THE GLIMPSE

2024 ANNUAL REPORT HIGHLIGHTS

1. Introduction

1.1 The 2024 Annual Report (Report) is published in accordance with section 68 of the **Bank of Botswana Act, Cap 55:01, as amended (the Act)**. The Report provides a summary of the operations and audited financial statements of the Bank for the year ended 31 December 2024.

1.2 The Glimpse provides a high-level summary of the main insights and highlights from the 2024 Annual Report.

1.3 2024 saw changes in leadership and reforms in the governance structure as a result of the new provisions in the Bank of Botswana (Amendment) Act, 2022, which came into effect on 14 February 2023. The changes were as follows:

- Appointment of the Deposit Insurance Committee in April 2024: four independent members and three ex-officio members (Permanent Secretary in Ministry of Finance; Governor, Bank of Botswana; and Director of the DISB).

- Credit bureaus regularised under the new BoB Amendment Act: Credit Reference Bureau Africa (Pty) Ltd, Micro; Finance Credit (Pty) Ltd and TransUnion (Pty) Ltd.

1.4 In 2024, the Governor assumed the role of Alternate Chairperson for the Southern Africa sub-Region under the Association of African Central Banks (AACB) in September — a position he will hold for two years before taking up the Chairmanship from 2026 to 2028.

2. Mandate of the Bank

As set out in section 4 of the Act, the Bank has the following principal objectives:

1. First and foremost, the primary objective of the Bank shall be to achieve and maintain domestic price stability.
2. Subject to subsection (1), the Bank shall contribute to the stability of the financial system and foster and maintain a stable, sound and competitive market-based financial system.
3. Without prejudice to subsections (1) and (2) above, the Bank shall support national economic development goals.
4. In the attainment of the objectives set out in this section, the Bank shall have and may exercise all the powers generally conferred upon a central bank.

Figure 1: Mission, Objectives, Strategies and Supportive Structures

MISSION, OBJECTIVES AND FUNCTIONS	**Price Stability and Monetary Operations**	**Financial Stability**	**Sound Banking System**	**Efficient Payments System**	**Issuance of Quality Banknotes and Coins**	**Banker for Government, Banks, and Selected Institutions**	**Foreign Exchange Reserves Management and Domestic Markets**	**Economic Analysis and Policy Advice to Government, Collection, Production and Publication of Statistics**
INSTRUMENTS AND ACTIVITIES	Monetary Policy Rate, Open Market Operations, Primary Reserve Requirement, Exchange Rate Management, Policy Focused Research, Inflation Modelling and Forecasting and Policy Communication	Macroprudential Policy, Surveillance and Monitoring	Banking Regulation, Licensing, Supervision, Enforcement Action and Market Conduct, Transparency Pricing, Effective Complaints Management and deposit insurance	Banking, Payments Systems, Regulation and Oversight, Clearing and Settlement Systems	Currency Management, including Quality and secure Currency in Circulation	Maintenance of Customer Accounts and Credit Facility or Lender of Last Resort	Foreign Exchange Reserves Management and Investment Guidelines, Foreign Exchange Trading and Dealing and Domestic Market Development	High-Level Bank Representation, Direct Advice, Joint Committees, Research and Other Publications, Public Education on Banking and Financial Matters

SUPPORTIVE INFRASTRUCTURE	Governance Structures: Board and Management Committees	Strategic Planning, Capacity Building and Staff Welfare	Assurance: Legal and Compliance, Risk Management, Internal Audit, Security, Business Continuity Planning and Cyber Security	Operating Platforms: Information Technology Systems, Physical Infrastructure and Facilities	Accountability, Stakeholder Feedback and Communication

3. Operations of the Bank in 2024

3.1 Monetary Policy

During 2024, monetary policy in Botswana was conducted in the then context of projected lower inflation in the short-to-medium term given the reduction in domestic fuel prices, subdued domestic and global economic activity and anticipated lower international commodity prices and trading partner countries' inflation. These conditions provided scope to ease monetary policy in support of stronger output growth. Hence, the Monetary Policy Rate (MoPR) was reduced by a cumulative 50 basis points to 1.9 percent in 2024, following a 25-basis points policy rate cut in 2023. In addition, the Bank reduced the Primary Reserve Requirement (PRR) from 2.5 percent in December 2023 to zero in December 2024. The PRR is the minimum amount of cash or liquid assets a bank must hold against its deposits, as mandated by a central bank. This change was done to address the persistent liquidity shortage experienced by commercial banks in the fourth quarter of 2024. The liquidity injection would facilitate the intermediation role of commercial banks in supporting economic activity. Accordingly, the Prime Lending Rate (PLR) of commercial banks decreased from 6.51 percent to 6.01 percent in the same period.

MoPR reduced by cumulative 50 basis points

Accommodative Monetary Policy Stance

PLR of commercial banks reduced from 6.51 percent in 2023 to 6.01 in 2024

Low inflation

PRR reduced from 2.5 percent in 2023 to zero in 2024

3.2 Money and Capital Markets

In 2024, open market operations were conducted in **an environment of decreased market liquidity**, due to reduced government spending. Liquidity declined significantly in the last half of 2024, thereby, prompting the Bank to intervene by injecting liquidity through fine tuning operations (Repos). The reduction of the PRR injected liquidity of approximately P1.8 billion into the banking system, which allowed commercial banks to perform their necessary intermediation to support economic activity. Furthermore, P2.34 billion worth of Standing Deposit Facility (SDF) was outstanding at the end of December 2024 compared to P3.49 billion the year prior.

OPEN MARKET OPERATIONS WERE CONDUCTED IN
AN ENVIRONMENT OF DECREASED MARKET LIQUIDITY,
MAINLY INFLUENCED BY REDUCED GOVERNMENT SPENDING.

The **7-day BoBC yield decreased** from 2.40 percent in December 2023 to 1.90 percent in December 2024, in line with the downward adjustment in the MoPR in December 2024. In 2024, secondary market trading for BoBCs was worth P10 million compared to P25 million traded in 2023.

Outstanding Government Bonds of various maturities and Treasury Bills (T-Bills) increased from P29.1 billion in December 2023 to P41.2 billion in December 2024, as **Government increased the ceiling for the Government Note Issuance Programme from P30 billion to P55 billion effective 1 April 2024**. Primary Dealers and their customers held P18.3 billion (44.56 percent) and P22.8 billion (55.44 percent), respectively, of the Government securities at the end of 2024. Liquidity in the Government Bond market has improved substantially and, therefore, secondary market activity increased compared to the previous period.

3.3 Exchange Rate Policy

The Pula basket weights were maintained at 45 percent and 55 percent for the South African rand (ZAR) and the IMF's SDR in 2024, respectively, reflecting Botswana's trade pattern and financial relationships with the external world. In addition, the Bank implemented an annual downward rate of crawl of 1.51 percent to enhance domestic industry competitiveness.

3.4 Financial Stability

During 2024, the Financial Stability Council (FSC) met in April and November, to deliberate on the state of domestic financial stability, macroprudential policy considerations and approve publication of the Financial Stability Report (FSR) for May and October, respectively. **The FSC determined that the financial system of Botswana continues to be resilient, robust, safe, sound and unconstrained in supporting economic activity**. This resilience was based on strong regulatory and supervisory measures, as well as sustained profitability and solvency of banks and non-banks. However, vulnerabilities have increased in the financial system due to rising sovereign/ fiscal risks.

The Bank conducted a Household Indebtedness Survey (HIS) for 2023/24, to identify and assess credit developments in the household sector. The results indicated that credit was largely extended to clientele that had the most secure jobs, thus the largest credit providers (banks) had good household loan books. **Household debt, characterised by low default, therefore, posed minimal risk to financial stability**.

The regulatory and supervisory environment of the financial system remains robust and continues to be modernised and strengthened to elevate its effectiveness in controlling risk transmission and reducing vulnerabilities.

3.5 Supervision and Regulation of Banks and Payments Systems

During 2024, the Bank continued to monitor the performance of banks through established processes, such as off-site and on-site examinations, for adherence to prudential, payments and market infrastructure requirements. Furthermore, the Bank held bilateral meetings with banks and their respective external auditors and arranged trilateral meetings with each financial institution and its external auditor during the year.

The **commercial banking industry was profitable**, with an after-tax profit of P4.1 billion in the 12 months to December 2024, representing an increase of 31.7 percent from the P3.1 million reported in the corresponding period in 2023. Overall, total assets of the commercial banking industry grew by 7.7 percent from P133.6 billion in December 2023 to P143.9 billion in December 2024.

Deposits remained the main source of funding for the commercial banking industry at P114.3 billion in December 2024 (December 2023: P110.3 billion).

Overall, the commercial banking sector was assessed to be profitable, adequately capitalised and liquid and in compliance with statutory and prudential requirements.

3.6 Foreign Exchange Reserves Management

The Board approved the newly revised Investment Policy in March 2024, which introduced changes to the strategic asset allocation. The number of eligible global markets increased from 22 to 27. However, investment was made in 14 markets for the internally managed portfolio, a slight increase from 13 in the preceding period. Emerging markets continued to face unfavourable market conditions as investors moved capital to developed markets. Furthermore, the US dollar continued to appreciate against emerging markets currencies.

At the end of December 2024, foreign exchange reserves amounted to P48.1 billion, a decrease of 24.5 percent from P63.7 billion in December 2023. The decrease reflects low levels of diamond receipts in 2024 and elevated withdrawals from the Transaction Balances Tranche (TBT).

FOREIGN EXCHANGE RESERVES, DECEMBER 2024

48.1 Billion

3.7 Business Conduct and Regulatory Compliance

In 2024, the Bank continued to monitor supervised institutions for compliance with the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT), obligations as prescribed in the Financial Intelligence Act. The supervision and monitoring were conducted through both on-site examinations and off-site monitoring. During the year, the Bank conducted AML/CFT on-site examinations on three banks, three Money or Value Transfer Service/Electronic Payment Services (MVTS/EPS) and two bureau de change. Generally, the institutions inspected in 2024 (except for one) were found to have significant deficiencies in their AML/CFT obligations. The concerned institutions were directed to adopt corrective measures within prescribed timelines and, in some cases supervisory fines were imposed for non-compliance with the Financial Intelligence Act.

In 2024, the Bank issued a public notice requesting customers who had deposited money in the Dafritech (Pty) Ltd bank account to come forth and claim their funds. As of 31 December 2024, 26 depositors out of a total of 116, had been refunded a total of P393 262 of the Dafritech funds and the remaining balance was P437 983. Dafritech was, in 2021, found to be in the business of soliciting deposits from members of the public without a valid licence issued by the Bank, thus, contravening section 3(1) of the Banking Act.

In 2024, consumer compliance on-site examinations were conducted at two banks. The examinations were meant to assess if the banks adhered to the prescribed market conduct standards. Overall, the examinations revealed that the banks were generally compliant. However, there were instances where anomalies were observed and, in such cases, they were directed to adopt corrective measures within a prescribed timeline.

In accordance with section 6 (1) of the Credit Information Act, 2021, three credit bureaus, namely, TransUnion

(Proprietary) Limited, Micro-Finance Credit Bureau (Pty) Ltd, (Micro-Finance) and Credbase (Pty) Ltd (Credbase) were issued with credit bureau licences as of 31 December 2024. Micro-Finance and Credbase been granted six months to have commenced operations.

3.8 Banking, Currency and Settlement Operations

The number of banknotes in circulation increased by 9 percent from P46.8 million in December 2023 to P51 million in December 2024. Consequently, the total value of banknotes in circulation increased by 14.3 percent from P4.2 billion to P4.8 billion in the same period. The net issuance of the P200 and P100 banknote denominations increased significantly by 14.4 percent and 7.6 percent, respectively, while net issuance decreased with respect to the P50 (8.9 percent), P20 (7.6 percent), and P10 (2.5 percent).

Overall, there was an increase in the use of cash for payments in 2024 compared to 2023. The P200 denomination continued to have the highest share of total issuance at 32.7 percent, followed by P20 (22.2 percent), P10 (15.5 percent), P50 (15.1 percent) and P100 (14.5 percent).

The total net issuance of coin denominations increased by 7.1 percent from P351 million in 2023 to P375 million in 2024. This led to a marginal increase of the value of coins in circulation of 7.1 percent from P142 million to P152 million in 2024. The 5 thebe and 10 thebe denominations had the highest share of total coin net issuance at 7.38 percent and 7.14 percent, respectively.

The Bank has embarked on digitalisation of Government revenue collection as part of the strategic initiative of the Bank named "Digital BoB2024". The objective of the digitalisation of banking services is to develop, design and implement modern digital cash handling and management solutions to revolutionise Government revenue collection services and increase efficiency, reduce manual interventions, and facilitate real time processing.

3.9 Fintech

Consistent with the Fintech Development Pillar of the National Payment System Vision and Strategy 2020 – 2024, the Bank embarked on research work on emerging fintech developments to pave way for initiatives that are intended to leverage fintech in the broader development of the digital financial services infrastructure and the deepening of the digital economy. The Bank's Digitalisation and Innovation Hub actively monitored local and global fintech developments and their impact on mandates of the Bank, with a view to inform the requisite regulatory policy responses.

3.10 Information Technology

The Bank embarked on several initiatives through its governance strategy, to enhance operational efficiency and digital transformation, particularly through adoption of advanced technologies and secure remote access.

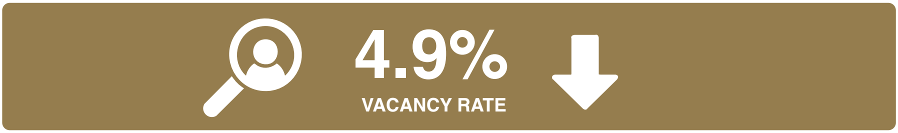
- The Microsoft Enterprise Agreement was renewed;
- implementing technologies that protect email applications against impersonation fraud;
- using Microsoft Defender-based technology to identify and prevent identity-related threats for the anticipated remote work arrangement;
- continual identification and remediation of critical vulnerabilities in the ICT infrastructure and optimising the anti-malware platform;
- establishment of a robust data protection framework by implementing Microsoft Purview as the primary data governance and compliance solution, which involves classifying sensitive data, creating sensitivity labels, and setting up automated policies to ensure data compliance; and
- undertaking enhanced cybersecurity awareness amongst employees through computer-based training and in-person cybersecurity awareness workshops to foster a culture of cybersecurity vigilance.

The Bank implemented a Mobile Device Management system to protect the confidentiality and integrity of business data accessed through Bank-issued mobile devices. All mobile devices, including laptops, tablets, and cell phones, were enrolled into the system to enable centralised management, policy enforcement, and compliance monitoring.

The Bank also committed to improving its infrastructure, processes and technologies, empowering staff to meet stakeholder needs, adhering to necessary standards, and ensuring system availability and operational continuity.

3.11 Human Capital

At the end of 2024, the Bank's Staff Establishment was 639, higher than the 623 in December 2023. The vacancy rate was 4.9 percent, compared to 6.1 percent at the end of December 2023.



3.12 Legislation and Governance

The Bank of Botswana (Amendment) Act was passed into law in July 2022 and commenced on 14 February 2023. The re-enacted Banking Act was passed into law at the Parliament sitting of 14 April 2023. It was assented to by the President and published in the Government Gazette as Act no 8/2023 on 26 May 2023. The Act commencement order will be publicised once the Banking Regulations have been approved by the Minister of Finance, to come into operation. The Bank progressed review of the National Payments Law which is at an advanced stage and further commenced the process of implementing the Data Protection Act.

3.13 External Relations and Communication

The Bank facilitated and/or participated in relevant regional and international meetings, as well as consultation, surveillance and technical assistance missions to Botswana. In this regard, the Bank took part in meetings and conferences, organised by the Bank for International Settlements (BIS), International Monetary Fund (IMF) and World Bank. At a regional level, the Bank participated in meetings organised by Southern African Customs Union (SACU), Southern African Development Community (SADC), Committee of Central Bank Governors (CCBG), Association of African Central Banks (AACB) and Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI).

In 2024, the Bank continued to engage with key stakeholders through media briefings, participation at trade fairs, events, and economic briefings, among other activities. In 2024, the Bank's media coverage improved as reflected by the continued positive coverage in the media. Similarly, the Bank's social media content received strong public engagement, as evidenced by increased views, shares and visits.

Overall, the Bank achieved its key mandates relating to maintenance of price stability; currency management and ensuring availability and circulation of good quality banknotes and coin; and facilitation of payments and settlement. In addition, the Bank executed its statutory responsibilities for implementation of the exchange rate policy; management of the foreign exchange reserves and availing foreign currency to the economy; and supporting the Government Bond Issuance Programme.

4. Financial Performance

4.1 Net income for the year ended 31 December 2024 amounted to P5.8 billion; this compares to a net income of P8 billion recorded in 2023. The net distributable income for 2024 was P4.1 billion (2023: P860.5 million), after the transfer of non-distributable exchange rate valuation gains of P251.4 million to the Currency Revaluation Reserve and a transfer of P1.5 billion of unrealised fair value gains to the Fair Value Revaluation Reserve.

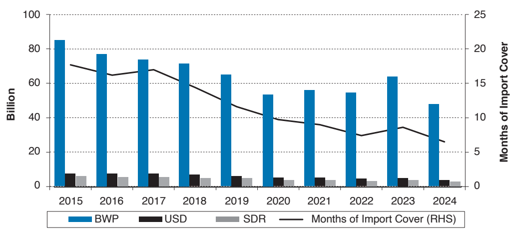
4.2 Total assets of the Bank were P54.2 billion on 31 December 2024; a decrease of P11.5 billion compared to the P65.7 billion in the previous period. The decrease was mainly due to lower foreign exchange reserves. Domestic assets increased by P4.1 billion to P6.1 billion, the increase was due to outstanding advances to banks that cleared on the first business day in 2025.

4.3 A pre-set dividend of P838 million was paid to Government during 2024, in accordance with the agreed framework between the Ministry of Finance and the Bank for budgetary purposes. A residual income of P3.2 billion was paid to Government by 31 March 2025.

4.4 The balance on the Government Investment Account (GIA) decreased by P8.3 billion from P8.6 billion in 2023 to P251.3 million in 2024.

4.5 The level of foreign exchange reserves decreased by 24.4 percent from P65.7 billion in December 2023 to P48.1 billion in December 2024, which was equivalent to 6.3 months of import cover. In US dollar terms, the reserves decreased from USD4.8 billion in December 2023 to USD3.5 billion in December 2024, while decreasing by 22.8 percent from SDR3.5 billion to SDR2.7 billion over the same period. The decrease in the foreign exchange reserves mainly reflects higher net foreign exchange payments (P22.3 billion) during the year under review.

Chart 1: Level of Foreign Exchange Reserves (2015 - 2024)



Source: Bank of Botswana

Net Income
P5.8 billion

Total Asserts
P54.2 billion

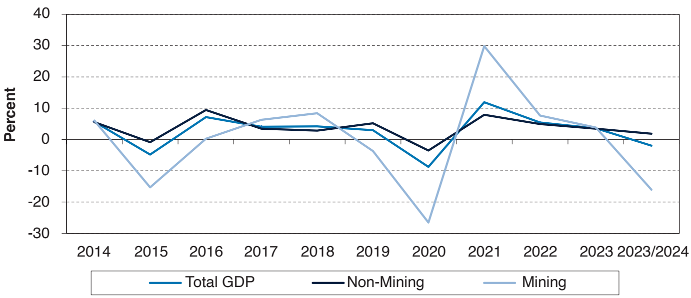
5. The Macroeconomic Landscape

Recent Economic Developments

5.1 The economy contracted by 2 percent in the twelve months to September 2024, compared to a growth of 4 percent in the year to September 2023. (Fourth Quarter National Accounts are yet to be released by Statistics Botswana; however, the Ministry of Finance estimates the economy to have contracted by 0.4 percent in 2024).

2.0%
ECONOMY

Chart 2: Real GDP Growth 2014 - 2023/2024 (Percent)



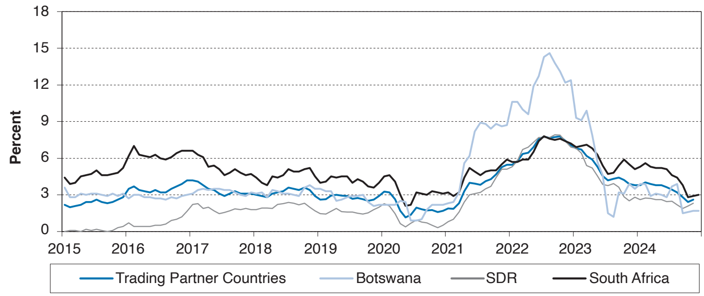
Source: Statistics Botswana

5.2 The GDP contraction is mainly attributable to deterioration in global economic conditions, geopolitical events, as well as growing popularity of other luxury goods in major markets, which has negatively impacted the demand for diamond jewellery and rough diamonds. The mining sector GDP contracted by 16 percent in the year ending September 2024, a notable decline from a growth of 3.7 percent recorded in the year to September 2023.

5.3 During 2024, monetary policy was conducted in the context of projections for lower inflation in the short-to-medium term, due to the impact of reduction in domestic fuel prices; subdued domestic and global economic activity; limited domestic fiscal space; as well as anticipated lower international commodity prices and trading partner countries' inflation, while the economy operated below potential.

5.4 Overall, domestic inflation decreased significantly from an average of 5.2 percent in 2023 to an average of 2.8 percent in 2024. In consideration of projected lower inflation, subdued domestic demand while the economy operated below potential, the Monetary Policy Rate (MoPR) was reduced by 50 basis points to 1.9 percent in 2024, to support stronger output growth in the medium term.

Chart 3: Botswana and Trading Partner Countries' Inflation (2015 - 2024)



Source: Statistics Botswana, Bank of Botswana and Bloomberg

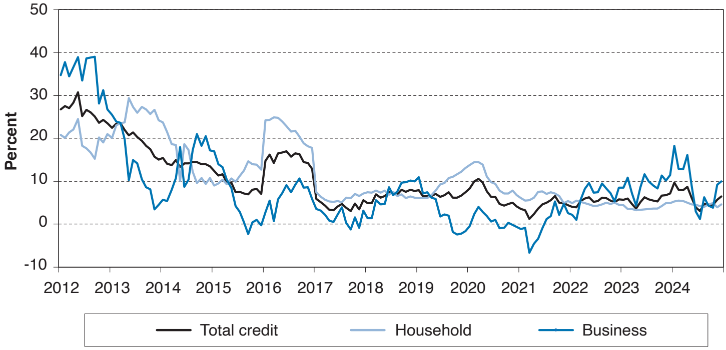
5.5 The Pula basket weights were maintained at 45 percent for the South African Rand and 55 percent for the Special Drawing Rights (SDR), while the 1.51 percent downward rate of crawl was also maintained in 2024.

5.6 The real effective exchange rate, which is a measure of competitiveness, depreciated by 2.5 percent in 2024 due to the combined effect of the depreciation of the nominal effective exchange rate (NEER) and lower inflation in Botswana relative to the average inflation for the trading partner countries, suggesting a gain in international competitiveness of domestic goods and services in international markets. However, it is noted that the exchange rate alone is not sufficient to ensure sustainable competitiveness of local producers. Durable competitiveness of domestic producers is mainly achieved through sustained improvement in productivity, which also contributes to lower inflation.

5.7 Annual growth in commercial bank credit decelerated to 6.5 percent in 2024 from 7.1 percent in 2023. The slower growth in commercial bank credit was, in part, indicative of the decrease in loan uptake by businesses in the period under review, specifically parastatals and repayments in industries such as agriculture, real estate and manufacturing. However, credit to businesses excluding parastatals increased by 13.9 percent during December 2024, compared to an expansion of 5.2 percent in 2023. The increase in allocation of credit to businesses was in the form of increased loan utilisation and issuance of new loans extended to some companies in the mining, manufacturing, electricity and water, construction, trade, finance, as well as business services industries.

6.5%
COMMERCIAL BANK CREDIT

Chart 4: Commercial Bank Credit Annual Growth (2013 – 2024)



Source: Bank of Botswana

5.8 In 2024, the Balance of Payments (BoP) registered a deficit of P20.9 billion in 2024, compared to a revised surplus of P1.7 billion in 2023. The deficit was primarily due to the current account deficit as exports declined, while the demand for imports remained elevated. The BoP is a statistical record of all economic transactions between a country's residents and the rest of the world over a specific period, typically a quarter or year.

6. Theme Chapter:

Next Generation Payment Systems, Innovation and Financial Technologies – Opportunities for Botswana

6.1 The Annual Report contains a theme chapter focusing on **Next Generation Payment Systems, Innovation and Financial Technologies – Opportunities for Botswana**. The theme chapter explores advancement of next-generation payment systems and financial technologies (fintech) and the opportunities it presents for Botswana to improve transaction efficiency, enhance financial inclusion and support economic diversification. The Chapter also highlights how digital payment platforms such as mobile banking and e-wallets can expand financial services, particularly to rural areas, while real-time payment systems and blockchain technology can reduce transaction costs and enhance security. The growth of e-commerce and digital trade can be supported by secure payment gateways, and integration with regional digital global networks can boost trade, and ease cross-border financial flows.

6.2 Given the critical nature of payments and their impact on economic development, policy makers and regulatory bodies play a pivotal role in this transformation. They work in tandem to enhance, strengthen and complement existing infrastructure and products while enabling new value-adding discoveries through controlled environments, such as sandboxes. At the same time, they ensure maintenance of integrity, stability and inclusivity of payments as they progress through successive development and innovation phases. Thus, with the current progressive innovation, it is crucial for the Bank, as a policy and regulatory adviser, operator and participant in the payments system, to also embrace ongoing changes to ensure overarching positive impact on the economy and alignment to development aspirations, while the payments ecosystem remains effectively regulated. Thus, from a policy perspective there is need to enable business generation and enterprise development in relation to payments infrastructures, processes and gateway, thus appropriate licensing regime; facilitation of integration and use in a wide range of economic activities; sustain financial and economic inclusivity; as well as ease both domestic and cross-border trade. From a regulatory perspective, there is continuing responsibility to ensure and maintain a safe, stable, and efficient payment system, that safeguards stability and resilience of the broader financial system.

Figure 2: Next Generation Payments and Fintech Services

Source: Bank of Botswana

Scan to access
the full report

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