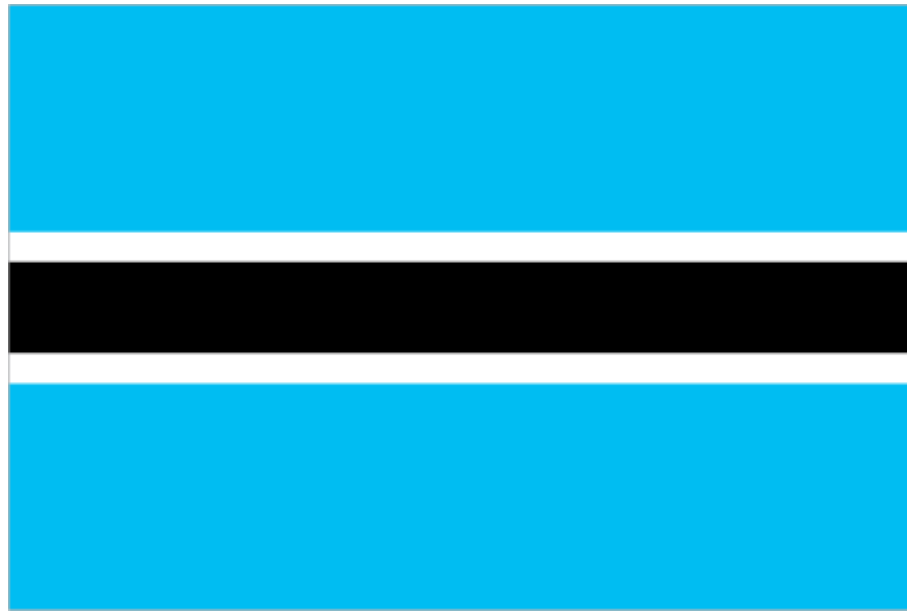


Botswana



Eiko Ooka

Basic information about the country:

History of the country:

Formerly the British protectorate of Bechuanaland, Botswana adopted its new name upon independence in 1966. Four decades of uninterrupted civilian leadership, progressive social policies, and significant capital investment have created one of the most dynamic economies in Africa. Mineral extraction, principally diamond mining, dominates economic activity, though tourism is a growing sector due to the country's conservation practices and extensive nature preserves. Botswana has one of the world's highest known rates of HIV/AIDS infection, but also one of Africa's most progressive and comprehensive programs for dealing with the disease.

Population: 1,842,323

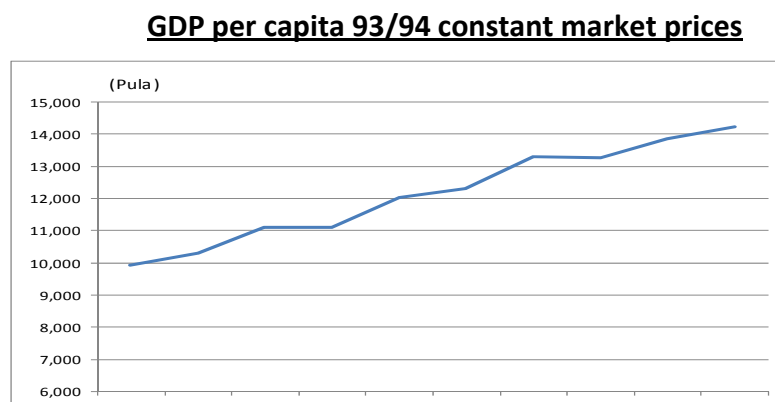
(Source: CIA) note: estimates for this country explicitly take into account the effects of excess mortality due to AIDS; this can result in lower life expectancy, higher infant mortality, higher death rates, lower population growth rates, and changes in the distribution of population by age and sex than would otherwise be expected (July 2008 est. by CIA)

GDP: 25,008.1 million Pula (2007/2008, at 93/94 constant market prices)



Source: Central Statistics Office

GDP per capita: 14,231.2 Pula (2007/2008, at 93/94 constant market prices)

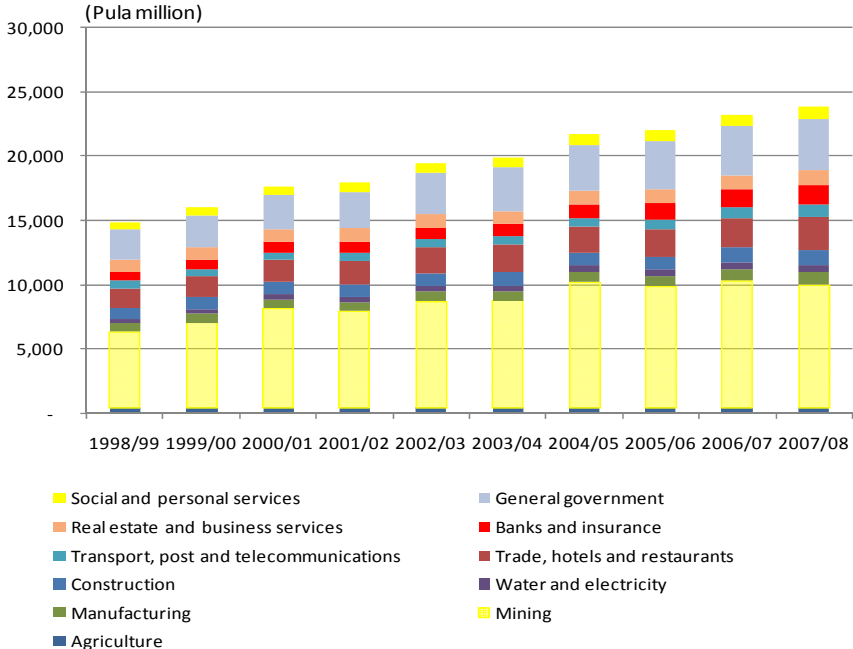


Through fiscal discipline and sound management, Botswana has transformed itself from one of the poorest countries in the world to a middle-income country with a per capita GDP of nearly \$15,800 in 2008. Two major investment services rank Botswana as the best credit risk in Africa. (Information from CIA)

Most important industries: Mining (diamond, copper, nickel), salt, soda ash, livestock processing, textile

Diamond mining has fueled much of the expansion and currently accounts for more than one-third of GDP and for 70-80% of export earnings. Tourism, financial services, subsistence farming, and cattle rising are other key sectors.

GDP by type of economic activities (93/94 constant market prices)



Unemployment rate: 7.5% (2007.est by CIA)

On the downside, the government must deal with high rates of unemployment and poverty. Unemployment officially was 23.8% in 2004, but unofficial estimates place it closer to 40%. HIV/AIDS infection rates are the second highest in the world and threaten Botswana's impressive economic gains.

CPI: 12.6% (y/y) as of December 2008

Consumer Price Index

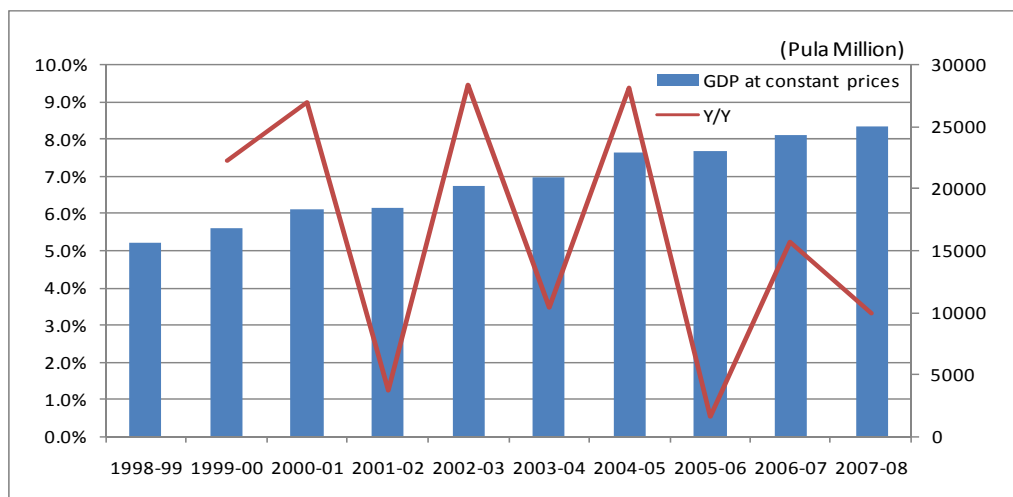
(Percent)

	1999	2000	2001	2002	2003	2004	2005	2006			2007			2008		
	CPI	CPI	CPI	CPI	CPI	CPI	CPI	CPI	CPIT	CPIXA	CPI	CPIT	CPIXA	CPI	CPIT	CPIXA
Jan	6.7	8.3	8.0	5.7	10.8	6.2	8.0	12.7	...	...	7.4	6.4	7.9	8.4	7.9	7.2
Feb	7.4	8.1	7.4	5.7	11.6	6.3	7.3	13.1	...	...	7.3	6.0	6.5	9.0	8.7	8.6
Mar	7.8	7.8	7.3	6.1	10.6	6.9	6.5	13.8	...	...	6.5	5.5	6.3	9.8	9.7	8.9
Apr	7.2	8.4	6.5	6.9	10.8	6.6	6.2	14.2	...	...	6.3	5.5	6.1	11.1	10.5	8.8
May	7.0	8.7	7.3	5.8	11.2	7.4	6.3	13.5	...	...	6.4	5.9	6.5	12.1	11.0	9.1
Jun	7.2	8.9	7.1	5.9	12.2	6.7	7.1	12.5	...	...	6.4	6.1	6.8	14.5	12.5	9.8
Jul	6.9	10.4	5.9	8.8	8.6	6.8	8.2	11.9	...	...	7.5	6.8	6.0	15.0	12.7	11.1
Aug	8.5	8.4	6.0	9.9	7.8	6.7	9.6	10.7	...	...	7.2	6.8	7.2	15.1	13.0	10.4
Sep	9.1	8.0	6.1	10.1	7.3	7.0	10.0	10.5	10.0	12.0	6.8	6.6	6.8	14.0	12.9	11.4
Oct	9.0	8.4	5.8	10.0	7.0	7.7	11.2	9.2	8.3	10.5	7.3	7.3	7.0	13.1	11.3	12.0
Nov	8.5	8.5	5.8	10.4	6.6	7.6	11.3	8.8	7.7	10.6	7.7	7.7	7.1	15.0	13.6	15.5
Dec	8.4	8.5	5.8	10.6	6.4	7.8	11.4	8.5	7.6	8.9	8.1	7.8	7.1	13.7	12.1	16.1
Average	7.8	8.5	6.6	8.0	9.2	7.0	8.6	11.6	...	...	7.1	6.5	6.8	12.6	11.3	10.7

- The Consumer Price Index (CPI) gives the 'headline' rate of consumer price inflation, based on the full CPI basket of 384 items derived from the 2002/03 Household Income and Expenditure Survey (HIES).
 - The 16 percent trimmed mean (CPIT) excludes from the monthly calculation of inflation 8 percent (by weight in the CPI basket) from both the top and bottom ends of the ordered series of price changes, in order to remove short-term volatilities.
 - The CPI excluding administered prices (CPIXA) excludes from the inflation calculation 36 items in the CPI basket which are only adjusted periodically and not necessarily in response to market forces.
- The CPI has been rebased to September 2006 from the previous base period of November 1996.

Growth rates

Gross Domestic Product (CONSTANT 1993/94 PRICES)



Banking system:

Number of Commercial Banks: 6 banks

- Bank of Baroda (Botswana) Limited
- Barclays Bank of Botswana
- First National Bank of Botswana
- Stanbic Bank of Botswana
- Standard Chartered Bank
- Bank Gaborone Limited

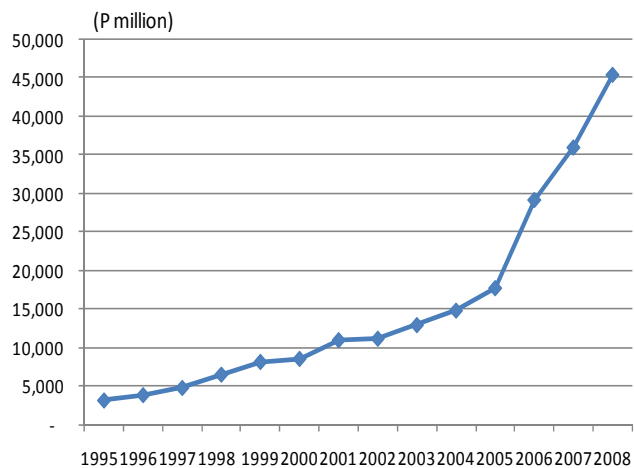
Commercial Banks are entities licensed under the Banking Act (CAP. 46:04) to conduct banking business. The Banking Act defines banking business as the acceptance of deposits of money repayable on demand, after fixed periods or after notice, as the case may be, by check or otherwise.

Banking business also means the employment of deposits in the making or giving of loans, advances, overdrafts or other similar facilities, and in the making of investments or engagement in other operations authorized by law or under customary banking practice, for the account of, and at the risk of the person or persons accepting such deposits, and includes the discounting of commercial paper, securities and other negotiable instruments, for the purpose of extending loans or other credit facilities.

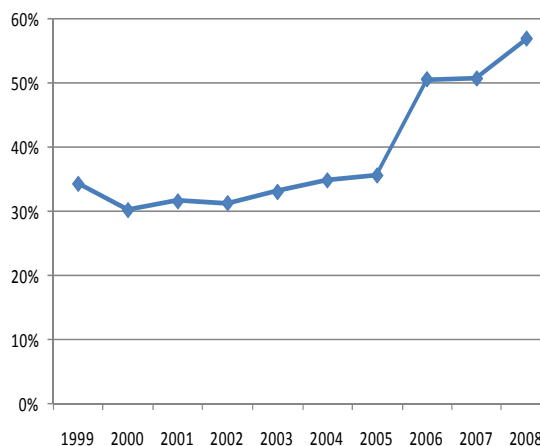
Size of commercial banks (Assets-GDP ratio)

	(P million)										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
GDP at Current Market Prices	23,765	28,252	34,774	35,671	39,178	42,542	49,816	57,860	71,199	80,108	
Commercial Banks' Assets	8,161	8,554	11,001	11,183	12,963	14,842	17,761	29,252	36,077	45,545	
Assets/GDP	34%	30%	32%	31%	33%	35%	36%	51%	51%	57%	

Commercial Banks' Assets



Commercial Banks' Assets-GDP ratio



Source of funds

Commercial Banks' Deposit by Type

(P million)

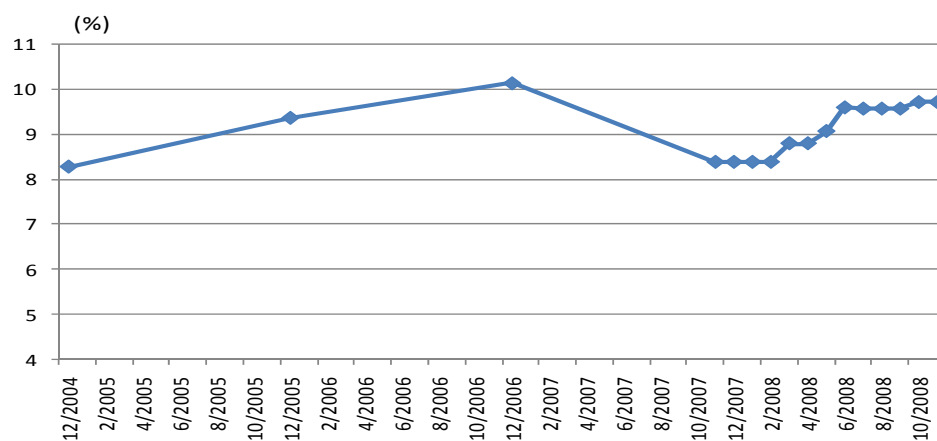
End of	Current	Call	Savings	31-Day Notice	88-Day Notice	Fixed up to 6 months	Fixed up to 12 months	Fixed over 12 months	Total	
1995	635	1,051	344	60	61	144	131	38	2,465	
1996	750	1,355	379	45	45	175	137	88	2,972	
1997	809	1,890	422	41	186	244	131	120	3,842	
1998	1,197	2,920	500	70	137	345	139	117	5,424	
1999	1,404	3,542	596	7	348	574	195	91	6,756	
2000	1,504	3,392	672	6	232	921	144	42	6,912	
2001	1,985	5,166	839	13	112	890	203	25	9,233	
2002	2,113	4,563	1,008	182	41	901	145	30	8,983	
2003	2,377	5,221	1,175	336	71	1,219	159	16	10,574	
2004	3,051	5,497	1,305	61	51	1,411	395	105	11,876	
2005	3,377	6,864	1,317	35	58	886	514	180	13,231	
2006	4,471	7,271	1,592	115	111	8,266	956	330	23,112	
2007	5,328	11,767	1,954	410	109	7,583	2,844	460	30,456	
2008	Nov	6,783	14,017	2,448	537	234	9,928	4,290	1,151	39,388

Interest rate spread (lending rate minus deposit rate)

Banks' Interest rates

	(%)				
	12/2004	12/2005	12/2006	12/2007	11/2008
LENDING RATES					
Commercial and Merchant Banks					
Prime lending rate	15.75	16.00	16.50	16.00	17.00
Mortgage	17.59	17.47	17.08	15.81	17.67
DEPOSIT RATES					
Commercial and Merchant Banks					
Savings account	7.48	6.64	6.36	7.62	7.28
Overnight call	9.07	8.57	8.26	8.28	8.16
Notice	9.10	8.72	8.48	8.32	8.31
Fixed up to 12 months	10.28	9.64	9.20	9.08	8.69
Fixed over 12 months	10.62	10.41	9.66	9.34	9.41
Interest rate spread (Prime Lending minus Savings account rate)	8.27	9.36	10.14	8.38	9.72

Interest Rate Spread (Prime Lending rate minus Savings Account Rate)



Bank credit

(P million)

End of	Government		Parastatals	Households	Agriculture	Mining	Manufacturing	Electricity & water	Construction	Trade	Transport	Finance	Business		Business Resident Total ²	Non-resident	Total ³	
	Central	Local											services	Other ¹				
1995	-	2.6	95	782	25	55	145	11	90	163	60	26	277	49	994	0	1,779	
1996	0.2	1.5	70	849	35	50	138	7	60	175	81	9	284	37	946	1	1,798	
1997	-	1.9	61	943	34	16	147	8	54	189	90	6	292	58	954	0	1,900	
1998	-	14.5	267	1,380	29	59	192	16	135	261	145	2	387	76	1,569	2	2,965	
1999	0.2	14.7	528	1,995	19	182	220	112	82	212	208	12	526	80	2,181	0	4,191	
2000	-	2.3	458	2,430	30	279	200	35	99	493	146	21	593	142	2,496	5	4,933	
2001	-	0.7	480	2,948	51	38	264	42	131	390	181	37	801	95	2,511	3	5,462	
2002	-	-	462	3,561	44	128	330	56	209	579	117	25	984	127	3,060	6	6,628	
2003	-	0.2	381	3,843	55	116	392	51	233	865	126	27	1,006	186	3,438	8	7,289	
2004 ⁴	-	-	433	4,866	120	40	356	86	241	448	288	24	1,265	273	3,575	19	8,460	
2005	-	0.3	318	5,320	129	19	334	72	192	517	297	53	1,509	299	3,736	31	9,088	
2006	-	-	261	6,207	122	56	416	68	205	734	296	69	1,865	427	4,520	67	10,794	
2007	-	1.3	183	8,031	143	121	421	158	186	1,112	129	80	1,937	843	5,312	84	13,429	
2008	Nov	-	9.2	143	9,667	118	636	588	188	308	1,659	292	66	2,420	796	7,214	103	16,993

1. 'Other' comprises real estate, community services and tourism and hotels sectors.

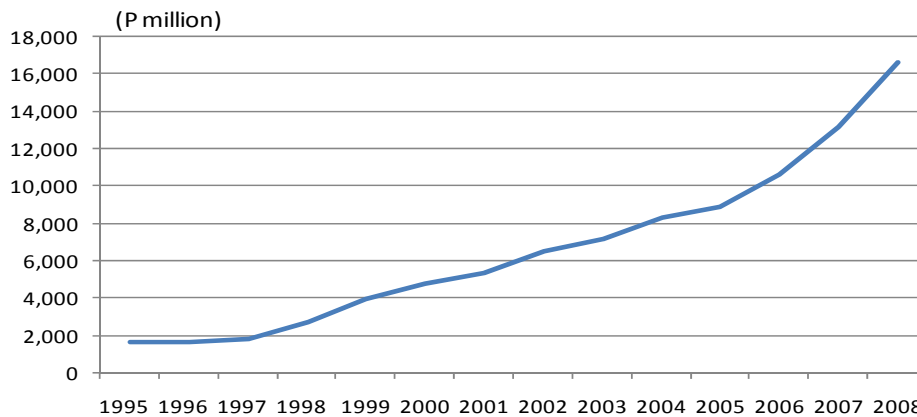
2. 'Business Resident Total' includes all sectors, except Central and Local Government and Households.

3. Total loans and advances in this Table may not be identical with those in Table 3.19 due to timing differences between the monthly and quarterly data submitted by commercial banks.

4. Effective April 2004, data for commercial banks include Investec Bank, following its takeover by Stanbic Bank.

Source: Commercial banks.

Commercial banks' loan and advances



(Note) Including overdrafts, hire purchase and leasing.

Insurance companies and other financial institutions:

Botswana Insurance Company: <http://www.bic.co.bw/>

Number of insurance companies

The non-bank financial sector is active, with over 100 private pension funds and 32 insurance companies. The insurance sector is regulated by the Registrar of Insurance, operating under the Ministry of Finance and Development Planning. There are 16 institutions licensed under the Insurance Industry Act (CAP.46:01) to undertake general or long term insurance business. (As of 2007)

Other financial institutions

Private pension funds have been rapidly growing in recent years and the size of their assets is comparable to those of commercial banks. As of December 2006, total pension funds assets amounted to BWP 29.01bn (BWP 23.2 bn in 2005). This growth has led to a significant increase in excess liquidity in the domestic financial system which is regularly absorbed by the central bank through its open market operations. Approximately 67% of pension funds assets are invested in equities, 24% in bonds (11% in domestic bonds and 13% in offshore bonds). Pension funds are one of the major participants in the fixed-income market and can invest 70% of their assets offshore.

Life and property and casualty:

OECD: <http://www.oecd.org/dataoecd/14/36/40573959.pdf>

Other financial institutions such as mutual funds, etc:

Source: "Directory of financial institutions operating in Botswana as at 2007" (Bank of Botswana)

4. Central bank and its role in the economy

Central Bank: Bank of Botswana (<http://www.bankofbotswana.bw/index.php?sectid=402>)

The establishment of the Central Bank, the Bank of Botswana, was preceded by negotiations for a monetary agreement with South Africa in 1972. A Monetary Preparatory Commission was appointed a year later, composed of Mr. H.C.L. Hermans as Chairman (Permanent Secretary, Ministry of Finance and Development Planning, at the time), Mr. P.H.K. Kedikilwe (Director of Financial Affairs, Ministry of Finance and Development Planning, at the time), Professor A.N. McLeod of York University in Canada and Advisors from the International Monetary Fund. On September 6, 1974, the first President, Sir Seretse Khama, announced the Government's decision to withdraw from the Rand Monetary Area. In April 1975, the Bank of Botswana and Financial Institutions bills were passed to legislate the establishment of a central bank and the framework to govern financial institutions that would fall under the supervision of the Central Bank, respectively.

In July 1, 1975, the Bank of Botswana was established under the Bank of Botswana Act, 1975, and Mr. H.C.L. Hermans was appointed its first Governor. For the subsequent Governors and Deputy Governors, please refer to the table below [link]. Having decided to leave the Rand Monetary Area in 1975, it was essential for the Botswana authorities to address and resolve a number of policy issues related to the introduction of a national currency and the establishment of a central bank. The four most immediate of these issues concerned the characteristics of the new national currency, the exchange rate regime, domestic interest rates and the development and supervision of domestic financial institutions. When Botswana's foreign exchange reserves started to increase significantly in the 1980s, it became necessary for the Bank of Botswana to develop a coherent strategy for the management of those national assets.

The Bank launched the national currency, the Pula, on August 23, 1976, replacing the South African rand which had been used as a national currency and had been circulating freely in the country.

The principal objectives of the Bank of Botswana:

- 1) Promote and maintain monetary stability, an efficient payment mechanism and the liquidity, solvency and proper functioning of a sound-based monetary credit and financial system in Botswana.
- 2) Foster monetary, credit and financial conditions conducive to the orderly, balanced and sustained economic development of Botswana.
- 3) Assist in so far as it is not inconsistent with the set-up objectives in the attainment of national economic development goals.

Objective of monetary Policy:

The objective of monetary policy in Botswana is to achieve a sustainable, low and predictable level of inflation, which contributes towards the broader national objective of sustainable economic development. The Bank's monetary policy goal is to achieve the 3-6 percent medium term price stability objective.

The Bank pursues its monetary policy objective in support of the broader national objectives of economic diversification and export competitiveness. The control of inflation helps Botswana generally to maintain competitiveness, but the Bank seeks specifically to achieve a rate of inflation that, at a minimum, will maintain relative stability in the real exchange rate and avoid the need for a devaluation of the Pula. In controlling inflation, the Bank uses interest rates and open market operations to influence aggregate demand.

Instruments:

The main tool of monetary policy used by the Bank to achieve its inflation objective is the level of interest rates. Changes in interest rates, along with other factors such as the exchange rate, balance of payments, and the Government's fiscal policy, affect the overall level of demand for goods and services in the economy. The Bank, therefore, has its main influence on inflationary pressures in the economy indirectly through its influence on domestic demand relative to a given level of national output.

Intermediate target:

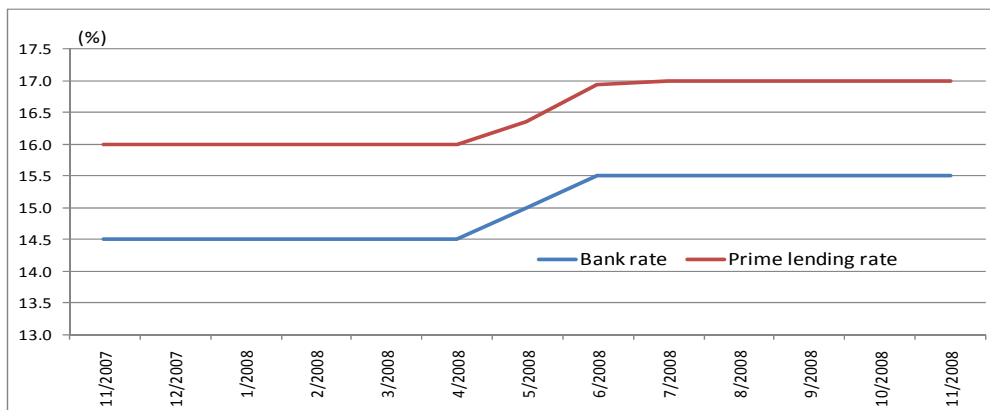
To implement policy, the Bank focuses on intermediate targets which influence the main components of domestic demand. The principal intermediate target in the current policy framework is the rate of growth of credit to the private sector, since it is considered an important contributor to the growth of private consumption and investment and, importantly, can be directly influenced by monetary policy through interest rates. The rate of growth of Government spending is an important indicator of domestic demand, given that a large proportion of this demand is derived from expenditure on public consumption and investment. This continuing large role of the Government in the economy underscores the need for complementarities between fiscal and monetary policy. Other indicators besides credit growth and Government expenditure that the Bank considers when assessing the overall stance of its policy are measures of external demand and cost pressures, and indicators of domestic cost pressures, such as wage growth, productivity and capacity growth.

Interest rates: "Bank Rates"

The bank of Botswana decides "the Bank Rate" by holding the Monetary Policy Committee.

The bank rate: 15.0% (November 2009)

Bank Rate & Prime Lending Rate



(Source: “Financial Statistics”, Bank of Botswana)

Exchange rates:

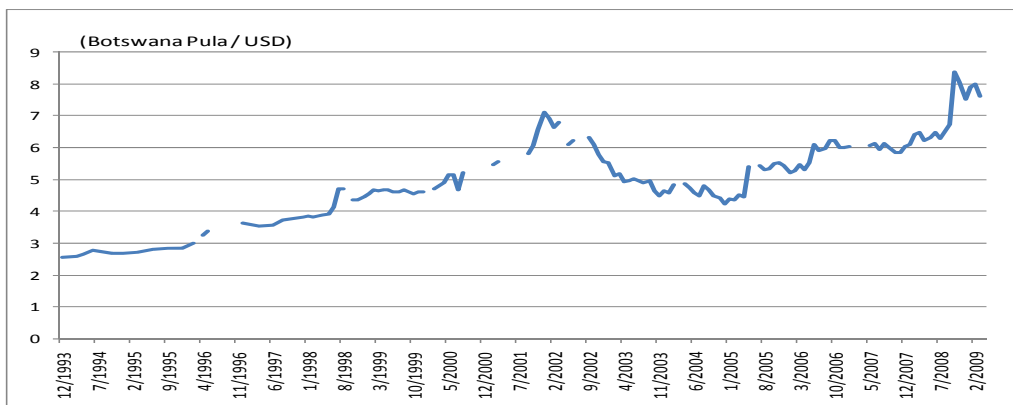
In an attempt to mitigate the susceptibility to volatility of an independent float and the straitjacket of a fixed exchange rate, Botswana, like several other developing countries, has chosen an intermediate exchange rate regime, which enables it to benefit from the positive aspects of the two extreme exchange rate mechanisms. Significantly, in a situation where there is a large inflow of diamond revenues, a free float might lead to an appreciation of the exchange rate to levels that would make non-diamond production unprofitable (the so-called “Dutch disease”), which would be inconsistent with the country’s development and diversification objectives.

Botswana has since the introduction of the pula in 1976 adopted a fixed but adjustable peg system. Initially, the pula was pegged to the US dollar and, prior to 1980; the peg was revalued on one occasion for anti-inflationary reasons. The single currency peg coincided with a period in which the South African rand was also pegged to the US dollar. Specifically, the exchange rate at which the pula was pegged to the US dollar was equivalent to that of the rand against the dollar. This implied equality between the pula and the rand. This effect expired when the rand was taken off the US dollar peg and allowed to float. To subdue the effects of exchange rate volatility between the pula and the rand, the pula basket was introduced in 1980. From 1980 to 1991, the exchange rate of the pula was subject to both discrete changes to the composition of the basket as well as devaluation and revaluation. However, since the last publicly announced devaluation in 1991, the management of the exchange rate has involved technical adjustments of the basket composition aimed at maintaining real exchange rate stability.

The bank of Botswana shows daily exchange rates on its web site:

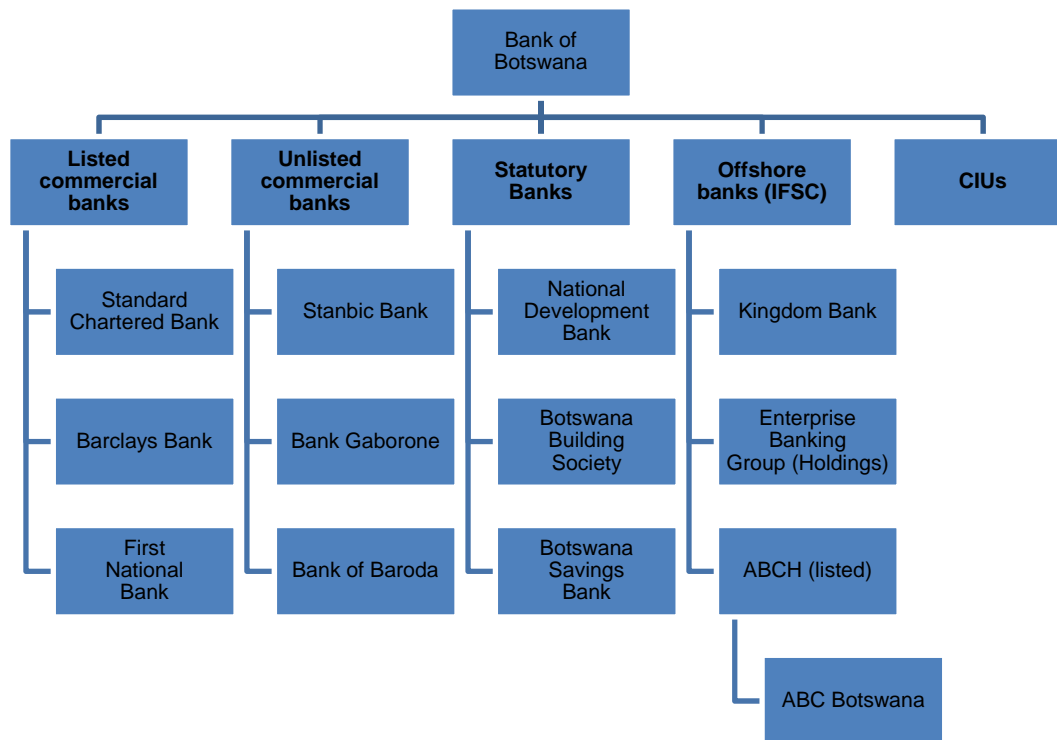
http://www.bankofbotswana.bw/section_Exchangerates.php?sectid=495

Exchange Rate: US dollar per Pula



(Source: “Financial Statistics”, Bank of Botswana)

Botswana’s exchange rate policy<BIS> <http://www.bis.org/publ/bppdf/bispap17m.pdf>



5. Government bond market

The primary bond issues are managed by the bank of Botswana on behalf of the government.

The first government bond was issued on March 26, 2003. The main objective is to help develop local capital markets by adding to the choice of available financial instruments and establishing a relatively risk-free yield curve to serve as a bench mark for other bond issues. The issue was through consisting of the major commercial and merchant banks in Botswana. Six primary counterparties have been appointed by the Bank of Botswana to participate in auctions.

In addition to government bonds, Botswana government issues treasury bills since March 7th, 2008.

There is a primary dealership system in government bonds for both the primary and secondary market. Government debt instruments consist of Bank of Botswana Certificates (BOBC) and government bonds. While BOBCs are used for open market operations, the government bonds have been launched to help develop the domestic capital markets by adding to the choice of available financial instruments and establishing a relatively risk-free yield curve

to serve as a benchmark for other bond issues. Government securities are sold by multiple price auctions with successful bidders (bids above the established minimum bid price) required to pay their respective bid prices. Following are the main features of the securities.

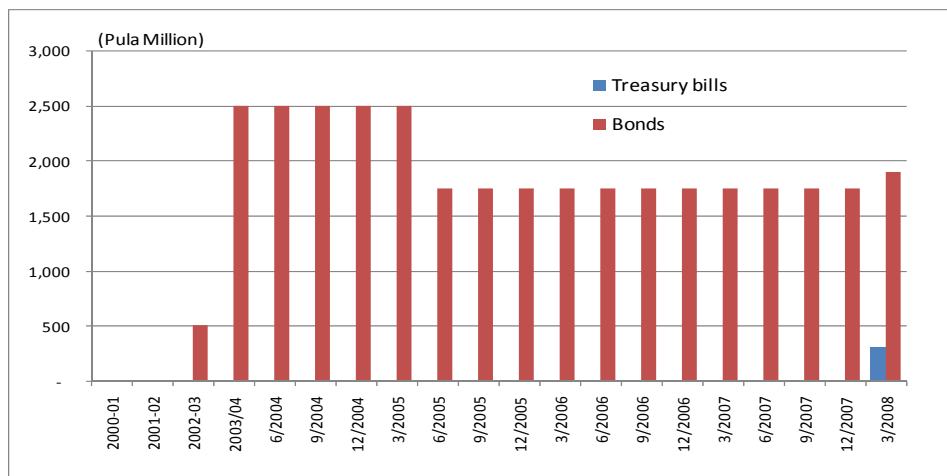
Government bonds are auctioned and traded on a yield-to-maturity basis and can be bought and sold through the BSE primary dealers. However, it is an illiquid market as investors are typically buy-and-hold types. The Bank of Botswana invests in some of these issues to help promote the liquidity of the market.

Government bond has maturities of 2Y, 5Y, 12Y.

Bank of Botswana Certificates has maturities of 14-, 91- and 364-days.

Interest Rates: BoB website. <http://www.bankofbotswana.bw/sections.php?sectid=556>

Government: Public Debt Out standing



6. Stock Market

The BSE was established in 1989, when it was known as the Botswana Share Market (BSM). Then, there were only 5 (five) listed entities, with a single broking firm in the market which was also charged with facilitating trading on the exchange via matching orders. As the years passed, it was becoming clear that there is a need to separate the running of the exchange from the broking firm and this set in motion preparation for the establishment of an independent exchange. The authorities only established the Botswana stock exchange (BSE) as a separate legal entity in November 1995 following the passing of the BSE Act of 1994.

The market capitalization of the BSE grew from 254 million pula in 1989 to 182 126.60 in 2002 and 534 184.66 million pula as at end of 2006. The number of securities (shares and fixed income) listed in the BSE rose from 5 in 1989 to 44 as of 2004 and to 56 in 2006 for the sake of consistency, can we use just the year or year and month for all if we are using the same period just different years.

In 1989, the only market performance index was the Botswana Share Market index (BSI) and was set at 100. However, as the market developed and diversified in terms of domestic companies and dual foreign companies listed, the need for additional markets indicators arose. Three distinct indices were introduced to reflect the market diversity and these are; domestic company index (DCI), foreign company index (FCI) and the all company index (ACI). As at end of 2006 the DCI recorded 6 195.45 points, while the FCI hit 1 777.30 points and the ACI 1 914.18 points. The structure of the BSE market has also changed since its inception, with diversification of sectors from Wholesaling and Retailing, Financial Services and insurance, Banking, Property and Property trust, Mining, Security services, Transport and Tourism, Energy, and Health care and Emergency services. In 2001 the BSE introduced a Venture Capital Board dedicated to companies looking for startup capital.

Further developments in the market over the years include the listing of Botswana government bonds in the exchange in 2003; this was an initiative by the government to develop the domestic capital markets. The importance of this was to widen the availability of alternative investment instruments and enable the establishment of a relatively risk free yield curve as a benchmark for other bond issues.

Market infrastructure development:

As part of the BSE's strategy to develop the Capital market a major development currently underway at the BSE is the implementation of a Central Securities Depository (CSD) which commenced in October 2007 This implementation of the CSD will bring prompt, efficient clearing and settlement of trades and the reduction of risks inherent in the process. With the introduction of the CSD, the settlement cycle will be tightened and the BSE intends to shorten it to T+ 3 in conforming to international standards and to reduce settlement risk. The CSD will also make it possible for the BSE to record and analyze trading information more efficiently thereby assisting in the deployment of its marketing strategy more effectively. Subsequent to implementing the CSD, the BSE hopes to commence to work on implementing an Automated Trading System (ATS). This development will support the BSE's marketing initiatives by making it easy for both Botswana and Foreign investors to trade on the BSE.

In addition, the BSE Act of 1994 is being reviewed in order to set up an appropriate operational and regulatory legal framework in efforts to align it with International Best Practice and cater for innovations in financial markets around the world. The exchange is also involved in the development of more instruments which are more than traditional shares (equities) to be listed in the exchange, to give investors a variety of exchange listed instruments.

Companies Listed / Concentration:

There are 21 domestic companies listed as noted below. All are listed on the Main Board with the exception of Imara Holdings Limited, which is listed on Venture Capital.

1. African Banking Corporation Holdings Limited

2. Barclays Bank of Botswana Limited
3. Botswana Insurance Holding Limited
4. Chobe Holdings Limited
5. Engen Botswana Limited
6. First National Bank Botswana Limited
7. FSG Limited
8. Furniture Mart Limited
9. G4S Botswana Limited
10. Letshego Holdings Limited formerly "Micro Provident Botswana Limited"
11. Olympia Capital Corporation (Botswana) Limited
12. PrimeTime Property Holdings Limited
13. RDC Properties Limited
14. RPC Data Limited
15. Sechaba Brewery Holdings Limited
16. Sefalana Cash & Carry Limited
17. Sefalana Holding Company Limited
18. Standard Chartered Botswana Limited
19. Turnstar Holdings Limited
20. Venture Capital
21. Imara Holdings Limited

There are 4 foreign companies listed on the Main Board and 7 companies listed on Venture Capital, for a total of 11 foreign companies as noted below.

Main Board:

1. Anglo American Plc
2. Blue Financial Services Limited
3. IAMGOLD Corporation
4. Investec Group Limited

Venture Capital:

1. A CAP Resources Limited
2. African Copper Plc
3. African Diamonds Plc
4. Aviva Corporation Limited
5. CIC Energy Corp
6. DiamonEx Limited
7. Discovery Metals Limited

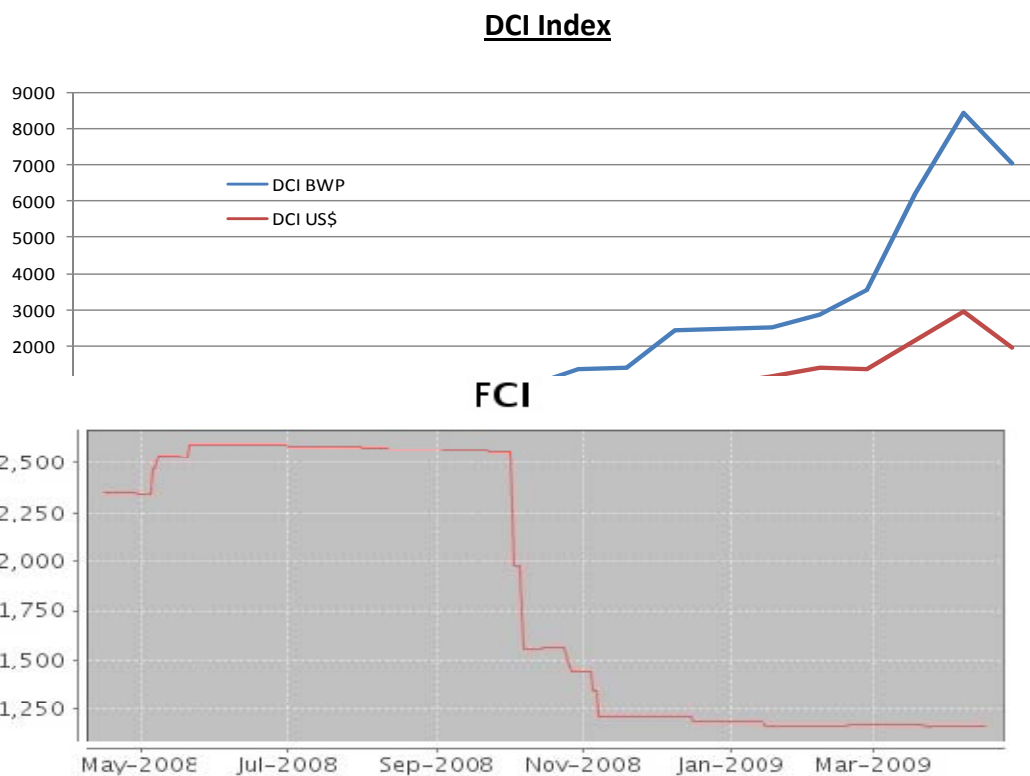
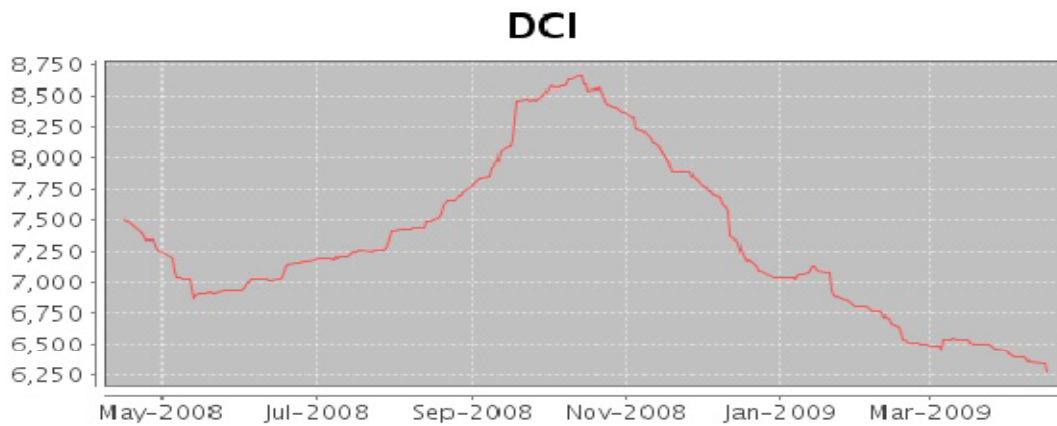
Source: http://www.bse.co.bw/listed_companies/listed_companies.php

Stock price data:

There are a variety of market indices, and the most widely followed is the Domestic Companies Index (DCI) which tracks movements in share prices on the BSE using a weighted average of all domestic companies listed on the exchange.

Index

- 1) DCI: Domestic companies' index - Incorporates any company which is primary listed on the BSE.
- 2) FCI: Foreign companies' index - Incorporates companies that are dual listed on the BSE.
- 3) LASI: local Asset Sector Index - All domestic cos +all foreign companies awarded the local asset status by Ministry of Finance and development Planning.
- 4) DFSI: Domestic Financial Sector Index - All domestic financial sector companies.
- 5) FRSI: Foreign Resource Sector Index - All foreign resource sector companies.



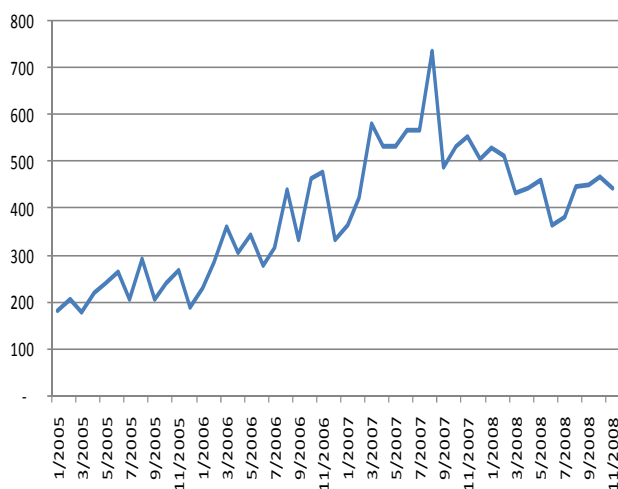
Market capitalization

		31-Dec-04	31-Dec-05	31-Dec-06	31-Dec-07	% Change
Market Cap (Pula Million)	Domestic	10,876.41	13,418.10	23,776.87	32,703.00	37.5
	Foreign	162,088.00	301,144.60	510,407.79	535,325.00	4.9
	All Company	172,964.41	314,562.70	534,184.66	568,028.00	6.3
Market Cap (Dollar Million)	Domestic	2,329.73	2,440.75	3,728.21	5,445.00	46
	Foreign	34,719.25	54,778.20	80,031.94	89,132.00	11.4
	All Company	37,048.97	57,218.96	83,760.15	94,577.00	12.9
Closing P/E	Domestic	12.3	11	16.3	15.6	-4.29
	All Companies	13	12.6	20.3	12.5	-38.42
Closing Dividend yield	Domestic	6.4	5.9	3.8	3.1	-18.42
	All Companies	2.9	2.5	4.9	2.2	-55.1
Liquidity	Domestic	3	1.8	1.8	2.9	61.11

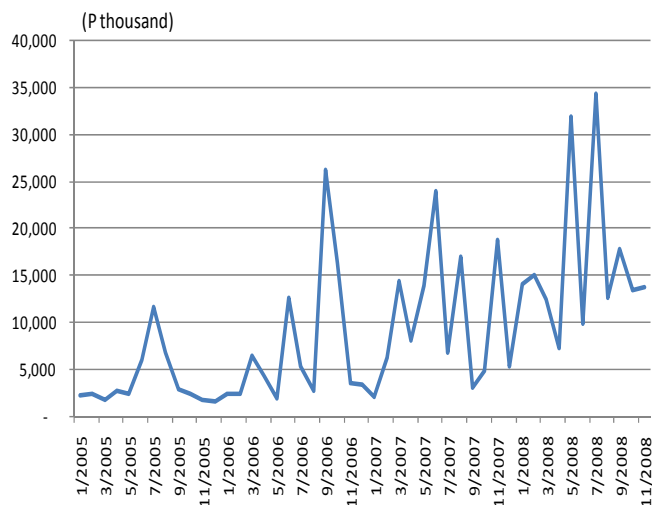
Source: http://www.bse.co.bw/market_n_statistics/market_statistics.php

Trading volume

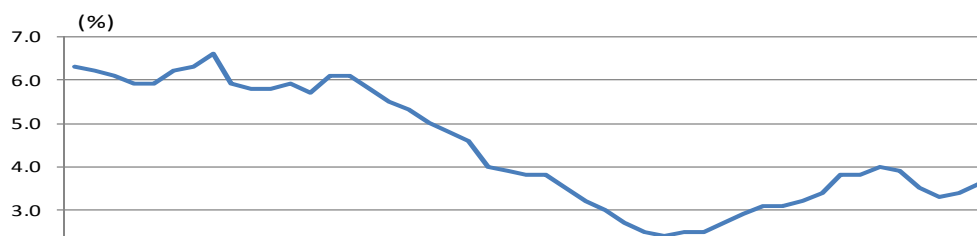
Number of Transactions



Trading Volume



- Dividend Yield



Participants:

Market participants in both the primary and secondary market include domestic and foreign companies, commercial banks, corporate, parastatals and institutional investors (pension funds, insurance companies and mutual funds). The local non-bank investor base (asset management, life and general insurance companies) is deep and diversified. Three registered brokerage companies are operating on the BSE and all commercial and merchant banks in Botswana are primary dealers.

Other Type of financial market:

Bond market:

Historically, the financial sector in Botswana has been dominated by commercial banks, which have played a major role in contributing towards the development of the economy. However, funds raised on the domestic bond market now constitute almost 47% of total bank lending, compared to 0% in the mid-1990s.

Commercial banks have been able to launch convertible bonds and account for the proceeds as capital required for reserves, and also to raise long-term resources, thereby allowing them to offer longer-term lending products. The main private sector issuers include international banks and a handful of corporations such as Kgalagadi Breweries and Piermont Group Botswana. Public sector issuers include Botswana Telecom, Botswana Development Corporation and Botswana Building Society.

While the increased number of brokers is a sign of heightened market activity, there continues to be an absence of significant secondary market trading. This may reflect the costs associated with such trading, including both brokerage and listing fees. Some issuers have even elected not to list their issues to reduce issuance expenses. Most institutional investors have a buy-to-hold culture resulting from the lack of supply in new investments issues.

Derivatives:

Derivatives activity mainly consists of over-the-counter foreign exchange forwards and currency swaps. Both forwards and currency swaps markets are liquid, with tenors up to 3-months and 6-months respectively. Currency swaps are mostly against the USD but can be against any of the major international currencies.

Other types of finance:

Private equity:

Major investors are Botswana government agency (BDC), Botswana Life Insurance Company, Botswana Public Officers pension funds, and other pension funds.

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- Republic of Botswana, Central Statistics Office: <http://www.cso.gov.bw/>
- OECD: <http://www.oecd.org/dataoecd/14/36/40573959.pdf>
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- CIA: <https://www.cia.gov/library/publications/the-world-factbook/geos/bc.html>

2. Banking System

- The Bank of Botswana: <http://www.bankofbotswana.bw/files/attachments/i968763058.pdf>

3. Insurance companies and other financial institutions

- "Directory of financial institutions operating in Botswana as at 2007" (Bank of Botswana)

4. Central Bank and its role in the economy

- <http://www.gov.bw/>
- <http://www.econsult.co.bw/>
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- <http://www.oecd.org/dataoecd/11/58/36748457.pdf>
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- www.capital.bw/securities/doc/presantations/banking_sector_overview_keith.ppt

5. Government bond market

- Government of Botswana: <http://www.gov.bw/>
- Botswana Government Launches First Bond Issue Press release: http://www.bankofbotswana.bw/files/attachments/GovBond/Bondissue_Pressrelease.htm

6. Stock market

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7. Other types of financial market

- <http://www.afdb.org/en/documents/publications/african-fixed-income-guidebook/>

8. Other types of finance

- <http://www.mixmbb.org/Publications/002-REG/AFRICA/AFRICA%20BENCHMARKING%20REPORTS/Africa%20Microfinance%20Analysis%20and%20Benchmarking%20Report%202008.pdf>
- [http://www.wsbi.org/uploadedFiles/Publications_and_Research_\(WSBI_only\)/microfinance%20leadership%20of%20WSBI%20African%20members%20GB%20screenview5.pdf](http://www.wsbi.org/uploadedFiles/Publications_and_Research_(WSBI_only)/microfinance%20leadership%20of%20WSBI%20African%20members%20GB%20screenview5.pdf)
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