(1,703)	3,610	45,791
Expenses	(12,321)	(4,023)	(14,011)
Other	(3,290)	(46,534)	(20,319)
Embedded value earnings from operations	97,680	78,307	205,246
Investment variances	28,328	8,503	17,761
Economic assumption changes	(14,024)	-	10,517
Inflation	-	-	10,517
Long term asset mix	(14,024)	-	-
Embedded value earnings from covered business	111,984	86,810	233,524
Return on shareholders assets	158,767	90,453	224,388
Investment Returns	60,549	5,879	57,687
Net profit non-life operations	98,218	84,574	166,701

	6 months to June 2013 P'000	6 months to June 2012 P'000	Year to 31 Dec 2012 P'000
Change in shareholders' fund adjustments	44,031	888	(9,306)
Movement in fair value of incentive scheme shares	11,443	4,073	1,390
Movement in present value of holding company expenses	16,909	(14,203)	(8,895)
Movement in other net worth adjustments	15,679	11,018	(1,801)
Embedded value earnings	314,782	178,151	448,606
a) Value of new business			
Value of new business at calculation date	39,163	39,347	99,307
Value before cost of capital	44,568	46,027	107,752
Recurring premium	17,327	13,877	31,782
Single premium	27,241	32,150	75,970
Cost of capital	(9,799)	(8,815)	(17,554)
Expected return to end of period	4,394	2,135	9,109
b) Fair value adjustments			
Staff share scheme	(3,470)	(12,229)	(14,913)
Non-life operations write-up to fair value	262,500	251,404	248,761
Group holding expenses	(46,118)	(68,335)	(63,027)
Reversal of cross holding adjustment	102,545	110,781	100,605
Total	315,457	281,621	271,426
Consisting of:			
Net Asset Value adjustments	361,575	349,956	334,453
Value of In Force adjustments	(46,118)	(68,335)	(63,027)

c) Assumptions

The main assumptions used are as follows:

1. Economic assumptions	% p.a	% p.a	% p.a
Risk discount rate	12.50	13.00	12.50
Overall investment return (before taxation)	10.09	10.59	10.09
Expense inflation rate	6.00	6.50	6.00

2. Other assumptions

The assumptions for future mortality, persistency and premium escalation were based on recent experience adjusted for anticipated future trends.

Restatement

The embedded value as at 31 December 2012 has been restated as the fair value on certain assets was carried at cost in the statement of financial position. This results in an additional P124 million in fair value. The embedded value has accordingly been restated from the original value of P2.5 billion to the revised one of P2.7 billion at 31 December 2012. This change does not affect the income statement and the statement of financial position.

Commentary

The Directors hereby present the results of Botswana Insurance Holdings Limited (BIHL) for the six months ended 30 June 2013.

Key features

Revenue

Net premium income decreased by 14% to P 867.3 million
Fee income increased by 29% to P 55.3 million
Value of new business remained flat at P39.2 million

Earnings

Operating profit increased by 23% to P132.6 million
Core earnings increased by 38% to P157.5 million
Profit attributable to equity holders increased by 38% to P235.1 million

Assets under management

Assets under management increased by 11% to P23.9 billion (December 2012: 21.6 billion)

Embedded value

Embedded value increased by 10% to P2.9 billion (December 2012: P 2.7 billion)

Dividends

P 56.2 million paid as dividends during the period (2012: P115.2 million)
Interim normal dividend proposed of 15 thebe per share (gross of tax)

Solvency

Business is well capitalized, required capital covered 6.3 times (December 2012: 5.8 times)

Economic environment

The global economy continued to moderately improve, but remains fragile due to the uneven growth across regions. The US economy continues to strengthen, whilst Europe remains in a protracted recession. Emerging economies growth rates continue to moderate, but are nonetheless expected to remain substantially higher than developed economies. Broadly all emerging market currencies depreciated against the US Dollar. Policymakers have indicated that they will back stimulus to ensure market volatility does not wreck the economic recovery. Low inflation and high unemployment rates in major world economies suggest that loose monetary policy stances are likely to be maintained in 2013.

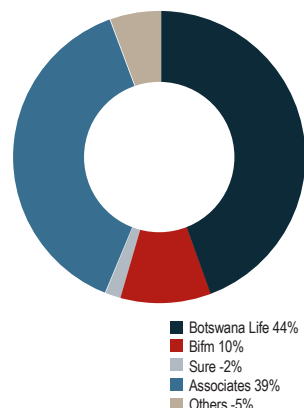
Locally, the Bank rate was reduced three times since the beginning of the year from 9.5% to reach 8.5%; the lowest since 1990. This is on the back of easing inflation pressures and subdued domestic demand conditions. The domestic headline inflation rate closed the first half of 2013 at 5.8% from 7.4% in December 2012, hence within the target range 3-6% of the central bank. GDP figures showed a growth rate of 3.6%, for the 12 months ending March 2013, down from the 4.2% recorded in 2012. The reduced growth rate was on account of 6.1% contraction in the mining sector and the slowing pace of the non-mining sector. The electricity load-shedding also negatively affected the economic conditions. Although some positives have been recorded, for example on the inflation front, economic conditions are unlikely to record a dramatic change for the remainder of the year.

Botswana Insurance Holdings Limited

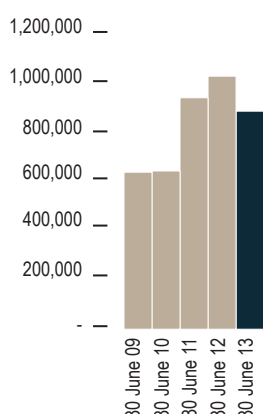
Unaudited Group results for the six months ended 30 June 2013



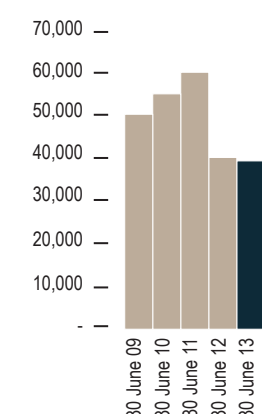
Operating Profit Contribution



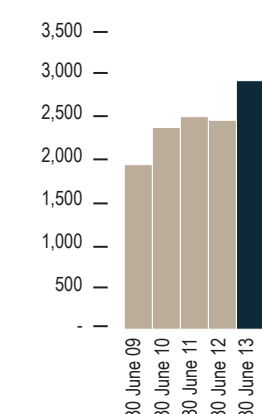
Premium Income P'000



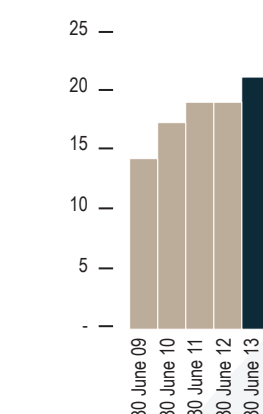
Value of New Business P'000



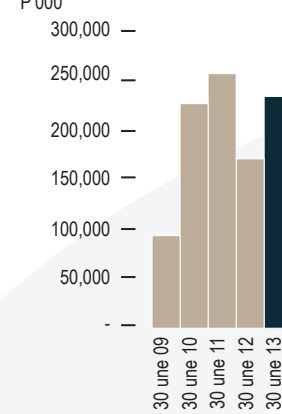
Embedded Value P'million



Assets Under Management P'billion



Profit Attributable to Ordinary Shareholders P'000



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 2012.

Financial overview

	6 months to June 2013 P'000	6 months to June 2012 P'000	% Change	Year to 31 Dec 2012 P'000
Analysis of earnings				
Operating profit	132,562	107,871	23%	232,764
Investment income on shareholders' assets	24,972	6,124	308%	37,957
Core earnings				
	157,534	113,995	38%	270,721
Profit on sale of subsidiary	-	-	-	6,075
Share of profit of associates and joint ventures net of tax	87,576	87,721	-	196,482
Investment gains on shareholders' assets	43,486	8,735	398%	12,053
Profit before tax	288,596	210,451	37%	485,331
Tax	(51,569)	(38,501)	34%	(90,936)
Profit after tax	237,027	171,950	38%	394,395
Non-controlling interests	(1,878)	(1,223)	54%	(3,477)
Profit attributable to ordinary shareholders	235,149	170,727	38%	390,918

Segmental Analysis

	Life Insurance		Asset Management		Associates		Other	
	6 months to June 2013 P'000	6 months to June 2012 P'000	6 months to June 2013 P'000	6 months to June 2012 P'000	6 months to June 2013 P'000	6 months to June 2012 P'000	6 months to June 2013 P'000	6 months to June 2012 P'000
Premium revenue	845,382	999,857	-	-	-	-	21,942	10,257
Fee revenue	-	-	57,928	43,024	-	-	-	-
Inter segmental	-	-	2,622	1,645	-	-	-	-
Profit/(loss) for the period after tax	142,452	103,238	33,793	9,468	87,576	87,721	(5,623)	(16,342)

Note:

"Other" includes general insurance, group office expenses and Corporate Social Investment (CSI) activities

Embedded value

The Group's embedded value has increased by 10% to P2.9 billion. The embedded value was positively affected by good operating earnings from most of the business lines, especially the life business, and good investment returns which are in line with global market performance for the reporting period. The embedded value allows for P56.2 million dividends paid during the period.

Value of new life business

The value of new life business remained flat at P39.2 million mainly due to the low annuity income that has underperformed and negatively affected the net premium income. This negative performance was countered by positive growth in the individual life business.

Asset management business

Bifm's first half of the year was exceptional with business performing above prior year in terms of operating profit (108%), and profit before tax and minorities (159%). The good performance is on the back of a strong assets under management position increased by new mandates won in the latter part of 2012. Additionally, good investment performance particularly in the first quarter of the year as well as the increased net fund contributions positions for both BIFM and Aflife Zambia. Total assets under management currently stand at P23.9 billion.

The Collective Investment Units (CIU) was launched in April of 2013. The launch of the products is seen as a great opportunity by Bifm to continually contribute significantly to the development of a savings culture in Botswana. The clients are offered an opportunity to invest in diverse investment products which can offer better returns.

Short term insurance business

The range of general insurance products offered by BIHL Sure! was extended during the first half of 2013 and the new products, TravelSure (cover whilst on travel) and IncomeSure (cover in case of retrenchment), have gained quick market acceptance. The launch of further products is planned for the second half of the year.

An interactive website was launched. The site enhances customer experience as users are now able to purchase certain products on-line. The capabilities of the site will be further enhanced during the remainder of the year.

The key Legal Guard portfolio continued to perform well, although some technical difficulty was experienced during the period with the collection of premiums following the migration of the business to a new computer system. A refinement of the claims settling process resulted in the improvement of customer service levels and process efficiencies.

Associate investments

These are strategic investments in Letshego (23%); Funeral Services Group (FSG) (28%); Airport Junction Mall 25%. The investments continue to positively contribute to the Group's results through the various partnerships, offer the diversification from the well established businesses and they all performed well during the period. The Group's share of profit in associates and joint ventures remains flat at P87.6 million.

Investment income and investment surpluses

Investment income, which comprises interest and dividend income, increased by 308% to P24.9 million. Investment gains increased by 398% to P43.5 million due to good investment returns received over the period. Investment income is significantly above prior year following redemption of debentures from associate companies.

Capital management and solvency

The Group still remains in a very strong position with respect to capital requirements, with required capital covered 6.3 times. This remains a key focus area.

Looking ahead

We continue to focus on our key twin strategies of growth and profitability and build on our achievements for the first half. However, uncertainty in the global markets is expected to continue to affect the results.

Changes in directorships

There were no changes to directorships during the period.

Dividend declaration

The interim results have been driven mainly by good investment returns and we remain cautious on the dividends payout until the year end. The Directors have therefore resolved to award an interim dividend of 15 thebe per share (gross of tax).

The important dates pertaining to the dividends are:

Declaration date	20 August 2013
Last day to register for dividend	04 October 2013
Payment of dividend	18 October 2013

For and on behalf of the Board

B Dambe-Groth (Chairperson)

G Hassam (Group Chief Executive Officer)

20 August 2013

Overview of Operations

Life insurance business

The last quarter of 2012 signified a positive improvement in the economic recovery, we have been experiencing much improved new business volumes on the retail line which was previously under significant pressure. The annuity line which contributes substantially to our single premium income has greatly underperformed compared to prior year, this is a result of less retirees than expected.

Operating Profit is P124.6 million up 12% compared to P111.3 million reported in June 2012. All business lines contributed positively to this performance with under achievement on the Group Life Line which continues to be under aggressive competitor pressure. The Net Premium Income is 85% of prior year (P845.3 million vs. P999.9 million) due to the underperformance of our single premium line.

We continue to make significant progress in the implementation of key imperatives from our Sekgantshwane 2014 strategic pillars which aim to transform our business to become a world class company. During the period we successfully launched the BLIL Liferewards Prepaid card which aims to reduce turnaround times for benefit claims in a secure and faster way.

