Botswana Insurance Holdings Limited ("BIHL") is one of the leading financial services company and one of the top companies on the Botswana Stock Exchange. BIHL's two large and long established subsidiaries, Botswana Life Insurance Limited ("BLIL"), the largest and oldest life assurance company in Botswana, and Botswana Insurance Fund Management Limited ("Bifm"), the country’s largest asset manager, are leaders in their respective sectors.

Shareholders of BIHL are advised that BIHL, BLIL, Bifm and Capital Management Africa (Proprietary) Limited ("CMA"), wish to effect certain transactions with relation to Bifm Capital (Proprietary) Limited ("Bifm Capital") and Bifm Capital Investment Fund One (Proprietary) Limited ("BCIF1").

The BIHL Group wishes to effect the following two transactions, namely:

1. The first transaction is the sale by Bifm Capital of 100% of the issued shares of BCIF1 to BLIL, or its nominee ("Transaction One").

2. The second transaction is the sale by Bifm of 51% of the issued shares of Bifm Capital to CMA ("Transaction Two").

The BIHL Group wishes to acquire 100% of the issued shares in BCIF1 from Bifm Capital. This will enable BLIL to directly control BCIF1 and allow it to bring the assets currently held by BCIF1 directly into the BLAF.

The purchase consideration payable in terms of Transaction One is an amount of P41.85 million, which has been derived using the discounted cash flow valuation methodology. This is the only valuation methodology that could be relied upon, since BCIF1 derives its revenue from the difference in present value of the future coupon payments of its assets and liabilities. The purchase consideration is to be paid as follows:

- a Cash Consideration of P30.12 million will be paid by BLIL to Bifm Capital, on receipt of the required shareholder approvals. Bifm Capital will then distribute this amount via a dividend to its current shareholders Bifm (51%) and CMA (49%), pro-rata to their respective shareholding.

- a Deferred Consideration of P11.73 million will be paid by BLIL to Bifm Capital on the achievement of specific milestones in relation to certain assets of BCIF1. Should such milestones be achieved and the Deferred Consideration paid, Bifm Capital will distribute the Deferred Consideration received to Bifm and CMA pro-rata to their respective shareholding immediately prior to the implementation of the Transactions.

Transaction Two: Sale by Bifm to CMA of 51% of the issued shares in Bifm Capital

Bifm Capital is governed by a shareholder’s agreement, which placed restrictive operating parameters on the two parties concerned. Transaction Two will allow, among other things, the parties to enter into new ventures unshackled of the constraints of shareholding. In view of this Bifm has agreed to dispose of 51% of its shareholding in Bifm Capital to CMA. The consequence of this transaction is that Bifm Capital will be 100% owned by CMA and it will subsequently have its name changed to better align the company with CMA’s risk profile and vision.

For the year ending 31 December 2011, Bifm Capital generated a profit after tax of P2.0 million. Its net asset value as at the Transaction Date was also P2.0 million. The sale of BCIF1 pursuant to Transaction One will result in the disposal of Bifm Capital’s main revenue source; and as such the net asset valuation approach was relied upon to derive the purchase consideration. The purchase (cash) consideration for Transaction Two, to be paid by CMA on receipt of the required shareholder approvals, is accordingly an amount equal to 51% of the net asset value of Bifm Capital. The proceeds of this transaction are not material to BIHL and will be utilised in the normal business operations of BIHL.

Approvals required for both Transactions

Transactions One and Two are subject to the following approvals:

- Board of Directors approvals from BIHL, BLIL, Bifm, Bifm Capital and CMA, all of which have been obtained;
- Competition Authority approval, which has been granted;
- Non-Banking Financial Institutions Regulatory Authority approval, which has been granted; and
- BSE approval, which has been granted subject to the necessary approvals being obtained at BIHL’s Extraordinary General Meeting.

The total consideration payable in terms of Transactions One and Two constitutes less than 1% of BIHL’s consolidated net financial position, as at 31 December 2011, and is accordingly insignificant both from BIHL’s commercial perspective and in terms of the categorization principles of the BSE Requirements. The Cash Consideration will be met from BIHL’s shareholder funds. Since Bifm is a wholly owned subsidiary of BIHL, the ultimate impact of the net cash flow of Transactions One and Two on BIHL’s internal resources is an outflow in the range of approximately P13.65 million to P18.4 million, depending on whether the Deferred Consideration will be paid.

A Circular and Notice of the Meeting containing the full details of the Transaction will be posted to BIHL shareholders on or about 22 October 2012. A meeting for BIHL shareholders to approve the Transactions will be held on or about 19 November 2012.

By order of the Board

19 October 2012