THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY

Action Required:

- If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, banker, lawyer, accountant or other professional adviser immediately.

- If you have sold or transferred all your shares in Botswana Insurance Holdings Limited (“BIHL” or “the Company”), you should at once hand this Circular together with the Notice of the Extraordinary General Meeting (“EGM”) and the Form of Proxy to the agent through whom you effected the sale and transfer for onward transmission to the purchaser or transferee.

- This Circular incorporates listing particulars and is issued in compliance with the Listing Requirements of the Botswana Stock Exchange for the purpose of giving information to the public with regard to the Shareholders of BIHL. The Botswana Stock Exchange assumes no responsibility for the accuracy of any of the statements made or opinions expressed in this Circular.

Registration number CO 90/1818
Share code: BIHL   ISIN: BW 000 000 0033
Incorporated in the Republic of Botswana (“BIHL” or “the Company”)

CIRCULAR TO SHAREHOLDERS
IN RELATION TO THE RELATED PARTY TRANSACTION AND INCORPORATING A NOTICE OF THE EGM AND A FORM OF PROXY

A notice convening an EGM of BIHL is to be held at Avani Gaborone Hotel & Casino (Gaborone Sun) on the 17th November 2015 at 1600hrs or any adjournments thereof, together with the Form of Proxy enclosed in the notice of the EGM. The Form of Proxy must be lodged at the Registered Office of the Company Secretary at c/o Plot 50371, Fairground Office Park not later than forty-eight (48) hours before the time set for holding the meeting. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

<table>
<thead>
<tr>
<th>Important Dates</th>
<th>Date or Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Circular</td>
<td>26th October 2015</td>
</tr>
<tr>
<td>Last day and time for lodgement of Form of Proxy</td>
<td>13th November 2015</td>
</tr>
<tr>
<td>Date and time of EGM</td>
<td>17th November 2015</td>
</tr>
<tr>
<td>Press Announcement on results of EGM</td>
<td>20th November 2015</td>
</tr>
</tbody>
</table>

The dates and times are subject to change. Any such change will be published in the press.

Stockbrokers

Legal Advisor
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>CLAUSE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. DEFINITIONS AND INTERPRETATION</td>
<td>4</td>
</tr>
<tr>
<td>2. INTRODUCTION</td>
<td>5</td>
</tr>
<tr>
<td>3. NATURE OF BIHL BUSINESS</td>
<td>5</td>
</tr>
<tr>
<td>4. NATURE OF THE RELATED PARTY INTEREST</td>
<td>6</td>
</tr>
<tr>
<td>5. DETAILS OF THE ACQUISITION</td>
<td>6</td>
</tr>
<tr>
<td>6. FINANCIAL INFORMATION</td>
<td>9</td>
</tr>
<tr>
<td>7. MAJOR SHAREHOLDERS</td>
<td>12</td>
</tr>
<tr>
<td>8. INFORMATION ON DIRECTORS</td>
<td>12</td>
</tr>
<tr>
<td>9. RELATED PARTIES</td>
<td>13</td>
</tr>
<tr>
<td>10. DIRECTORS’ OPINIONS AND RECOMMENDATIONS</td>
<td>13</td>
</tr>
<tr>
<td>11. INDEPENDENT EXPERT OPINION</td>
<td>13</td>
</tr>
<tr>
<td>12. DIRECTORS’ RESPONSIBILITY</td>
<td>13</td>
</tr>
<tr>
<td>13. OTHER INFORMATION</td>
<td>13</td>
</tr>
<tr>
<td>14. NOTICE OF AN EXTRAORDINARY GENERAL MEETING</td>
<td>22</td>
</tr>
<tr>
<td>15. FORM OF PROXY</td>
<td>23</td>
</tr>
</tbody>
</table>
CORPORATE INFORMATION

Head Office
Botswana Insurance Holdings Limited
(Registration Number CO 90/1818)
Plot 50374, Fairgrounds Financial Centre
Gaborone, Botswana
P. O. Box 336, Gaborone
Botswana

Directors
Mrs. Batsho Dambe-Groth
Mr. Gaffar Hassam
Mr. Chandra Chauhan
Mr. Andre Roux
Mr. John Hinchliffe
Mr. Mahube Chilisana Mpugwa
Mr. Heinie Werth
Mr. Gerrit van Heerde
Lieutenant General Tebogo Masire

Registered Office
Pricewaterhouse Coopers
Plot 50371 Fairground Office Park
Gaborone, Botswana
P. O. Box 294 Gaborone
Botswana

Sponsoring Broker
Motswedi Securities
Registration Number CO 97/2262
Plot 113, Unit 30, Kgale Mews
Private Bag 00223,
Gaborone, Botswana

Legal Advisors
Armstrongs Attorneys
2nd Floor, Acacia House,
Plot 54358
Cnr Khama Crescent Ext
PG Matante Road, New CBD
P O Box 1368
Gaborone, Botswana

Independent Expert
Imara Botswana Ltd
2nd Floor, Morojwa Mews
Unit 6, Plot 74770
Western Commercial Road, CBD
Gaborone
Registration number CO 90/1818  
Share code: BIHL  ISIN: BW 000 000 0033  
Incorporated in the Republic of Botswana  
(“BIHL” or “the Company”)

1. DEFINITIONS AND INTERPRETATION

In this section unless otherwise stated or the context otherwise requires, the words in the first column have the meanings stated opposite them in the second column, words in the singular include the plural and vice versa, and words importing natural persons shall include juristic persons, whether corporate or incorporate, and vice versa:

“Act” the Companies Act, 2003, Act No 32 of 2004 as amended;  
“Acquisition” the acquisition of 261,760,272 shares representing 25.1% issued share capital in NICO Holdings Limited;  
“Acquisition Agreement” the Sale of Shares Agreement between BIHL as the purchaser and SEM as the seller to the Transaction;  
“BIHL” or “the Company” Botswana Insurance Holdings Limited (registration number CO 90/1818) incorporated in the Republic of Botswana, regulated in terms of the Non-Bank Financial Regulatory Authority Act Cap 46;08 and listed on the BSE;  
“Botswana” the Republic of Botswana;  
“BSE” the Botswana Stock Exchange;  
“BWP” the legal tender of the Republic of Botswana in which all monetary amounts in this Circular are expressed;  
“Directors” the Board of Directors of BIHL;  
“EGM” Extraordinary General Meeting of the Company to be held on 17th of November 2015;  
“Listings Requirements” the listings requirements of the BSE;  
“Independent Expert” Imara Holdings Limited, a company incorporated in accordance with the laws of Botswana;  
“MK” the legal tender of Malawi in which all monetary amounts in this Circular are expressed;
“NICO” Nico Holdings Limited a financial services holding company incorporated in accordance with the laws of Malawi which is listed on the Malawian Stock Exchange which is the subject of the Transaction;

“Ordinary Resolution” a resolution passed by 50% of the votes of all Shareholders present or represented by proxy at the general meeting and eligible to vote on the matter.

“Related Party Transaction” in terms of the Listing Requirements, it means a transaction, or any variation or novation of an existing agreement between a listed company or any of its subsidiaries or associates of the subsidiaries;

“SEM” Sanlam Emerging Markets (Proprietary) Limited, a South African financial services company which is a 100% subsidiary of Sanlam Limited a listed company on the Johannesburg Stock Exchange;

“Shareholders” holders of Ordinary Shares of the Company;

“Transaction” the acquisition of 261,760,272 shares representing 25.1% issued share capital in NICO by BIHL from SEM.

“VWAP” the volume weighted average price over 60 days prior to the 23rd of September 2015.

2. INTRODUCTION

2.1 BIHL proposes to enter into the Acquisition Agreement with SEM for the acquisition of 261,760,272 shares representing 25.1% issued share capital in NICO.

2.2 The Acquisition constitutes a Related Party Transaction in terms of the Listings Requirements of the BSE and is accordingly subject to approval by the Shareholders.

2.3 The purpose of this Circular is to provide Shareholders with initial information regarding the Acquisition and the Shareholders will be asked to approve the Ordinary Resolution necessary to implement the Acquisition at the forthcoming EGM.

3. NATURE OF BIHL BUSINESS

3.1 BIHL is a company listed on the BSE and was incorporated in Botswana on the 21st of November 1990. The Company is regulated by the Non-Bank Financial Regulatory Authority Act Cap 46;08.
3.2 BIHL’s core business is in life assurance, general insurance and asset management while it has strategic investments in a number of companies that are enabling achievement of business objectives.

4. NATURE OF THE RELATED PARTY INTEREST

4.1 BIHL intend to acquire 25.1% of the issued ordinary shares in NICO. SEM currently holds an equity stake of 25.1% in NICO and indicated that it will be agreeable to dispose of the investment to BIHL on an arms-length commercial terms.

4.2 The Transaction involves parties that are related through the beneficial material shareholding that SEM has in both BIHL and NICO, consequently the transaction is subject to section 10 of the BSE Listing Requirements.

5. DETAILS OF THE ACQUISITION

5.1 Background Information of NICO

5.1.1 NICO Holdings is listed on the Malawian Stock Exchange and its VWAP as of the 23 September 2015 was MK30.00 (which is approximately BWP 0.50), which converts to a market capitalization of MK31.2 billion (which is approximately BWP 600 000 000).

5.1.2 NICO was founded in 1970 and started trading in January 1971, and is headquartered in Blantyre, Malawi. The group operates in five countries including Malawi, Tanzania, Uganda, Zambia and Mozambique and approximately 70% of NICO operations remain in Malawi.

5.1.3 NICO operates its business through six segments which are, general insurance business, life insurance & pensions business, banking business, asset management, information technology and investment holding.

5.1.4 It is also involved in the hospitality industry and real estate industry as portfolio investments through some of its subsidiaries and associate companies.

5.1.5 NICO is the Malawian market leader in terms of diversification into financial services businesses outside Malawi which was implemented to mitigate the country’s risks. NICO in Malawi is comfortably maintaining the number one position in general lines insurance followed closely by its competitor, Old Mutual, the life insurance company.

5.1.6 The NICO Group has well established insurance and banking operations throughout Malawi. A common theme that seems to emerge from all the Malawian companies is retention of key staff, an issue that is at the core of the NICO Group’s endeavors to remain the top broad based financial services company in Malawi.
5.2 Organogram Structure of NICO

5.3 Details of the Acquisition Agreement

5.3.1 Details of SEM

5.3.1.1 The seller to the Transaction is SEM, a company incorporated in South Africa whose registered address is 2 Strand Road, Belleville, South Africa.

5.3.1.2 SEM is Sanlam Limited’s subsidiary responsible for investments in life assurance, short term insurance and asset management business in emerging markets outside South Africa. Sanlam Limited is listed on the Johannesburg Stock Exchange. SEM’s footprint currently extends to the following countries: Botswana, Burundi, Ghana, Kenya, Malawi, Mozambique, Namibia, Nigeria, Rwanda, Tanzania, Gambia, Uganda, Zambia, India and Malaysia.

5.3.2 Consideration

The aggregate purchase price payable for the Transaction is approximately BWP 145 million. The market value of NICO is MK 31.3 billion (which is approximately BWP 600 000 000). This is based on a BWP/MK exchange rate of BWP1 = MK54. The purchase price is to be discharged by way of cash settlement through an authorized broker of the Malawian Stock Exchange.
5.3.3 **Effective Date**

Subject to Shareholders approval and the fulfillment of the conditions set out in clause 5.3.4, BIHL shall be a shareholder to NICO and be entitled to every benefit arising from being a shareholder in NICO.

5.3.4 **Conditions**

The Acquisition is subject to the fulfillment of the following conditions:

5.3.4.1 the shareholders in BIHL approving the acquisition of 261,760,272 shares representing 25.1% issued share capital in NICO at a duly convened EGM;

5.3.4.2 the approval of the BSE;

5.3.4.3 the regulatory approval of the Malawian Stock Exchange of the Transaction; and

5.3.4.4 the approval of the South African Reserve Bank of the Transaction.

5.3.5 **Rationale for the Transaction**

5.3.5.1 BIHL has historically found itself in a position of accumulating excess capital primarily through its mature subsidiary Botswana Life Insurance Limited, the leading life assurance company in Botswana with an estimated market share of 70%-75%. BIHL is continuously exploring investment opportunities in financial services in Botswana but this has become challenging due to the extent of BIHL’s existing investments in the local market.

5.3.5.2 BIHL realized a number of years ago that expansion into the Southern African region was the most viable option to utilize excess capital, however, this route has proven to be difficult as it inherently presented conflict of interest situations with its majority shareholder, SEM.

5.3.5.3 This situation is quite common where subsidiaries are producing profits significantly in excess of future capital required for organic growth, an example being the local commercial banks where excess capital have been returned to parent companies on a consistent basis since the 1990’s. In BIHL’s case it was decided that capital will rather be retained for business expansion.

5.3.5.4 The opportunity presented to buy 261,760,272 shares representing 25.1% issued share capital in NICO is attractive for the following reasons:
5.3.5.4.1 the business is well diversified into a number of financial services company spanning over 5 countries in Southern Africa;

5.3.5.4.2 the relatively new business in Uganda, Tanzania and Mozambique offers significant growth prospects and are closely monitored by experienced professionals in SEM.

5.3.5.4.3 the Malawian general lines and life assurance companies are well established business occupying the number one and two positions in terms of market share respectively in Malawi.

5.3.5.4.4 it offers BIHL an opportunity to expand into Southern Africa at a market related price with attractive growth opportunities and enhanced return on group equity value.

5.3.5.5 SEM owns 25.1% and 58.3% of the share capital of NICO and BIHL respectively. BIHL owns 100% of its operating subsidiaries in Botswana which differs significantly with the NICO structure where it has joint shareholding interest with SEM in various life and general lines subsidiaries in the Southern African region.

5.3.5.6 SEM considers the Acquisition as a good opportunity to assist BIHL in its regional diversification drive within acceptable risk parameters.

6. FINANCIAL INFORMATION

6.1 Pro forma Balance Sheet

The pro forma balance sheet set out below is presented for illustrative purposes only, to provide information about how the Acquisition may affect the balance sheet of BIHL as at the 30 June 2015 should the Transaction been implemented on the date of the notice to the EGM. Due to the nature of a pro forma balance sheet, it may not accurately reflect the financial position of BIHL after the Acquisition.
### Group Consolidated Statement of Financial Position as at 30 June 2015

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Pre Transaction</th>
<th>Post Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and equipment</td>
<td>18 437</td>
<td>18 437</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>123 755</td>
<td>123 755</td>
</tr>
<tr>
<td>Long term reinsurance assets</td>
<td>1 728</td>
<td>1 728</td>
</tr>
<tr>
<td>Investment property</td>
<td>238 939</td>
<td>238 939</td>
</tr>
<tr>
<td>Investments in associates and joint venture</td>
<td>1 594 330</td>
<td>1 739 330</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>10 471 161</td>
<td>10 471 161</td>
</tr>
<tr>
<td>- Bonds (Government, public authority, listed and unlisted corporates)</td>
<td>5 837 292</td>
<td>5 837 292</td>
</tr>
<tr>
<td>- Equity investments (Local and foreign)</td>
<td>4 088 907</td>
<td>4 088 907</td>
</tr>
<tr>
<td>- Policy loan and other loan advances</td>
<td>407 746</td>
<td>407 746</td>
</tr>
<tr>
<td>- Money market instruments</td>
<td>137 216</td>
<td>137 216</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>495</td>
<td>495</td>
</tr>
<tr>
<td>Insurance and other receivables</td>
<td>236 071</td>
<td>236 071</td>
</tr>
<tr>
<td>Tax refund due</td>
<td>2 705</td>
<td>2 705</td>
</tr>
<tr>
<td>Cash, deposits and similar securities</td>
<td>803 116</td>
<td>658 116</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>13 490 737</strong></td>
<td><strong>13 490 737</strong></td>
</tr>
</tbody>
</table>
### EQUITY AND LIABILITIES

**Equity attributable to equity holders of parent**

<table>
<thead>
<tr>
<th></th>
<th>BIHL</th>
<th>BII</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stated capital</td>
<td>130 821</td>
<td>130 821</td>
</tr>
<tr>
<td>Non distributable reserves</td>
<td>585 408</td>
<td>585 408</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>2 126 393</td>
<td>2 126 393</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>2 842 622</td>
<td>2 843 622</td>
</tr>
</tbody>
</table>

**Non-controlling interests**

<table>
<thead>
<tr>
<th></th>
<th>BIHL</th>
<th>BII</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>17 448</td>
<td>17 448</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>2 860 070</td>
<td>2 860 070</td>
</tr>
</tbody>
</table>

**Liabilities**

<table>
<thead>
<tr>
<th>Policyholder liabilities under:</th>
<th>BIHL</th>
<th>BII</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance contracts</td>
<td>7 950 007</td>
<td>7 950 007</td>
</tr>
<tr>
<td>Investment contracts</td>
<td>2 244 231</td>
<td>2 244 231</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>22 721</td>
<td>22 721</td>
</tr>
<tr>
<td>Insurance and other payables</td>
<td>390 106</td>
<td>390 106</td>
</tr>
<tr>
<td>Short-term insurance contract liabilities</td>
<td>8 587</td>
<td>8 587</td>
</tr>
<tr>
<td>Tax payable</td>
<td>10 273</td>
<td>10 273</td>
</tr>
<tr>
<td>Related party balances</td>
<td>4 742</td>
<td>4 742</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>13 490 737</td>
<td>13 490 737</td>
</tr>
</tbody>
</table>

#### 6.2 Working capital statement

The directors of BIHL are of the opinion that, after the Acquisition, the working capital of BIHL will be adequate for the Company’s foreseeable future requirements.
7. **MAJOR SHAREHOLDERS**

In so far as it is known to the directors of BIHL, the following Shareholders held more than 5% of the issued shares in BIHL as at the notice of the EGM, or will hold more than 5% of the issued shares subsequent to the Acquisition.

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>No. of Shares</th>
<th>%</th>
<th>No. of Shares</th>
<th>%</th>
<th>No. of Shares</th>
<th>%</th>
<th>No. of Shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
<td></td>
<td>Direct</td>
<td></td>
<td>Indirect</td>
<td></td>
<td>Direct</td>
<td></td>
</tr>
<tr>
<td>African Life Assurance Company (Botswana) (Pty) Ltd</td>
<td>48,603,380</td>
<td>17.3</td>
<td>NIL</td>
<td>NIL</td>
<td>48,603,380</td>
<td>17.3</td>
<td>NIL</td>
<td>NIL</td>
</tr>
<tr>
<td>SCBN (Pty) Ltd, Sanlam Emerging Markets</td>
<td>116,328,299</td>
<td>41.4</td>
<td>NIL</td>
<td>NIL</td>
<td>116,328,299</td>
<td>41.4</td>
<td>NIL</td>
<td>NIL</td>
</tr>
</tbody>
</table>

8. **INFORMATION ON DIRECTORS**

8.1 **Directors remuneration**

The proposed and forecast aggregate remuneration and benefits to be paid to the directors of the Company are BWP 1,459,500 per annum. Each of the Directors will be paid an annual retainer fee of BWP 68,250 and a sitting allowance of BWP 18.375 per Directors meeting.

8.2 **Directors’ interests in transactions**

None of our Directors and Substantial Shareholders and/or persons connected to them has any interest, direct or indirect, in the Transaction.

8.3 **Directors’ interests in BIHL shares**

As at the notice of the EGM, the following directors held the following interests in BIHL Shareholding:

<table>
<thead>
<tr>
<th>Director</th>
<th>Direct (Number of Shares)</th>
<th>Indirect (Number of Shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beneficial</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td>Gaffar Hassam</td>
<td>173,790</td>
<td>-</td>
</tr>
<tr>
<td>Chandra Chauhan</td>
<td>75,020</td>
<td>-</td>
</tr>
<tr>
<td>Mahube Mpugwa</td>
<td>7,692</td>
<td>-</td>
</tr>
<tr>
<td>Batsho Dambe-Groth</td>
<td>23,923</td>
<td>-</td>
</tr>
</tbody>
</table>
9. RELATED PARTIES

Other than SEM, there are no other related parties as regards the Acquisition. SEM will therefore not be entitled to vote regarding this Acquisition.

10. DIRECTORS’ OPINIONS, RECOMMENDATIONS AND BELIEF

10.1 The Directors of BIHL are of the opinion that the terms and conditions of the Acquisition are fair and reasonable and will be to the long-term benefit of BIHL and its Shareholders. Accordingly, the directors recommend that the Shareholders vote in favor of the Ordinary Resolution necessary to approve and implement the Acquisition. The Directors who are Shareholders intend to vote in favor of the said Ordinary Resolution.

10.2 The Directors are to the best of the knowledge and belief that any nominee Shareholders do not include any person who may be acting in concert with any other person in relation to the Related Party Transaction.

11. INDEPENDENT EXPERT OPINION

A fair and reasonable opinion has been prepared by the Independent Expert which is attached to this Circular regarding the Related Party Transaction.

12. DIRECTORS’ RESPONSIBILITY

12.1 The Directors, whose names are given on page 3 of this notice of the EGM, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no other facts the omission of which would make any statement false or misleading, that they have made all reasonable enquiries to ascertain such facts and that the Circular contains all information required by the law.

12.2 The Directors confirm that this section includes all such information within their knowledge (or which it would be reasonable for them to obtain by making enquiries) as investors and their professional advisers would reasonably require and reasonably expect to find for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the issuer and of the rights attaching to the securities to which the section relates.

13. OTHER INFORMATION

13.1 Material changes

Other than in the ordinary course of business or as set out elsewhere in this Circular, there have been no material changes in the financial or trading position of the Company for the past three years.
13.2 **Significant contracts**

The Company has not entered into any material agreements prior to the date hereof which are or may be material and which have been entered into, otherwise than in the ordinary course of business for the past three years.

13.3 **Advisors**

Armstrongs Attorneys, Imara and Motswedi Securities have been appointed to advise the Company regarding the Acquisition and has not withdrawn its consent prior to the publication of this notice of the EGM.

13.4 **Litigation**

There are no legal or arbitration proceedings against the Company, nor, as far as the Board is aware, are there any legal or arbitration proceedings pending or threatened against the Company which have had or may have, a significant effect on the financial position of the Company.

13.5 **Documentation available for inspection**

Copies of the documents listed below will be available for inspection during normal business hours on business days from the 26th of October 2015 until the 17th of November 2015 at the BIHL Head Office whose address is given on page 3 of this notice of the EGM:

13.5.1 the Acquisition Agreement; and

13.5.2 the audited financial statements for the year ended 31 December 2014.

13.6 **Expenses of the Acquisition**

The expenses incurred or to be incurred by BIHL pursuant to this Acquisition is estimated to be at P 450,000.00 (Four Hundred and Fifty Thousand Pula).

Signed by Batsho Dambe-Groth and Gaffar Hassam on behalf of each of the directors of BIHL
Dated at Gaborone this 21st day of October 2015

---

**BIHL Chairman**

Batsho Dambe-Groth

**BIHL CEO**

Gaffar Hassam
INDEPENDENT EXPERT OPINION

1 INTRODUCTION

(a) Background
Imara Botswana Limited ("Imara") has been mandated by the Board of BIHL to give its independent opinion as to the fairness and reasonableness of the price consideration to be paid by BIHL for the acquisition of a 25.1% equity stake in NICO Holdings Limited ("NICO Holdings") from Sanlam Emerging Markets Limited ("SEM") (the "Transaction"). SEM is a majority shareholder in BIHL.

(b) Applicable Botswana Stock Exchange ("BSE") Rules
This opinion has been prepared in accordance with Schedule 5 of the BSE Listing Requirements.

(c) Definition of Fairness and Reasonableness
Fairness as defined in the Oxford English dictionary is the treatment of a group of people equally and justly or appropriately in the circumstances. Reasonableness is the measurement of fairness or sensibility, as appropriate, as applied to a particular situation.

(d) Limiting Conditions
Completeness and Accuracy of Information
Imara has prepared this opinion in good faith and has relied on the accuracy and veracity of the information made available to it during its correspondence with the Directors and Management of BIHL and NICO Holdings. Whilst Imara has no reason to doubt the accuracy or veracity of such information supplied, Imara accepts no responsibility whatsoever for the accuracy or veracity of such information.

Economic, Market and Other Conditions
Imara has based its opinion on economic, market and other conditions prevailing on or about 21 August 2015. It should be noted that subsequent events may inevitably affect this opinion and that Imara is not under any obligation to update, revise or re-affirm its opinion should any such developments transpire.

Specifically, but without limiting the generality of the foregoing, such subsequent events may include material changes consequent upon changes in economic, market and other conditions, or the business of, or prospects of BIHL and NICO Holdings between the effective date of this opinion and the date of any subsequent consideration hereof.
Purpose of Valuation Opinion

This valuation opinion is rendered solely as an expert opinion in order to determine the fairness and reasonableness of the proposed cash consideration to be paid by BIHL for a 25.1% shareholding in NICO Holdings as provided for in terms of Schedule 5 of the BSE Requirements, and for no other purpose whatsoever.

Representations and Warranties

Imara makes no representation or warranty, express or implied, nor shall have any responsibility or liability whatsoever in respect of any statement, information or opinion contained or relied on herein, whether orally or in writing, or any omissions, or in respect of the completeness and/or accuracy of any such statement, information or opinion.

This opinion does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. On the basis of these enquiries and such other procedures as Imara considers appropriate to the circumstances, Imara believes that the information provided has been prepared with due care and consideration.

Where projections with respect to the financial performance of NICO Holdings, any of its operating subsidiaries and associates have been included or relied upon, they have been so for illustrative purposes only, and could reflect various assumptions that may subsequently prove to be incorrect, inaccurate or unrealistic.

(e) Independence

Imara is a wholly owned subsidiary of Imara Holdings Limited [“IHL”], an independent, diversified financial services company incorporated in Botswana and listed on the BSE. Imara conducts its business in Botswana and the rest of Sub Sahara Africa as an independent corporate finance advisor.

Save for the fees payable to Imara for providing this opinion, which fees are payable irrespective of the outcome of the proposed transaction, Imara has no interest, direct or indirect, beneficial or non-beneficial, in BIHL, and NICO Holdings or any of their subsidiaries.

2 PROCEDURES

(a) Information and Sources Of Information

In arriving at our opinion, we have considered, inter alia the following:

i) BIHL is listed on the BSE and is party to the proposed transaction, and NICO Holdings is listed on the Malawi Stock Exchange;

ii) NICO Holdings has operating subsidiaries in Malawi and Zambia, and associates in Mozambique, Tanzania, and Uganda.

iii) Annual financial statements for NICO Holdings and its operating subsidiaries and associates for the years ended 31 December 2014, 2013, 2012, and 2011;
iv) Management accounts for NICO Holdings and its operating subsidiaries and associates for the periods ending April, June and July 2015;

v) Management forecasts and projections for NICO Holdings and its operating subsidiaries and associates for the periods ending 31 December 2015, 2019 and 2020;

vi) Valuation assumptions and multiples risk free rates as determined from yields on government instruments as supplied by the central banks of the respective countries;

vii) Market risk premiums from international benchmarks for country specific default spreads and equity risk premiums provided by Professor Damodaran, Stern School of Business, New York University;

viii) Valuation assumptions and multiples obtained from individual company financial statements, Bloomberg, Thompson Reuters and Capital IQ as applicable, and Stern School of Business, New York University; and

ix) Discussions and correspondence with BIHL and NICO management regarding the proposed transaction.

(b) Background to the Transaction

BIHL intends to acquire a 25.1% (251,760,272 ordinary shares) equity stake in NICO Holdings from SEM for MKW30.00 per share. NICO Holdings is a financial services company, which is listed on the Malawi Stock Exchange. SEM is a 58.3% majority shareholder in BIHL. The acquisition is thus a related party transaction in terms of the BSE Listing Requirements.

(c) Valuation

In order to assess the fairness of the considered acquisition price for the 25.1% equity stake in NICO Holdings, Imara performed an independent valuation of NICO Holdings and the respective operating subsidiaries and associates as at 21 August 2015. Following confirmation from management of BIHL that there have been no material changes in the business since the date, Imara believes its valuation as at 21 August 2015 is still current and valid.

In performing independent valuations, Imara confirms that it has carried out the following:

i) Some of the subsidiaries and associates NICO Holdings were valued using the Excess Returns (“ER”) Methodology:

   - The ER methodology is based on the argument that a financial services firm that invests and earns a return that is equal to or less than its cost of capital should see the market value of its equity converge on or become less than the current equity capital, and conversely a financial services firm that invests its equity and earns a return that is greater than its cost of equity should see the market value of its equity become more than the current equity capital.

   - The ER methodology derives an Equity Value of the business as the sum of excess returns that the firm expects to make in the future from current and future investments.
Determining excess returns requires careful calculation of the cost of equity, opening net book balance and discounting the excess returns to present value, which are obtained by subtracting the projected cost of equity from the returns.

ii) Some of the subsidiaries and associates of NICO Holdings were valued using the Embedded Value (“EV”) Methodology:
- The EV methodology is the preferred method of determining the value of a life assurance company since it captures both the accounting and actuarial principles needed to determine the value a life assurance company.
- For a life assurance company, EV can be considered to be the value of shareholders’ interests in the company.
- One way of calculating the equity value of the business using the EV methodology, which Imara utilised, is to determine the opening balance of total capital, subtract the minimum regulatory capital requirement, and add the present value of expected future profits attributable to shareholders from current and future investments.

iii) The Discounted Cash Flow (“DCF”) Methodology was also used to value some of the subsidiaries and associated of NICO Holdings:
- DCF valuation methodology is the most widely-used valuation methodology, and computes the value of a business by calculating the present value of the future cash flows the business expects to generate.
- Future cash flows generated by the business otherwise known as free cash flow is calculated by subtracting projected capital expenditure from the cash generated from operating activities.
- DCF models are typically highly sensitive to the weighted average cost of capital applied, as well as the derived terminal growth rate, which in turn affects the company’s terminal value.

iv) Valuation of NICO Holdings and its operating subsidiaries and associates using the Market Approach
- In order to corroborate the results of the ER, EV and DCF valuation methodologies, Imara cross checked the valuation results through the application of the Market Approach.
- The Market Approach makes use of multiples based on earnings and book value from comparable companies listed on stock exchanges in Sub Sahara Africa.
- After reviewing the respective sectors, Imara included a selection of companies in the relative valuation of the respective companies. Whilst some are larger entities and enjoy greater trading liquidity than the businesses being valued, they remain relevant when determining a value for the respective businesses.
v) The key internal and external value drivers and assumptions, which were used in deriving appropriate values for the businesses of NICO Holdings and its operating subsidiaries and associates are as follows:

- The financial performance of NICO Holdings and its subsidiaries and associates over the previous years ended 31 December 2011, 2012, 2013 and 2014 as applicable;
- The long-term economic prospects of the countries in which NICO Holdings and its subsidiaries operate, measured by forecasted GDP growth;
- The projected financial performance of NICO Holdings and its operating subsidiaries and associates for the periods ending 31 December 2015, 2019 and 2020;
- Imara’s projected NICO Holdings head office costs from 2015 to 2020;
- The capital injection by SEM into NICO Tanzania and NICO Vida;
- The movement of currencies of countries where NICO Holdings has operations against the Malawian Kwacha;
- The need for a liquidity and control discount; and
- The level of NICO Holdings Shareholding in each of the operating subsidiaries and associates.

(d) Appropriateness And Reasonableness Of Information And Assumptions Used

- In regard to the publicly available information and historical financial information on NICO Holdings, Imara is of the view that the information is reasonably reliable. Imara has made use of management accounts and audited Annual Reports;
- In regard to the comparative information, Imara is satisfied that the data extracted from companies’ financial statements, Bloomberg, Thompson Reuters, Capital IQ, and Stern School of Business, New York University is reasonable and appropriate;
- Although Imara believes the information and forecasts provided by management of NICO and the subsidiaries and associates were prepared with due care and consideration, Imara has not audited any of the information and forecasts provided by the management.

3 FAIR AND REASONABLNESS OPINION

(a) Summary

Based upon the above and subject to the foregoing, Imara is of the opinion that the offer price of MKW30.00 per share for the acquisition is fair and reasonable.

The salient reasons for the opinion are as follows:
i) The consideration is fair as the proposed acquisition is a strategic investment by BIHL, which will allow the company to deploy its excess capital and access regional markets. This strategic investment is expected to enhance the company’s earnings and generate significant value for BIHL shareholders in the long term.

ii) The proposed consideration is reasonable in that:

- The offer price of MKW30.00 falls within the Imara valuation range of the SEM shareholding in NICO Holdings of MKW27.27 and MKW31.64; and

- The valuation performed by Imara took into consideration liquidity and control discounts of the underlying investments.

The reader’s attention is drawn to the fact that this opinion does not purport to contain all of the information required for an investment or disposal decision, and any such investment or disposal decision should only be made after careful consideration of the financial and business prospects for NICO Holdings.

(b) Significant Factors and Key Considerations

The following are the significant factors and key considerations taken into account in arriving at our opinion:

i) The business of NICO Holdings is that of a financial institution and mainly the provision of short-term and long-term insurance services in Malawi, Zambia, Uganda, Tanzania and Mozambique, which is in line with the business of BIHL.

ii) The ER valuation methodology remains the most appropriate and well-accepted approach to determining the valuation of a financial institution as it avoids the working capital calculation constraints, which are faced when applying the DCF valuation methodology.

iii) The EV valuation methodology remains the most appropriate and well-accepted approach to determining the valuation of a life assurance company as it is value based and avoids the calculation constraints that come with applying the accounting only based methodologies.

iv) The market approach for determining a valuation range for the businesses of NICO Holdings is based upon viewing and comparing current conditions amongst fairly comparable business entities that are listed on appropriate exchanges. The financial attributes of these comparable companies and their trading prices and financial performance can serve as strong indicators of fair market value of the subject company.

Imara has based this opinion on the state of the market and the trading conditions and circumstances of NICO Holdings as at 21 August 2015. Shareholders should note that subsequent developments may affect this opinion, but Imara is under no obligation to update, revise or re-affirm this opinion should any such developments transpire.
(c) Independent Advice

Note that this opinion is not a recommendation to any shareholder of BIHL as to the manner in which they should vote, nor is it advice given on the appropriate course of action for such directors or shareholders to take.

Shareholders should note that each individual shareholder’s decision may be influenced by such shareholder’s particular circumstances and accordingly that such shareholder should consult an independent advisor if in any doubt as to the merit or otherwise of the transaction.

(d) Independent Expert Details

The Independent expert is Imara Botswana Limited.

Contact details are as follows:

Physical Address 2nd Floor, Unit 6
               Morojwa House, Plot 74770
               Western Commercial Road, CBD
               Gaborone, Botswana

Postal Address Private Bag 00186,
               Gaborone, Botswana

Telephone +267 3188710
Fax +267 3191767
Web site www.imara.com
Authorised Signatory Thato Sedirwa

Yours Faithfully

[Signature]

Thato Sedirwa
For and on behalf of Imara Botswana Limited
NOTICE OF AN EXTRAORDINARY GENERAL MEETING
OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN of an Extraordinary General Meeting of shareholders of BIHL will be held at 1600hrs on the 17th November 2015 at the Avani Gaborone Hotel & Casino (Gaborone Sun) to consider and if thought fit, to adopt, with or without amendment, the following Resolution:

Ordinary Resolution 1:

“That the Directors of BIHL are hereby authorized as required by the Listing Requirements to acquire 261,803,315 shares representing 25.1% of the issued share capital of NICO Holdings Limited”

Please note that a shareholder may be present at the meeting, in person or by proxy. A proxy need not be a member of the Company.

If you are unable to attend the meeting, kindly complete and return the enclosed Form of Proxy, in accordance with the instructions printed thereon, as soon as possible, but in any event so as to be received by the company secretary of BIHL by no later than 1600hrs on 13th November 2015.

The return of the Form of Proxy does not preclude a Shareholder from attending the Extraordinary General Meeting and voting in person.
Registration number CO 90/1818
Share code: BIHL    ISIN: BW 000 000 0033
Incorporated in the Republic of Botswana
(“BIHL” or “the Company”)

FORM OF PROXY
For use at the Extra-Ordinary General Meeting of the Shareholders of BIHL to be held on 17th November 2015, at 16h00 at the Avani Gaborone Hotel & Casino (Gaborone Sun), Gaborone, Botswana.

PLEASE READ THE NOTES BELOW BEFORE COMPLETING THIS FORM
I/We __________________________________________________________
(NAME (S) IN BLOCK LETTERS)
being the holder of ___________________ shares in BIHL do hereby appoint (see Note 1):
1. _____________________________ or failing him/her;
2. _____________________________ or failing him/her;
3. the Chairman of the Extraordinary General Meeting

as my/our proxy to act for me/us at the extraordinary general meeting, for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my /our name/s in accordance with the following instructions:

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<thead>
<tr>
<th>Number of ordinary shares</th>
<th>For</th>
<th>Against</th>
<th>Abstain</th>
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<tr>
<td>Ordinary Resolution 1</td>
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SIGNED AT                            ON
2015

SIGNATURE
_____________________________________

ASSISTED BY (where applicable)        ____________________________________________
Each ordinary shareholder is entitled to appoint one or more proxies (who need not be a member of the Company) to attend, speak and vote in place of that ordinary shareholder at the E.G.M.

NOTES:

1. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder’s choice in the space provided, with or without deleting “the Chairman of the Extraordinary General Meeting”, but such deletion must be initialed by the shareholder. The person whose name appears first on the form of proxy and whose name has not been deleted shall be entitled to act as proxy to the exclusion of those whose names follow.

2. In the event a Shareholder does not insert the name of a proxy or the name of any alternative proxy, then the shareholder shall be deemed to have appointed the Chairman of the Extraordinary General Meeting as his/hers/its proxy.

3. In the event that a Shareholder does not complete the instructions as to how the proxy shall vote, then the proxy shall be entitled to vote as he/she/it thinks fit.

4. The authority of a person signing proxy under a power of attorney or on behalf of a company must be attached to the proxy unless that authority has already been recorded by the Company Secretary or waived by the Chairman of the Extraordinary General Meeting.

5. Forms of proxy must be lodged or posted to, and reach the registered office of the Company, by 16h00 on 13th November 2015.

6. The completion and lodging of this form of proxy shall not preclude the relevant Shareholder from attending the extraordinary general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof should the shareholder wish to do so.

7. The Chairman of the Extraordinary General Meeting may accept a proxy form which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a Shareholder wishes to vote.

8. Any alteration or correction to this form must be initialed by the signatory/ signatories.