### Group Consolidated Income Statement

#### Net insurance and investment contract benefits and claims
- Gross benefits and claims paid: 841,915 (791,580)
- Reinsurance claims: 3,434 (10,450)
- Change in liabilities under investment contracts: (1,282,184) (413,862)
- Change in policyholder liabilities under insurance contracts: (947,536) (641,031)

#### Expenses
- Sales remuneration: 112,205 (54,009)
- Administration expenses: (138,213) (120,672)

#### Profit before share of profits of associates and joint ventures
- Profit before tax: 288,596 (210,451)
- Profit after tax: 235,149 (235,149)

#### Retained earnings
- Non-controlling interests: 35,529 (31,519)
- Retained earnings: 1,367,679 (1,107,670)

#### Total assets
- Equity attributable to equity holders of parent: 1,590,694 (533,109)
- Total assets: 2,002,360 (739,088)

#### Total comprehensive income for the period
- 248,334 (157,572)

### Group Consolidated Statement of Financial Position

#### Total assets
- Stated capital: 130,821 (130,821)
- Non-distributable reserves: 642,345 (516,914)
- Retained earnings: 1,239,226 (1,944,961)

#### Total equity
- Total equity attributable to equity holders of parent: 1,590,694 (1,944,961)
- Non-controlling interests: 3,477 (33,651)

#### Total liabilities
- Statement of changes in equity: 1,590,694 (1,944,961)

### Group Consolidated Statement of Changes in Equity

#### Stated capital
- Opening balances: 130,821 (468,891)
- Profit for the year: 390,918 (390,918)
- Dividends paid: (157,403) (157,403)
- Transfers from retained earnings to non-distributable reserves: 62,426 (62,426)
- Other movements in reserves: (9,269) (9,269)

#### Non-controlling interests
- Opening balances: 3,477 (5,874)

#### Total equity
- Year to 31 December 2012: 1,590,694 (1,944,961)
- Period to 30 June 2013: 1,590,694 (1,944,961)
Botswana Insurance Holdings Limited
Unaudited Group Results
for the Six Months
Ended 30 June 2013

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.

<table>
<thead>
<tr>
<th>6 months to June 30 2013</th>
<th>6 months to June 30 2012</th>
<th>Year to June 30 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>P'000</td>
<td>P'000</td>
<td>P'000</td>
</tr>
</tbody>
</table>

**Embedded value results**

<table>
<thead>
<tr>
<th>Sharesholders’ net assets after fair value adjustments</th>
<th>2,387,500</th>
<th>1,990,043</th>
<th>2,164,327</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value adjustments</td>
<td>361,575</td>
<td>349,956</td>
<td>334,453</td>
</tr>
<tr>
<td>Value before cost of capital</td>
<td>724,936</td>
<td>644,068</td>
<td>708,461</td>
</tr>
<tr>
<td>Fair value adjustments</td>
<td>46,118</td>
<td>63,027</td>
<td></td>
</tr>
<tr>
<td>Cost of capital</td>
<td>(106,882)</td>
<td>(108,893)</td>
<td></td>
</tr>
<tr>
<td><strong>Embedded value at end of period</strong></td>
<td>2,959,436</td>
<td>2,472,574</td>
<td>2,700,868</td>
</tr>
</tbody>
</table>

- **Required Capital** 314,057 301,821 334,453
- **Required Capital Cover** 6.3 6.7 5.8
- **Dividends paid** 56,214 115,239 157,400
- **Expected return on life business in force** 40,558 42,982 80,200
- **Return on embedded value** 25% 15% 19%

*Earnings*

Net income decreased by 14% to P.867.3 million

- **Earnings**
  - Operating profit increased by 23% to P.132.6 million
  - Core earnings increased by 38% to P.157.5 million
  - Profit attributable to equity holders increased by 38% to P.235.2 million

**Assets under management**

Managed assets increased by 11% to P.239.1 billion (December 2012: P.223.1 billion)

**Dividends**

A total of P.56.2 million paid as dividends during the period (2012: P.115.2 million)

**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 prolonged recession. Emerging economies growth rates continue to moderate, but are nonetheless expected to remain substantially higher than developed economies. Broadly all existing 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.

**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 P.93.2 million

Earnings

- Core earnings increased by 38% to P.157.5 million
- Profit attributable to equity holders increased by 38% to P.235.2 million

**Assets under management**

Managed assets increased by 11% to P.239.1 billion (December 2012: P.223.1 billion)

**Dividends**

A total of P.56.2 million paid as dividends during the period (2012: P.115.2 million)

**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 prolonged recession. Emerging economies growth rates continue to moderate, but are nonetheless expected to remain substantially higher than developed economies. Broadly all existing 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 6.5% the lowest since 1991. 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 of 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 predisvas 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

Profit before tax 288,596  210,451  37%       485,331

Profit after tax 237,027  171,950            38%       394,395

Profit attributable to ordinary shareholders 235,149  170,727  38%  390,918

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.

Associate investments
The Group's share of profit in associates and joint ventures rose by 34% to P196.5 million, of which P167.5 million relates to BLIL Liferewards Prepaid card which aims to reduce turnaround times for benefit claims in a secure and faster way.

Life insurance business
The value of new life business remains 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 income. This negative performance was countered by positive growth in the individual income.

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 loss retentions than expected.

Operating Profit is P324.6 million up 12% compared to P321.3 million reported in June 2012. All business lines contributed positively to this performance with underwriting profit on the Group's life line which continues to be under aggressive competitor pressures. The Net Premium Income is 83% of prior year (P545.3 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 Sakangwethe 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.

Asset management business
Bfim's full year of the half was exceptional with business performance above prior year in terms of operating profit (158%), and profit before tax and minorities (190%). 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 this year as well as the increased net fund contributions positions for both Bfim and MfM 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 Bfim 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.

1 Short term business insurance
The range of general insurance products offered by Bfim, 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. A key focus area.

2 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.

3 Changes in directorships
There were no changes to directorships during the period.

4 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).