The directors take pleasure in presenting the audited results of Botswana Insurance Holdings Limited (‘BIHL’) for the year ended 31 December 2008.

Key features

- Net premium income increased by 16% to P 998 million.
- Fee income increased by 12% to P 123.5 million.
- Value of new business increased by 21% to P 68 million.
- Surplus before tax decreased by 59% to P 221.5 million.
- Total surplus after tax decreased by 4% to P 58 million.
- Fee income increased by 12% to P 123.5 million.

Economic environment

The global economic environment in 2008 was characterized by deteriorating prospects particularly in global capital markets. As a result of losses in old and new investment banks in the United States of America, Europe and the Cypriot Islands, the last quarter of 2008 witnessed significant reductions in equity prices.

The global recession increased from 15% during the month of November 2008 to 13.7% in the month of December 2008. This resulted in a significant adverse effect of P1.5 billion on the operating surplus from operations.

The local economy did not get the expected direction as dividend payments increased by 15% to P 3.2 billion. These dividends were paid mainly to the large joining banks and building societies.

The local economy inflation subsided from 15% during the month of November 2008 to 13.7% in the month of December 2008. This resulted in a significant adverse effect of P1.5 billion on the operating surplus from operations.

Furthermore, the value of the new business life is P 938 million for the year ended 31 December 2008, 21% up on the prior year period of P 775 million. The increase is due to improved reinsurance and growth in new business volumes. New business volumes have been established in various countries.

Earnings

- Net earnings were P 58 million for the year ended 31 December 2008.
- Adjusted earnings attributable to equity holders of P 35 million.
- Earnings per share (thebe) of P 0.26.
- Diluted earnings per share (thebe) of P 0.26.
- Surplus attributable to equity holders of P 1,069 million.
- Surplus attributable to ordinary shareholders of P 1,068 million.

Balance sheet

- Total assets decreased by 50% to P 27.4 billion.
- Total liabilities decreased by 50% to P 20.1 billion.
- Total equity was P 7.2 billion.
- Cash, deposits and similar securities decreased by 50% to P 200.8 million.
- Loans and receivables decreased by 50% to P 344.3 million.
- Fixed interest securities decreased by 50% to P 118.8 million.
- Government and public authority bonds decreased by 50% to P 487.6 million.
- Equity investments decreased by 50% to P 125.7 million.
- Available-for-sale financial assets decreased by 50% to P 329.9 million.

- The embedded value comprises:
  - P 1,384 million from operations
  - P 97 million from non-operating items

- The accounting policies adopted for the period comply in all material respects with the guidance issued by the International Accounting Standards Board (‘IASB’).

Economic Rationale

The assumptions for future mortality, persistency and premium escalation were determined in accordance with the assumptions applied for the year ended 31 December 2007.

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OVERVIEW OF OPERATIONS
Life insurance business
The business recorded excellent growth during the year, fuelled by strong new business momentum witnessed by a 25% rise in new business premiums. This was due to the introduction of new Business Development Programs that focused on Corporate Business and partnership with banks for distribution of insurance products.

Despite the inflationary pressure, administration expenses were well controlled. Policyholder claims settlement provisions were honoured and P15.1 billion was paid during the year.

Institutional business
During the year, Botswana Insurance Holdings Limited (BIHL) continued to maintain its established position as the largest reinsurer of corporate and infrastructure risks in Botswana. This was achieved through the strong underwriting discipline, prudent claims management and prudent capital management. As a result of this, BIHL’s financial position remained strong and capital adequacy ratio maintained above regulatory requirements.

Botswana is a wholly owned subsidiary of BIHL.

OFFSHORE MARKET BEHAVIOUR
The offshore market behaviour was established. During the twelve months to December 2008, the Domestic Companies Index lost 16.5%. The shedding of volatile sub-prime assets was perceived as a correction of market pricing which resulted in more in line with company fundamentals.

The local equity market followed suit, though an official direct link to the offshore market behaviour was established, starting the twelve months to December 2008, the Domestic Companies Index lost 16.5%. The shedding of volatile sub-prime assets was perceived as a correction of market pricing which resulted in more in line with company fundamentals.

The uncertainly in the global markets are expected to continue to affect the results for the following year.

Challenges in Directories

Diversification
The Directors have resolved to award a final dividend for the period, net of tax, of 38.25 Botswana pula and a special dividend of 10.20 Botswana pula.

The important dates pertaining to the dividends are:

Declarati5n
Date: 12 February 2009

Last day to register for dividend: 28 March 2009

Distribution of dividend cheques: 6 April 2009

For and on behalf of the Board

Mr. Brian Durrant (Chairperson), Mr. Richard Sikalesele-Vaka and Mr. Thabang Motsepe

Corporate Business and Partnership with Banks for Distribution of Insurance Products
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Mr. Brian Durrant (acting Chairperson) and Mr. Richard Sikalesele-Vaka

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GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

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REVERSAL OF THE SALE OF A MINORITY STAKE IN BIFM BOTSWANA

As announced at the Annual General Meeting held on the 24th of June 2008, the Board resolved to reverse the transaction for the sale of the 27.5% minority stake in BIFM Botswana. The effective management of capital is an ongoing matter and in line with this, a special dividend has been declared.

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