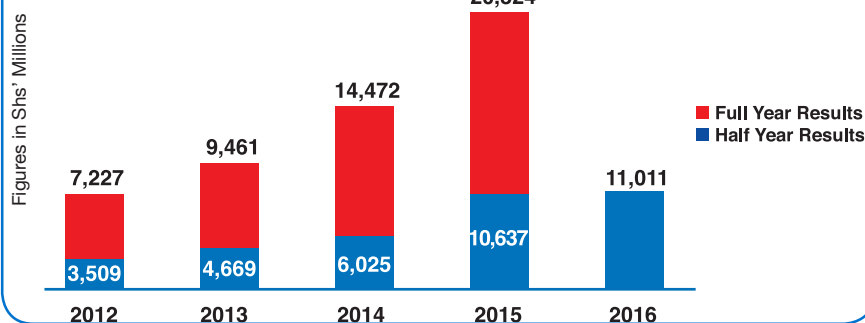
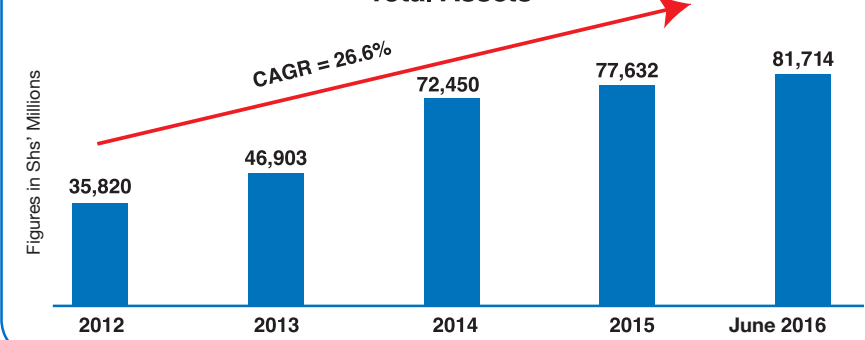


Gross Earned Premium & Fund Management Fees



Total Assets



FINANCIAL STATEMENTS COMMENTARY

The Group's core business performed very well in the first half of 2016 achieving 175% increase in Profit Before Tax (PBT). Below are some of the key highlights:

- Investment income increased by 38% to Shs 2.4 billion in June 2016 compared with Shs 1.7 billion in June 2015.
- The Asset Management revenue increased by 21% reporting revenue of Shs 529.4 million compared to Shs 439.4 million in June 2015.
- Total Assets increased by 7% to Shs 81.7 billion from Shs 76.6 billion as of June 30, 2015.

Pursuant to the requirements of the Insurance Act (Cap. 487) and subsequent amendments by the Finance Act 2015, and as required by the Insurance Regulatory Authority (IRA), the Group has valued its long term insurance business liabilities using the Gross Premium Valuation (GPV) methodology which is a change from the previously applied Net Premium Valuation (NPV) methodology. The GPV methodology increases the accuracy of reserving and has resulted in a decline in net claims expense by Shs 2.28 billion. The Group has also recognized additional Claims Handling Expenses Reserves amounting to Shs 331 million to cater for operating expenses expected to be incurred in settling outstanding claims. The net impact of these two changes is an improvement in Profit Before Tax by Shs 1.95 billion.

The Group has registered commendable growth during the 2012 – 2016 strategic period and has completed drawing up its 2016 – 2020 strategic plan. The key focus areas have been: growth and diversification of revenue streams, increasing local and regional presence, innovation and information technology (IT). During this strategic period the following milestones have been recorded;

- The acquisition of 100% of Real Insurance Group and the successful integration thereof,
- The development of a property strategy and enhancement of the property team,
- The implementation of the first phase of the a IT enabled business transformation (**Project Jawabu**)

CONSOLIDATED INCOME STATEMENT

	6 Months to 30 June 2016 Shs'000	6 Months to 30 June 2015 Shs'000
Gross earned premiums and fund management fees	11,010,588	10,637,794
Less: reinsurance premium ceded	(1,639,368)	(1,832,653)
Net earned revenue	9,371,220	8,805,141
Investment income	2,407,229	1,745,533
Commissions earned	416,941	430,009
Other income	491,893	66,614
Total Revenue	12,687,283	11,047,297
Expenses		
Net insurance claims and loss adjustment expenses	3,608,468	5,109,717
Interest payments increase in unit value	639,912	265,183
Operating and other expenses	3,141,072	2,461,579
Finance costs	902,629	390,000
Commissions payable	1,825,156	1,979,014
Total Expenses	10,117,237	10,205,493
Profit before share of profit of associate	2,570,046	841,804
Share of profit of associates	303,252	201,956
Profit before tax	2,873,298	1,043,760
Income tax expense	(1,094,403)	(419,197)
Profit for the period	1,778,895	624,563
Other comprehensive income/(loss)	96,298	(514,867)
Comprehensive income for the period	1,875,193	109,696
Basic and diluted Earnings per Share (Shs per share)	0.92	0.32

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2016 Shs'000	30 June 2015 Shs'000
Share capital	193,841	193,841
Share premium	4,263,412	4,263,412
Other reserves	10,487,067	12,368,399
Retained earnings	3,983,885	4,089,473
Shareholders' funds	18,928,205	20,915,125
Non-controlling interest	35,831	52,718
Total Equity	18,964,036	20,967,843
Represented by:		
Assets		
Fixed and intangible assets	3,831,945	2,796,534
Investment assets	60,747,978	59,567,363
Insurance assets	6,878,666	7,787,862
Cash and cash equivalent	7,457,304	4,954,172
Other assets	2,798,344	1,508,923
Total assets	81,714,237	76,614,854
Liabilities		
Insurance liabilities	49,791,011	44,955,838
Corporate bond	6,000,000	6,000,000
Other liabilities	6,959,190	4,691,173
Total liabilities	62,750,201	55,647,011
Net assets	18,964,036	20,967,843

DIVIDEND

The Board does not recommend payment of an interim dividend.

STATEMENT FROM THE DIRECTORS

The above financial statements are extracts of the unaudited financial results of the Group.

Signed: **Amb. Dr. Francis K. Muthaura,**
EGH, MBS
 Chairman

Dr. Benson I. Wairegi, EBS
 Group Managing Director