2024 ANNUAL REPORT

CENTRAL BANK OF LESOTHO

BANKA E KHOLO EA LESOTHO

CENTRAL BANK OF LESOTHO

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March 31, 20**25**

Hon. Retšelisitsoe Matlanyane, MP,
Minister of Finance
Office of Minister of Finance
P O Box 395
MASERU 100
Lesotho

Honourable Minister,

I have the honour to transmit the Annual Report of the Central Bank of Lesotho for the year 2024 which includes:

1. a review of economic developments during the year

2. pursuant to Section 53(1) of the Central Bank of Lesotho Act No.2 of 2000;

   a) The Bank's annual financial statements for the year ended December 31, 2022 certified by the auditors Moteane, Quashie & Associates and SNG Grant Thornton.

   b) A report on the operations and activities of the Bank during 2024.

Yours sincerely,

Emmanuel Maluke Letete (Dr.)
GOVERNOR

CENTRAL BANK OF LESOTHO
2024 ANNUAL REPORT

for the year ended December 31, 2024

The contents of this 2024 annual report are pursuant to Sections 46 and 53 of the
of the Central Bank of Lesotho Act No. 2 of 2000.

The *Annual Report* is available on the Bank of Lesotho's website at **www.centralbank.org.ls**.

For further information, contact:

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OWNERSHIP, GOVERNANCE, MISSION & OBJECTIVES

Ownership and Governance

The Central Bank of Lesotho is a statutory organisation fully owned by the Government of Lesotho.

The Central Bank enjoys a fair amount of independence in formulating and implementing monetary policy. The Governor, who is also the chairman of the Board of Directors, together with the two Deputy Governors, are appointed by His Majesty The King on the advice of the Prime Minister. The Minister of Finance appoints the other Board Members.

Mission Statement

The Mission of the Central Bank of Lesotho is to achieve and maintain monetary and financial system stability to support balanced macroeconomic development of Lesotho.

Objectives

The principal objective and mandate of the Central Bank of Lesotho, as stipulated in the Central Bank of Lesotho Act of 2000, is to achieve and maintain price stability.

Other statutory functions of the Bank are:

- To foster the liquidity, solvency and proper functioning of a stable market-based financial systems;
- To formulate, adopt and execute the monetary policy of Lesotho;
- To issue, manage and redeem the currency of Lesotho;
- To formulate, adopt and execute the foreign exchange policy of Lesotho;
- To license, register and supervise institutions pursuant to the Financial Institutions;
- To own, hold and manage its official international reserves;
- To act as a banker and advisor to, and as fiscal agent of the Government of Lesotho;
- To promote the efficient operations of the payments system;
- To promote the safe and sound development of the financial system; and
- To monitor and regulate the capital market.

CONTENTS

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LIST OF ACRONYMS

AACB	Association of African Central Banks (AACB),
ADT	automated deposit terminal
AFI	Alliance for Financial Inclusion
AML	anti-money laundering
ATM	automated teller machine
BCM	Business Continuity Management
BIS	Bank for International Settlement
CBDCs	central bank issued digital currencies
CBL	Central Bank of Lesotho
CCBG	Committee of Central Bank Governors
CFT	combatting of financial terrorism
COVID-19	coronavirus disease of 2019
FCP	Financial Consumer Protection
GDP	gross domestic product
GNI	gross national income
GRC	governance, risk management and control
IAD	Internal Audit Department
ICT	Information Communication Technology Department
IMF	International Monetary Fund
ISO	International Organization for Standardization
KFS	key facts statements
LHWP	Lesotho Highlands Water Project
LSW	Lesotho wire (settlement system)
M1	narrow money
M2	broad money supply
MFDP	Ministry of Finance and Development Planning
MFIs	micro finance institutions
MSM	Maseru Securities Market
MSME	Micro, Small, and Medium Enterprise
NFA	net foreign assets
SA	South Africa
SACU	Southern African Customs Union
SADC	Southern African Development Community
SWIFT	Society for Worldwide Interbank Financial Telecommunications
TSS	Transactions Screening and Payments
UK	United Kingdom
US	United States

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TABLES & FIGURES

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Board of Directors & Executive Management

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BOARD OF DIRECTORS


Dr. Emmanuel Letete
Executive Chairman


Mr. Lehlomela Mohapi
Executive Director


Mrs. Refiloe Tlali
Non-Executive Director


Prof. Retšelisitsoe Thamae
Non-Executive Director


Mr. Obed 'Nete
Non-Executive Director


Mr. Matooane Letsoela
Non-Executive Director


Adv. Koena Thabane
Non-Executive Director


Dr. Matšepo Kulelile
Non-Executive Director

EXECUTIVE MANAGEMENT

Dr. Emmanuel Letete
Governor

Mr. Lehlomela Mohapi
First Deputy Governor

Dr. Tanka Tlelima
Director of Research Department

Mr. Matšabisa Thamae
Director of Financial Markets Department

Mr. Bafokeng Noosi
Acting Director of Other Financial Institutions Supervision Department

Mr. Fusi Morokole
Director of Operations Department

Mrs. Puseletso Tau
Director of Banking Supervision & Financial Stability

Mr. Mothetsi Sekoati
Acting Director of Payments & Settlements Department

Mrs. 'Mamakhaola Mohale
Director of Internal Audit Department

Mr. Napo Rantsane
Director of Corporate Affairs Department

Mrs. 'Mateboho Morojele
Director of Human Resources Department

Mrs. Mpono Mosaase
Director of Enterprise Risk Management Department

Mr. Thabiso Makula
Director of ICT Department

Mrs. Rebecca Ralebakeng
Director of Finance Department

"Despite significant shocks to the global financial markets, the Bank continued to preserve the value of official reserves, meeting liquidity requirements and generating returns."

Foreword by the Governor

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FOREWORD BY THE GOVERNOR

FOLLOWING A FEW YEARS OF TURBULENCE, 2024 displayed relative stability, although uncertainty and geopolitical tensions remained heightened. Economic activity in major economies showed signs of moving towards their potential, global disinflation continued with varied pace, and monetary policy easing commenced with several central banks reducing their policy rates. The Russia–Ukraine war and Israel–Hamas conflict continued, and uncertainty remained heightened, fuelled by changes in governments across the globe and possibility of major policy shifts.

The global economy remained steady, but divergent across countries. Global economic growth was estimated to grow by 3.2 per cent in 2024 compared with 3.3 per cent in the previous year. Growth in the United States (US) was strongly driven by robust consumer spending and higher government spending. The Euro area's performance was modest, while emerging market economies such China and India maintained robust economic activity. This growth was reinforced by global disinflation, especially in advanced economies, and a decline in energy prices. However, escalating geopolitical tensions and relatively tight monetary policy conditions—amongst others—undermined these positive developments.

Domestic economic activity continued to improve across the year, albeit not broad-based, with other sectors facing challenges. Economic growth was projected to grow by 2.4 per cent in 2024, following an increase of 1.8 per cent in 2023, supported by improvements in the secondary and tertiary sectors. The construction subsector drove growth in the secondary sector, while the financial services subsector significantly contributed to the tertiary sector performance. The primary sector remains under pressure mostly due to a decline in both agricultural and mining output. Economic growth achieved during this period did not translate into increased employment. In fact, employment in government, LNDC-assisted companies, and Basotho migrant mineworkers in South Africa declined in 2024 compared with 2023.

Lesotho's inflation decreased during the period. The average headline inflation rate fell to 6.1 per cent in 2024 from 6.4 per cent in 2023, reflecting declines in non-food inflation. Monetary developments were also supportive, with broad money supply (M2) rising by 10.6 per cent, marking a deceleration from the 19.8 per cent increase recorded in 2023. This was driven by a growth in net foreign assets of the banking system, which compensated for the decline in net domestic claims. Interest rates also began to decline in line with those prevailing in the Common Monetary Area (CMA). The Central Bank of Lesotho (CBL) rate closed the year at 7.50 per cent compared with 7.75 per cent in 2023.

Government budgetary operations were projected to realise a surplus equivalent to 16.7 per cent of gross domestic product (GDP), contrasted with the revised fiscal deficit of 0.2 per cent of GDP in 2023. This reflected increased revenues from Southern African Customs Union (SACU) receipts, domestic tax revenues, and revised water royalties. Total public debt stock was estimated to have decreased by 0.5 per cent, mainly attributed to a 2.0 per cent decline in the external component. The external sector position recorded a surplus equivalent to 16.4 per cent of GDP, compared to a revised surplus of 31.5 per cent in the preceding year. This was underpinned by the surpluses on the current, capital and financial accounts. The stock of foreign reserves amounted to M18.87 billion, which is equivalent to 5.5 months of import cover.

FOREWORD BY THE GOVERNOR

The bank continued to deliver on its core functions, including prudential and conduct supervision of the financial sector, overseeing the National Payment System, managing foreign reserves, issuing national currency and developing domestic money and capital markets. The financial sector demonstrated continued resilience and support for the domestic economy. The migration from Basel Accord I to Basel 2.5 was completed during the year, ensuring that our banking sector's financial health is strengthened. The development of the banking bill as a dedicated legal instrument for banks also commenced. The bank is continuing with the implementation of the Pensions Act 2019 and compliance has significantly improved with an increase in the number of pension funds being brought back to Lesotho. In terms of payment systems, the focus remains on implementing the National Payment Switch. During the year, the card stream went live with automatic teller machine (ATM) transactions. The payments infrastructure is critical to our financial system and has the potential to unlock economic growth due to the ongoing digital revolution.

The year under review marked the end of the CBL Strategic Plan 2022–2024. Overall, a success rate of 85.9 per cent was achieved, indicating significant progress. However, new challenges have emerged, necessitating a strategic refocus. As such, the new strategy focuses on the three interrelated themes of (1) safeguarding monetary and financial stability, (2) transforming for efficiency, effectiveness and resilience, and (3) enhancing organisational capacity and culture.

Given that the external environment continues to be complex and uncertain, the bank must continuously monitor the global risk profile and be agile enough to respond accordingly. Mitigating cyberattacks and the effects of climate change remains our top priority. The bank shall continue to provide utmost assurance through its various governance structures during these difficult times ❑

Emmanuel Maluke Letete (Dr.)
Governor

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The global economic performance was estimated to have remained stable in 2024, with global output - measured by real GDP - growing by 3.2 per cent, marginally lower than the 3.3 per cent recorded in the previous year.

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ECONOMIC REPORT

1.1 INTERNATIONAL ECONOMIC DEVELOPMENTS

1.1.1 The World Economy

The global economic performance was estimated to have remained stable in 2024, with global output—measured by real GDP—growing by 3.2 per cent, marginally lower than the 3.3 per cent recorded in the previous year. This growth was supported by continued global disinflation, particularly in advanced economies, and a notable decline in energy prices. However, the positive impact of these developments was partly offset by rising geopolitical tensions and relatively tight monetary policy conditions, among other headwinds.

The volume of trade in goods and services substantially improved across advanced and emerging market economies during the review year. Trade in goods and services grew by 3.1 per cent, from 0.8 per cent in the previous year. The observed improvement in trade resulted from a surge in trade in services, while trade in goods moderately increased. Trade in artificial intelligence-related products markedly expanded, thus significantly contributing to global trade growth. Labour market conditions varied across both advanced and emerging market economies. Labour market dynamics continued to be driven by country-specific policies implemented to support economic growth. Consumer prices were generally low due to falling global energy costs. Accordingly, most central banks reduced their policy rates in 2024 to spur economic activities.

Commodity prices depicted mixed performances in 2024. Gold continued to outperform other metals, supported by geopolitical tensions in the Middle East, which led to high demand for gold as a safe haven asset. The rand—and hence the loti—remained moderately strong against its major trading currencies. The rand was primarily supported by fewer load-shedding episodes, as well as improved investor confidence following post-election stability.

The volume of trade in goods and services substantially improved across advanced and emerging market economies during the review year.

1.1.2 Selected Advanced Economies

United States (US)

The US economic performance was broadly stable in 2024. Real GDP grew by 2.8 per cent, following a 2.9 per cent growth in 2023. Economic growth was underpinned by robust consumer spending associated with a steady wage increase, together with higher government spending, particularly compensation of employees. The labour market conditions deteriorated in 2024 compared to the previous year, with the unemployment rate at 4.1 per cent compared with 3.7 per cent in the previous year. The weaker labour market was due to slower hiring and temporary layoffs as most companies embarked on cost-cutting and restructuring efforts. Notable job declines were observed in the technology sector.

The annual average inflation rate declined to 2.9 per cent, from 4.1 per cent in the previous year. The decline in consumer prices resulted from a decline in transportation and production costs due to the declining energy costs, particularly natural gas and oil. Consequently, the Federal Reserve cut its Fed Fund rate by 100 basis points to 4.25-4.50 per cent, from 5.25-5.50 per cent in the preceding year, with the aim of bolstering the economy.

Euro Area

Economic performance in the Euro area was modest. Real GDP was estimated to have grown by 0.7 per cent, after a slight increase of 0.3 per cent in the previous year. This slight increase was driven by a rise in real wages and a relaxed monetary policy, which supported consumption. However, this was moderated by weak performance in Germany due to poor goods exports and output in the manufacturing sector. Labour market conditions were tight, with unemployment rate falling to 6.3 per cent from 6.4 per cent in the previous period. The labour market's resilience was explained by low wage growth and low average hours worked by employees, which enabled companies to employ more workers and retain workers despite weak economic performance.

Consumer prices increased by 2.8 per cent from an increase of 5.4 per cent in the previous period. The slower increase in consumer prices resulted from the decline in energy costs and food prices, associated with the decline in global oil prices and improved supply chains, respectively. Accordingly, the European Central Bank (ECB) decided to cut its policy rate to 2.9 per cent from 4.5 per cent in the previous year amid the region's weak economic performance. The bank also stated that the rate cut was appropriate as the inflation rate was nearing the bank's target of 2.0 per cent.

Japan

Japan's economic performance significantly slowed in 2024, with real GDP growth recorded at 0.1 per cent, down from 1.5 per cent in the previous year. The modest expansion was largely supported by government capital expenditure directed towards corporations. However, this growth was tempered by weak export performance, primarily due to temporary supply disruptions in the car manufacturing industry. Output in the automotive sector was notably affected by the closure of major automobile plants during the first half of the year, following a certification scandal linked to failed safety tests.

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Despite the broader economic slowdown, the labour market remained resilient, with the unemployment rate holding steady at 2.4 per cent, unchanged from the previous year. Job losses in the manufacturing sector were largely offset by employment gains in the information and communications sector.

In terms of price developments, annual average inflation declined to 2.7 per cent, down from 3.3 per cent in 2023. This disinflation was driven in part by gasoline subsidies introduced by the government to ease household utility expenses. In addition, the Bank of Japan adopted a tighter monetary policy stance, ending its long-standing negative interest rate policy. The policy rate was raised to 0.5 per cent from –0.10 per cent as part of efforts to normalise monetary conditions in response to elevated inflation and rising wage pressures observed towards the end of the year. This policy shift was implemented despite the subdued overall economic performance.

United Kingdom (UK)

The UK economy experienced modest growth in 2024. The economy was projected to have grown by 0.9 per cent, slightly higher than an increase of 0.3 per cent in the previous period. The improved performance of the UK economy was explained by falling inflation and interest rates, which boosted consumer spending and investment. However, labour market conditions deteriorated during the same period, as hiring was slower due to increased national insurance costs for employees.

Consumer prices increased by 2.5 per cent, slower than 7.3 per cent in the previous year. The decline in the inflation rate resulted from the fall in energy prices, as well as improved supply chain efficiencies. Therefore, the Bank of England cut its policy rate to 4.75 per cent, from 5.25 in the preceding year, amid the persistent fall in inflation, rate which was nearing the bank's target of 2.0 per cent.

1.1.3 Selected Emerging Market Economies

China

Economic performance in China remained strong in 2024. Real GDP grew by 5.0 per cent, after an increase of 5.2 per cent in the previous year. The China economy was driven by an increase in industrial output and exports owing to stimulus measures. This was coupled with implementing policies aimed at boosting market confidence and high-quality economic development, including trade-in programmes that bolstered retail sales. The job market in China remained stable as the unemployment rate remained unchanged at 5.0 per cent. This resulted from the government's continued implementation of supportive policies for young entrepreneurs and effective job promotion measures.

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Economic performance in China remained strong in 2024. Real GDP grew by 5.0 per cent, after an increase of 5.2 per cent in the previous year.

The annual consumer price increase remained subdued at 0.2 per cent, due to low domestic demand, being negatively affected by the prolonged housing market crisis. Consequently, the People's Bank of China cut its policy rates to 3.10 per cent from 3.45 per cent in the previous year to stimulate economic performance.

India

India's economic performance remained robust in 2024. Economic growth was projected to increase by 6.5 per cent, compared to an increase of 8.4 per cent in the previous year. The strong growth reflected improved output in the services and manufacturing sectors, supported by government initiatives such as improving infrastructure and reducing taxes.

The annual average inflation rate was recorded at 4.9 per cent, from 5.4 per cent in the preceding year, due to the fall in fuel prices associated with the decline in global energy costs. However, the Reserve Bank of India left its policy rate unchanged at 6.50 per cent during the review year. Despite signs of economic slowdown, the bank decided to continue with a neutral policy stance, noting the economy's continued overall strength and disinflation.

South Africa (SA)

The South African economy was estimated to have remained weak in 2024. The real GDP growth rate was recorded at 0.6 per cent, from 0.7 per cent in the preceding year. The observed improvement was attributed to the ongoing electricity and logistics reforms, which had hampered key producing sectors such as manufacturing over a prolonged period. The unemployment rate declined to 31.9 per cent, from 32.1 per cent a year earlier.

The average annual average inflation rate was recorded at 4.4 per cent in 2024, from 5.9 per cent in the previous year. This was a pass-through effect of the global oil prices, in addition to an improvement in energy supply. During the same period, the Reserve Bank of South Africa lowered its policy rate to 7.75 per cent from 8.25 per cent in the preceding year. The bank noted that the move was amid a stable outlook for the economy's inflation.

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Table 1 Selected Economic Indicators, 2019–2024*

Indicators	2020	2021	2022	2023	2024+
World Output	**-3.1**	**6.2**	**3.5**	**3.3**	**3.2+**
Advanced Economies	-4.5	5.4	2.6	1.1	1.7+
Of which:					
United States	-3.4	5.9	1.9	2.9	2.8
Euro Area	-6.4	5.3	3.4	0.4	0.7+
Japan	-4.5	2.1	1.0	1.5	0.1
United Kingdom	-9.4	7.6	4.3	0.3	0.9 +
Emerging and Developing Economies	-2.0	6.7	4.1	4.4	4.2 +
Of which:					
Africa					
Sub-Saharan Africa	-1.7	4.5	4.0	3.6	3.8 +
South Africa	-6.4	4.9	1.9	0.7	0.8 +
Emerging and Developing Asia	-0.9	7.4	4.5	5.7	5.2 +
China	2.3	8.4	3.0	5.2	5.0
India	-7.3	8.7	7.2	8.2	6.5 +
Consumer Prices					
Advanced Economies	0.7	3.1	7.3	4.6	2.6 +
Of which:					
United States	1.3	4.7	8.0	4.1	2.9
Euro Area	0.3	2.6	8.4	5.4	2.8
Japan	0.0	-0.2	2.5	3.3	2.7
United Kingdom	0.9	2.6	9.1	7.3	2.5
Emerging and Developing Economies	5.2	5.9	9.8	8.1	7.9+
Of which: Africa					
Sub-Saharan Africa	10.1	11.0	14.5	17.6	18.1
South Africa	3.3	4.6	6.9	5.9	4.4
Emerging and Developing Asia	3.2	2.2	3.8	2.4	2.1+
China	2.5	0.9	1.9	0.2	0.2
India	6.2	5.5	6.7	5.4	4.9
World Trade Volume (Goods and Services)	-7.8	10.9	5.1	0.8	3.1
Exports					
Advanced Economies	-8.8	9.8	5.3	1.0	2.5
Emerging and Developing Countries	-5.1	12.8	4.1	0.6	4.6
Imports					
Advanced Economies	-8.4	10.3	6.7	-0.7	2.1
Emerging and Developing Countries	-7.9	11.8	3.2	3.0	4.6

Source: IMF World Economic Outlook, October 2024, IMF World Economic Outlook Update, January 2025.
* IMF Estimates.

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Maize prices increased by 20.2 per cent to 257.95 US$ from 214.62 US$ in 2023, primarily driven by a surge in white maize prices, while yellow maize rose moderately.

1.1.4 Commodities Price Developments

Gold

Gold continued to outperform all major commodities in 2024. The average gold price increased by 29.0 per cent to US$2660.99 per ounce, from US$2063.39 per ounce a year earlier, ending the year with the most significant annual gain since 2010. This surge was driven by strong demand from central banks and investors, which helped to moderate a decline in consumer demand. Geopolitical tensions and rising uncertainty over election outcomes also provided support for the metal. Additionally, lower market yields and a weakening US dollar further boosted gold prices.

Platinum

The average price of platinum fell by 2.9 per cent to US$967.11 per ounce, from US$996.35 per ounce in the preceding year. The decline was mainly due to lower global demand for the commodity. The automotive industry—the largest consumer of platinum—experienced slower global vehicle sales amid economic headwinds, which dampened demand growth from this critical sector. Despite tightening emissions regulations worldwide, automakers have met standards with less platinum by substituting it with cheaper palladium in gasoline catalytic systems, thereby reducing investment needs for platinum. Furthermore, attractive yields offered by bonds and gold made platinum a less attractive investment asset compared to other yield instruments, further dampening the price of the commodity.

Oil

The average price of oil declined by 1.9 per cent to US$70.32 per barrel from US$71.65 per barrel in the previous year due to weak demand and ample supply. The slowdown in China's economy and fears of a potential US recession reduced demand. Despite the Organization of the Petroleum Exporting Countries's (OPEC) efforts to cut production, non-OPEC countries—particularly the US—significantly increased output during the year, leading to oversupply in the global market. Furthermore, the weak global economic performance further dented the overall demand for the commodity, especially in industrial-heavy countries that are huge consumers of oil, leading to a sustained decline in oil prices. Uncertainty among OPEC members in deciding the agreed member volume of production also contributed to the decline.

Maize

Maize prices increased by 20.2 per cent to 257.95 US$ from 214.62 US$ in 2023, primarily driven by a surge in white maize prices, while yellow maize rose moderately. The sharp rise in maize prices was attributed to several factors, including a reduction in South Africa's maize harvest due to El Niño-induced drought conditions, compounded by increased regional demand from neighbouring countries such as Zimbabwe, Zambia, and Malawi, which faced even more severe crop failures. The situation was exacerbated by adverse weather conditions such as droughts and low river levels in major maize-producing countries, such as the US and Brazil, leading to delayed plantings, logistical disruptions, and reduced yields. On a broader scale, increased global demand—particularly from Asia and the Middle East—further fuelled the upward trend in maize prices.

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Wheat

The price of wheat decreased by 5.2 per cent to 331.31 US$ from 349.54 US$ a year earlier, marking a significantly slower decline compared to a decline of 19.17 per cent observed in 2023 due to several stabilising factors in the global wheat market. There was an increase in production from major wheat-producing countries, such as Australia, Russia, and Argentina, driven by favourable weather conditions. Additionally, the recovery of Ukrainian and Russian wheat exports—despite ongoing geopolitical tensions—ensured steady flows to international markets and contributed to favourable supplies. This was further boosted by a relatively lower fertiliser prices during the year, which encouraged higher usage and better productivity.

1.1.5 Currency Movements

The rand—and hence the loti—marginally strengthened against its major trading currencies during 2024. The rand appreciated by 0.3 per cent against the US dollar and pound and 0.7 per cent against the euro to record 18.6 against the US dollar, 23.3 against the pound, and 20.0 against the euro, in contrast to a depreciation of 14.1 per cent against the dollar, 16.0 per cent against the pound, and 17.0 per cent against the euro in the previous period. The appreciation was due to several factors, including improved domestic economic activity as the energy crisis subsided. Furthermore, the post-election stability (GNU) enhanced the country's risk profile and hence investor confidence. Nonetheless, other developments moderated the rand's strong performance. The 2024 Medium Term Budget Policy Statement that predicted a wider budget deficit and higher debt over the next three years despite improved growth prospects worsened the rand's performance. Moreover, the release of US economic data reflecting a resilient US economy resulted in improved investor confidence, strengthening the dollar against the rand amid monetary policy easing by the Fed.

1.2 DOMESTIC ECONOMIC DEVELOPMENTS

1.2.1 Real Sector Developments

Trends in Output and Income

Economic activity—as measured by real GDP—was projected to grow by 2.4 per cent in 2024, following an increase of 1.8 per cent in 2023. Notable improvements in the secondary and tertiary sectors supported this growth. The increased activity in the construction subsector anchored the improvement in the secondary sector, whereas developments in the tertiary sector mainly reflected the increased performance of the financial service subsector. On the contrary, the primary sector was under pressure during the review year, mostly due to decreases in both agricultural and mining output, which moderated the overall economic growth. GDP per capita was estimated to have increased by 2.0 per cent up from a revised growth of 1.4 per cent observed in 2023.

Economic activity - as measured by real GDP - was projected to grow by 2.4 per cent in 2024, following an increase of 1.8 per cent in 2023.

Real gross national income (GNI) was estimated to have improved, with a projected growth rate of 3.1 per cent in 2024, following a 3.3 per cent increase in the previous year. This growth was primarily attributed to increased interest earnings from abroad for both the CBL and commercial banks. Similarly, real gross national disposable income (GNDI) showed a similar trend, with an estimated growth rate of 10.3 per cent in 2024, up from a 9.9 per cent increase in the prior year. This growth was largely attributed to increased transfers, driven by higher remittances, improved rand monetary compensation, and higher SACU receipts. Additionally, GNI per capita was estimated to have risen by 2.6 per cent in 2024, following a revised increase of 2.7 per cent in the previous year.

Table 2 Aggregate Economic Indicators (Percentage Change, 2012=100)

	2020	2021	2022	2023	2024+
GDP	-8.2	2.3	2.4	1.8	2.4
GNI	-8.5	0.3	5.4	3.3	3.1
GNDI	3.0	0.4	7.1	9.9	10.3
GDP Per Capita	-8.6	1.8	1.9	1.4	2.0
GNI Per Capita	-8.9	-0.1	4.9	2.7	2.6

Source: Bureau of Statistics, +CBL Estimates

Sectoral Developments

a) Primary Sector Developments

In 2024, the primary sector was estimated to have contracted by 1.2 per cent, in contrast to a growth of 6.3 per cent in 2023. This decline was attributed to decreases in both agricultural and mining outputs. The mining subsector experienced a contraction of 5.0 per cent, reflecting a significant decline compared to a modest increase of 0.9 per cent the previous year. The reduction in mining output was primarily due to decreased diamond production, affected by lower global demand and the growing popularity of lab-grown diamonds.

Similarly, the agricultural subsector experienced a slowdown, with an estimated growth of only 0.7 per cent, a substantial decline from the 7.7 per cent observed in the previous year. The slowdown in agricultural productivity was largely due to reduced crop production, influenced by remnants of El Niño-induced climatic conditions. Similarly, animal production was affected by drought conditions that lowered water levels in reservoirs and rivers, leading to widespread cattle losses.

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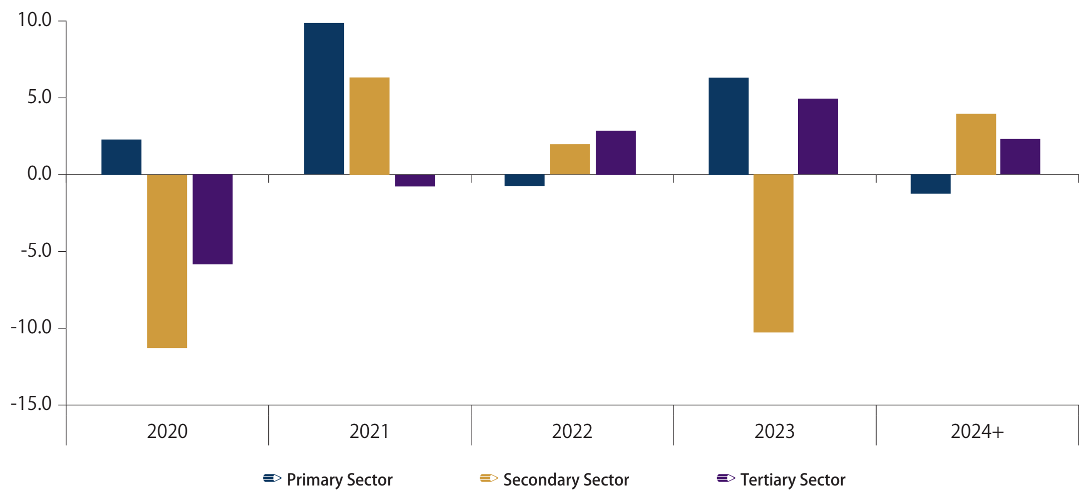
Figure 1 Sectoral Real Growth Rate (Percentages)



Source: Bureau of Statistics, +CBL projections/estimates

b) Secondary Sector Developments

The secondary sector reverted to an increase in 2024 from a contraction observed in 2023, with an approximate growth of 4.0 per cent following a revised 10.1 per cent decline. This turnaround was primarily driven by a surge in construction activity and improvements in the electricity and water supply subsectors, although the manufacturing sector continued to face some challenges that moderated the sector's overall growth. The construction subsector experienced remarkable growth of 24.5 per cent in 2024, building on a modest increase of 3.6 per cent in 2023. This surge was largely attributed to government-funded projects and major investments in both residential and commercial real estate. Significant projects such as the Lesotho Highland Water Project (LHWP) phase II and extensive road rehabilitation efforts played crucial roles in this expansion. Additionally, subsectors providing electricity, gas, and water also saw an uptick in output, driven by increased activities in the water industry. However, electricity supply experienced a slowdown, mainly due to the closure of Muela hydropower station to facilitate maintenance work.

The manufacturing industry contracted by 1.7 per cent in 2024, following a 14.2 per cent decline in the previous quarter. The continued decline was caused by the subdued performance of the textile and clothing industry, which dropped by 2.3 per cent, following a 15.0 per cent fall in the previous year. This decline was mainly attributed to reduced external demand as orders for firms exporting to the US market continued to sink. Nevertheless, production in the food and beverages subsector increased, thereby mitigating the overall decline in the manufacturing industry.

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The construction subsector experienced remarkable growth of 24.5 per cent in 2024, building on a modest increase of 3.6 per cent in 2023.

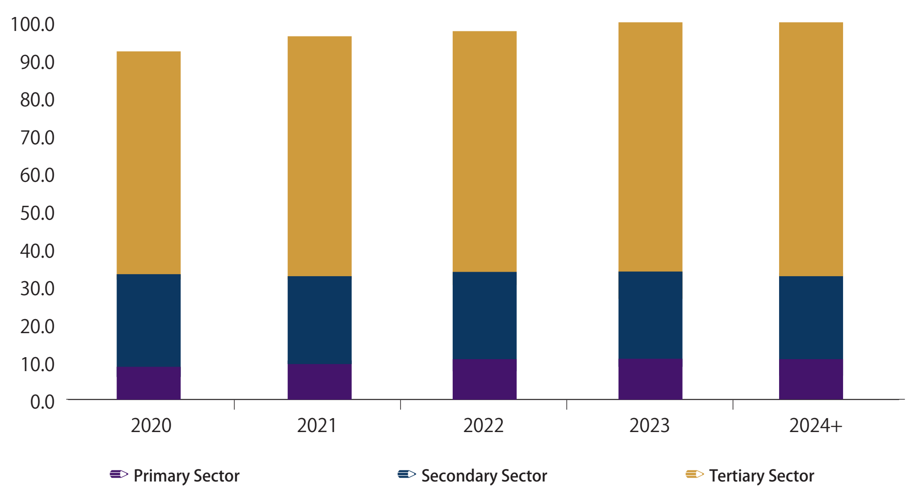
c) Tertiary Sector Developments

The tertiary sector further increased in 2024, albeit at a marginally slower pace compared to the previous year. The output of wholesale and retail, transport, real estate, public administration, and education expanded, while that of finance, insurance, accommodation and food services, and general administration services slowed down.

The wholesale and retail subsector grew by 2.6 per cent, attributed to the spillover effects from the ongoing mega project in the LHWP II, which stimulated both economic activity and consumer demand. As inflationary pressures cooled, real incomes improved, contributing to higher spending in this subsector. Meanwhile, financial and insurance services exhibited an estimated growth of 2.5 per cent, following a robust expansion rate of 18.2 per cent in the previous year. Notably, financial intermediation experienced an impressive performance, with commercial banks posting a growth rate of 4.6 per cent due to increased credit extension and higher deposit volumes. Insurance and pension funds also grew by 4.4 per cent owing to increased activity in the insurance subsector.

Improvements were also observed in the public administration subsector, which rose by 0.5 per cent, primarily due to increased government activities. In addition, the human health and real estate subsectors showed positive performances, registering growth rates of 0.5 per cent and 1.2 per cent, respectively, during the year. The increase in human health services was attributed to initiatives aimed at expanding healthcare access and improving service quality. Nonetheless, the decline in the education subsector moderated the overall growth observed in the tertiary sector.

Figure 2 Sectoral Shares in GDP at Factor Cost (Percentages)



Source: Bureau of Statistics

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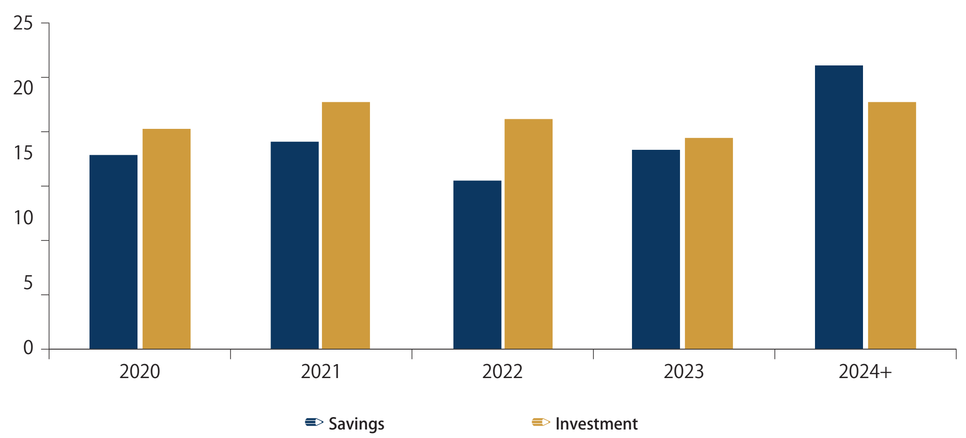
Savings and Investments

The ratio of gross national savings to GNDI was estimated to have increased to 21.6 per cent in 2024, up from a revised 15.0 per cent in the previous year. This upward trend was primarily driven by higher government savings. Simultaneously, the investment-to-GNDI ratio also increased, reaching 18.8 per cent in 2024 compared to 16.0 per cent in 2023. As a result, the savings-investment (S-I) gap widened to 2.8 per cent, reversing the negative gap of 1.0 per cent recorded in the prior year.

A positive S-I gap indicates that the country is saving more than it is investing domestically, which suggests that national savings could serve as a buffer during economic downturns, supporting macroeconomic stability and resilience. This positive gap aligns with the observed current account surplus during the review period.

Figure 3 Savings and Investment (As a percentage of GNI)



Source: Bureau of Statistics

Employment, Wages and Prices

a) Employment Trends

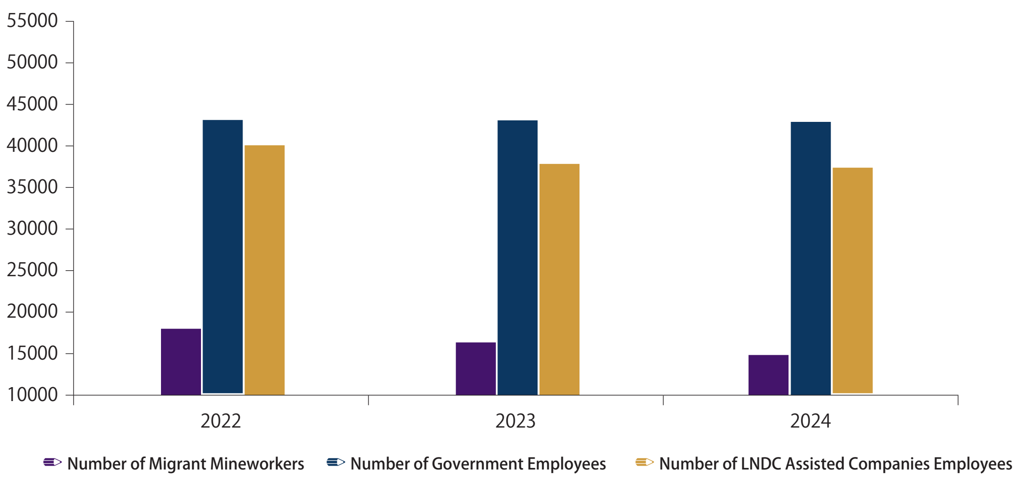
The CBL monitors employment trends in Lesotho through three categories, namely government, LNDC-assisted companies, and Basotho migrant mineworkers in South Africa. Employment declined in 2024 from its 2023 levels for all the three categories.

The ratio of gross national savings to GNDI was estimated to have increased to 21.6 per cent in 2024, up from a revised 15.0 per cent in the previous year.

Employment by LNDC-assisted companies declined by 1.5 per cent in 2024, following a 9.4 per cent decline in the previous year. The main factor behind this decline was a fall in orders for clothing and textiles products for firms exporting to the US market. However, for firms exporting to the South African market, employment remained resolute. Likewise, government employment maintained a 0.9 per cent fall in 2024, due to retirements and natural attrition. This decline in government employment was primarily observed in the civil servant's category, which accounted for 0.6 per cent in 2024 compared with 0.3 per cent in 2023.

Correspondingly, employment of Basotho migrant mine workers declined by 10.7 per cent in 2024, compared to 8.3 per cent in 2023. This sustained dwindle was attributed to reduced demand for foreign labourers in South African mines, the retirement of senior Basotho migrants without replacements, and other structural challenges faced by the South African mining industry.

Figure 4 Employment Trends (Volume)



Source: Employment Bureau of Africa (TEBA), Lesotho National Development Corporation, Ministry of Finance

b) Wages

The general minimum wage for the 2024/2025 period was increased by 6.0 per cent compared with the 7.0 per cent increase proposed in the 2023/2024 fiscal year. The construction subsector received the highest increase of 7.0 per cent followed by wholesale and retail subsector with 6.0 per cent, while the clothing, textiles and leather manufacturing subsector received an adjustment of 5.0 per cent. The government of Lesotho increased wages and salaries by 2.0 per cent across the board following a 2.5 per cent increase in the preceding fiscal year.

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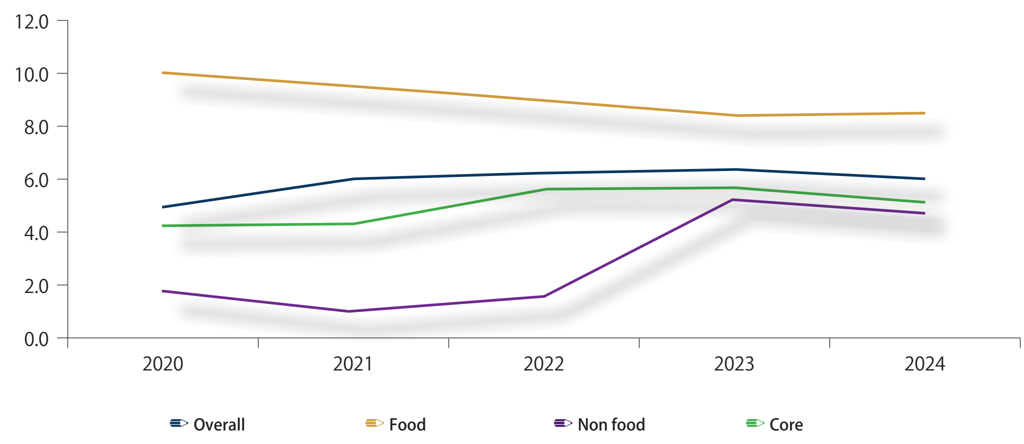
c) Price Developments

The average headline inflation rate decreased to 6.1 per cent in 2024 from 6.4 per cent in 2023. The moderation in inflation was primarily attributed to a decrease in non-food component, while food component remained relatively stable. The non-food inflation rate decreased to 4.8 per cent in 2024 from 5.3 per cent in 2023, while food inflation remained unchanged at 8.8 per cent during the review period.

The key contributors to the overall decline in headline inflation were the electricity, gas, and other fuel category together with transport, as components of non-food inflation. This moderation in non-food inflation was largely driven by falling international crude oil prices and a strengthening domestic currency, which positively influenced various sectors of the economy as transport sector benefitted from lower fuel costs.

However, food inflation remained high due to a ban on imports of chicken and rising prices of maize in South Africa. This import ban was due to the highly pathogenic avian influenza (HPAI) outbreak, while rising prices of maize were due to supply shortages resulting from prevalent drought conditions in the region during the review period. The underlying inflationary pressures—as measured by core inflation—also decreased to 5.3 per cent in 2024 from 5.8 per cent in 2023.

Figure 5 **Lesotho Consumer Price Index** (Annualized Percentage Changes)



Source: Bureau of Statistics

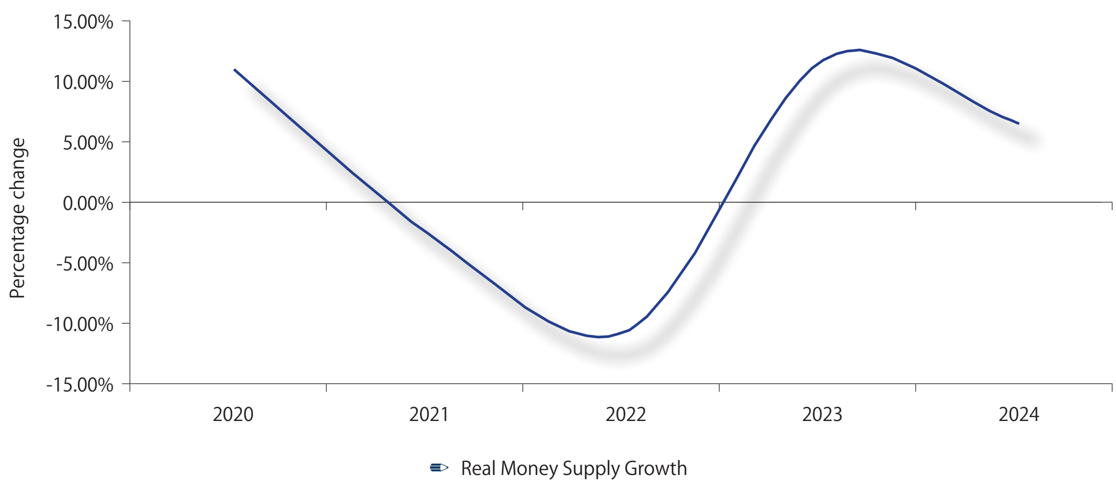
The average headline inflation rate decreased to 6.1 per cent in 2024 from 6.4 per cent in 2023.

1.2.2 Monetary and Financial Sector Developments

Money Supply

In 2024, broad money supply (M2) rose by 10.6 per cent, marking a deceleration from 19.8 per cent increase recorded in 2023. This was driven by a growth in net foreign assets of the banking system, which compensated for the decline in the net domestic claims. Expressed in real terms, M2 grew by 6.7 per cent in 2024, following a growth of 11.8 per cent in 2023.

Figure 6 **Real Money Supply Growth** (Percentage Changes)



Source: Central Bank of Lesotho

Domestic Claims

Domestic claims contracted by 29.4 per cent in 2024, following a decline of 11.5 per cent in 2023. This decline was underpinned by a fall in net claims on the central government, attributable to a substantial increase in government deposits with central bank, stemming from the fiscal surplus during the review period. Private sector credit rose by 9.6 per cent in 2024, reflecting an increase in credit extended to both households and business enterprises.

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Table 3 Domestic Credit (Million Maloti: End Period)

	2020	2021	2022	2023	2024
Claims on Government (Net)	-3,364.52	-2,955.72	-2,058.09	-4,183.88	-7,480.48
Claims on Central Government	*2,425.85*	*2,544.95*	*2,725.15*	*1,733.11*	*2,102.64*
Liabilities to Central Government	*5,790.37*	*5,500.67*	*4,783.24*	*5,916.99*	*9,583.12*
Claims on Public NFCs (Official Entities)	87.00	60.21	58.05	57.77	49.80
Claims on Other Financial Corporations	266.77	144.12	301.40	303.07	938.68
Claims on Private Sector	*7,415.60*	*7,959.78*	*8,356.83*	*9,717.15*	*10,651.31*
Claims on Other Resident Sector (HH)	*5,400.15*	*5,887.17*	*6,146.91*	*6,999.44*	*7,866.13*
Claims on Other NFCs (Enterprise)	*2,015.45*	*2,072.61*	*2,209.92*	*2,717.72*	*2,785.18*
Domestic Claims	**4,404.86**	**5,208.39**	**6,658.18**	**5,894.11**	**4,159.31**

Source Central Bank of Lesotho

Net Foreign Assets

Total net foreign assets (NFA) rose by 12.5 per cent in 2024, compared with an increase of 39.2 per cent observed in 2023. This was due to an increase in the central bank's NFA, while commercial banks' NFA contracted. The rise in the central bank's NFA was in line with the expansion in SACU receipts for the 2024/2025 fiscal year, coupled with increased water royalties. Meanwhile, the contraction in commercial banks' NFA was due to withdrawals from the placements made abroad, which were subsequently reinvested domestically with collective investment schemes, government securities, and increasing credit extension.

Table 4 Banking System's Net Foreign Assets (Million Maloti: End Period)

	2020	2021	2022	2023	2024
Commercial Banks	6,374.23	6,965.49	5,545.60	10,297.75	8,649.92
Assets	*6,679.44*	*7,451.12*	*5,877.44*	*10,840.31*	*8,906.48*
Liabilities	*305.20*	*485.62*	*331.84*	*542.56*	*256.55*
Central Bank	10,939.86	10,671.12	10,316.29	11,781.22	16,181.54
Assets	*12,682.90*	*13,674.28*	*13,422.48*	*15,037.37*	*18,865.06*
Liabilities	*1,743.04*	*3,003.16*	*3,106.19*	*3,256.15*	*2,683.52*
Net Foreign Assets	**17,314.10**	**17,636.61**	**15,861.89**	**22,078.97**	**24,831.46**

Source Central Bank of Lesotho

Components of Money Supply

In terms of components, the growth in M2 was steered by a surge of 26.0 per cent in narrow money (M1), while quasi money declined by 1.1 per cent. The rise in M1 was primarily due to an increase in transferable deposits held by business enterprises, particularly the communications industry and construction companies contracted with LHWP II. Additionally, deposits by other financial corporations, public non-financial corporations, and households contributed to the observed rise in transferable deposits. By contrast, the fall in quasi money was mainly attributed to a reduction in deposits held by business enterprises, following the maturity of time deposits of construction companies and other financial corporations, as well as a drawdown in call deposits by the mining sector and private corporations.

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Total net foreign assets (NFA) rose by 12.5 per cent in 2024, compared with an increase of 39.2 per cent observed in 2023.

Credit Extension

Trends of Credit to Business Enterprises

Total credit extended to the business sector rose by 2.5 per cent in 2024, following a surge of 23.0 per cent in 2023. The wholesale, retail, hotel and restaurant subsector recorded significant growth in credit, followed by non-bank financial institutions (NBFIs), real estate and business services. The wholesale, retail, hotel, and restaurant subsector benefitted from heightened demand by small and medium-sized enterprises (SMEs) and the utilisation of overdraft facilities by existing clients. Credit to real estate and business services was driven by newly contracted commercial property loans. By contrast, following the surge in credit to the construction sector associated with the LHWP phase II in 2023, some entities were able to settle their outstanding balances in 2024, leading to a decline in credit to construction. The mining subsector also experienced payoffs in 2024.

Table 5 Trends of Credit to Business Enterprises (Million Maloti)

	2020	2021	2022	2023	2024
Agriculture	47.22	90.83	76.94	87.22	72.83
Mining	359.16	284.68	405.54	468.30	425.93
Manufacturing	29.74	48.90	71.56	131.06	128.90
Electricity, Gas and Water	2.42	5.45	8.54	12.41	15.39
Construction	321.87	311.53	287.08	477.83	460.70
Transport, Storage and Communication	357.52	436.98	219.11	312.90	285.93
Wholesale, Retail, Hotel and Restaurant	354.36	412.37	568.99	672.90	745.01
NBFIs, Real Estate and Business Services	530.03	470.06	564.43	546.34	636.17
Community, Social and Personal Service	13.41	11.81	7.74	8.76	14.32
Total	**2,015.74**	**2,072.61**	**2,209.92**	**2,717.72**	**2,785.18**

Source: Central Bank of Lesotho

Distribution of Credit Extended to Business Enterprises

In 2024, the sectoral distribution of credit extended to business enterprises was predominantly led by the wholesale, retail, hotel, and restaurant subsector, which accounted for 26.7 per cent. This was followed by the NBFIs, real estate and business services, and construction subsectors, with shares of 22.8 per cent and 16.5 per cent, respectively. The community, social and personal services subsector received the smallest portion of credit, accounting for just 0.5 per cent of the total credit extended to business enterprises.

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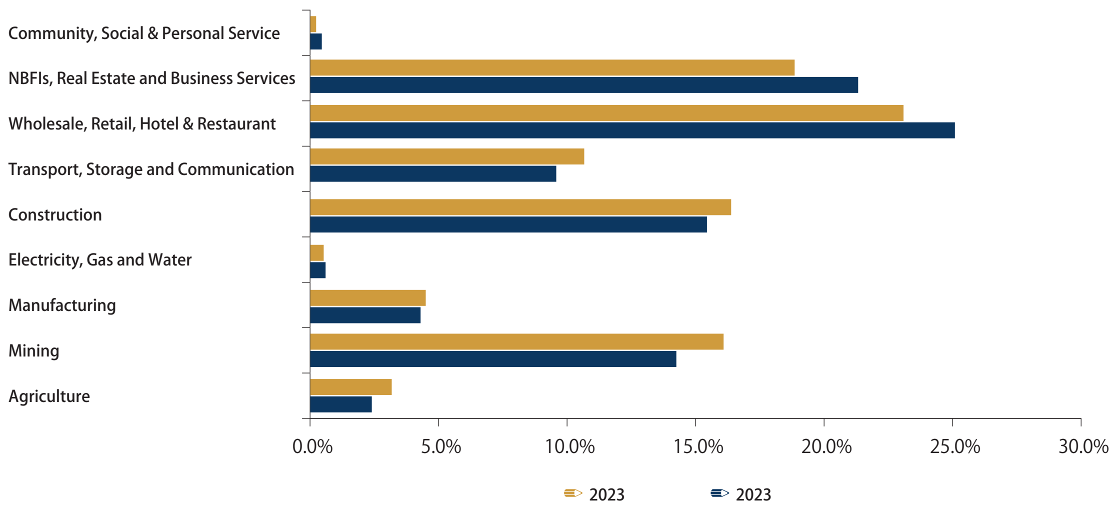
Figure 7 Distribution of Credit (Percentage Shares)



Source: Central Bank of Lesotho

Credit Extended to Households

Credit extended to households continued its upward trajectory, expanding by 12.4 per cent in 2024, following a growth of 13.9 per cent in 2023. Personal loans increased by 14.2 per cent, while mortgage loans rose by 6.8 per cent. On the supply side, both personal and mortgage loans were supported by the strategies adopted by the banking sector to enhance access to credit, such as raising loan ceilings and offering more flexible repayment schedules. These efforts were against the backdrop of a directive by central bank, which encouraged banks to strive for extending at least 70 per cent of their deposits as credit. On the demand side, both personal and mortgage loans saw multiple payouts, driven by a rise in households' loan applications.

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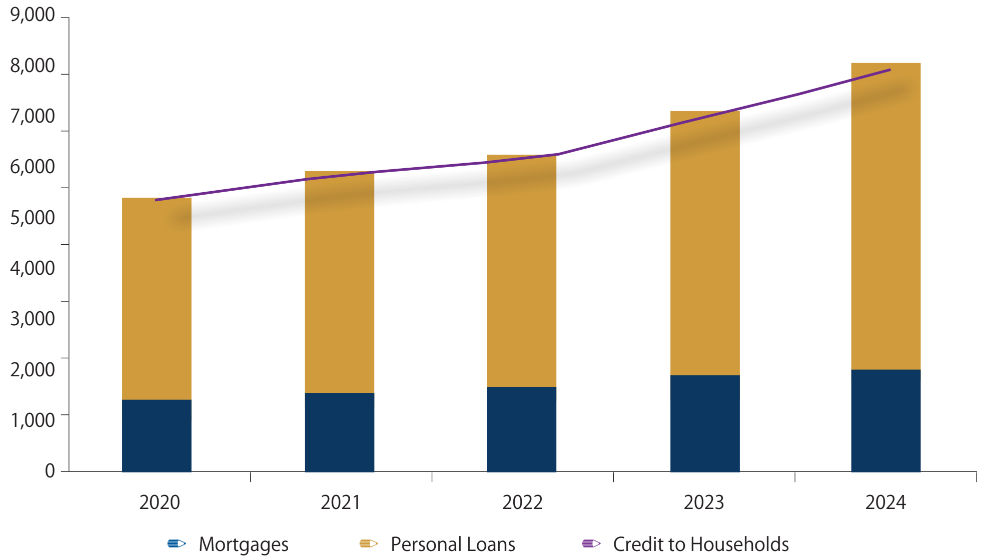
Credit extended to households continued its upward trajectory, expanding by 12.4 per cent in 2024, following a growth of 13.9 per cent in 2023.

Figure 8 **Credit Extension to Households** (Million Maloti)



Source: Central Bank of Lesotho

Liquidity of Commercial Banks

Components of liquidity

The credit to deposit ratio fell to 52.0 per cent from 52.7 per cent in 2023, due to an increase in total deposits, notwithstanding the rise in private sector credit. Total banking sector liquidity stood at 36.2 per cent during the review period, compared to 37.6 per cent recorded in December 2023. This mainly reflected a much higher increase in total deposits, despite a rise in total liquid assets.

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Table 6 Components of Liquidity (Million Maloti)	2020	2021	2022	2023	2024
Credit to Deposit Ratio (%)	**49.6%**	**50.8%**	**54.5%**	**52.7%**	**52.0%**
Private Sector Credit	7,309.67	7,849.43	8,248.52	9,561.30	10,449.79
Total Deposits	14,732.28	15,449.52	15,145.56	18,137.11	20,114.47
Liquidity Ratio (%)	**42.6%**	**46.0%**	**40.8%**	**37.6%**	**36.2%**
Notes and Coins	707.97	734.29	916.06	1,086.98	1,172.88
Net Balances Due from Banks in Lesotho	-2.73	-4.18	-5.43	11.64	10.82
Net Balances Due from Banks in SA	3,251.52	3,767.78	2,551.44	4,148.07	3,669.91
Surplus Funds	233.15	246.08	105.53	-163.59	376.18
Government Securities	2,087.84	2,358.59	2,616.12	1,733.11	2,047.80
Total	**6,277.76**	**7,102.56**	**6,183.72**	**6,816.21**	**7,277.59**
Source: Central Bank of Lesotho					

Money and Capital Market Developments

Money Market

Interest Rates

In December 2024, the CBL policy rate stood at 7.50 per cent, marking a decline of 25 basis points from December 2023. This adjustment aligned with the global monetary policy at ignite economic recoveries, in addition to easing inflationary pressures. Consequently, the average prime lending rate fell from 11.25 per cent to 11.00 per cent, while the one-year deposit rate fell by two basis points to 4.72 per cent. The 91-day treasury bill rate decreased from 7.12 per cent to 6.88 per cent, remaining within the desired range of +/-200 basis points relative to the South African counterpart rate.

In December 2024, the CBL policy rate stood at 7.50 per cent, marking a decline of 25 basis points from December 2023.

Table 7 Interest Rates

	2020	2021	2022	2023	2024
Central Bank Rate	3.5	3.75	7.00	7.75	7.50
91-Day Treasury Bill Rate	3.2	4.06	6.36	7.12	6.88
Lombard Rate	7.2	8.06	10.36	11.12	10.88
Commercial Banks					
Call	0.99	1.05	2.09	2.65	2.27
Time					
31 Days	0.67	0.67	1.33	1.47	1.47
88 Days	1.88	1.64	2.33	2.46	2.45
6 Months	3	3.18	3.75	4.01	4.01
1 Year	3.79	3.2	4.47	4.74	4.72
Savings	0.7	0.7	1.48	1.60	1.55
Prime	8.19	8.44	10.50	11.25	11.00
South Africa					
Repo	3.5	3.75	7.00	8.25	7.75
T Bill Rate – 91 Days	3.87	3.85	6.56	8.43	7.81
Prime	7	7.25	10.5	11.75	11.25

Source: Central Bank of Lesotho

1.2.3 Government Finance Operations

Fiscal Performance in 2024

Government budgetary operations were projected to realise a surplus equivalent to 16.7 per cent of GDP, in contrast to the revised fiscal deficit of 0.2 per cent of GDP in 2023. This was largely attributed to increased revenues from SACU receipts, domestic tax revenues, and revised water royalties. The average revenue over a ten-year period grew by 7.5 per cent, while expenditures rose by 5.1 per cent. The ratio of public debt stock to GDP improved, falling to 57.9 per cent from the revised 61.0 per cent in 2023.

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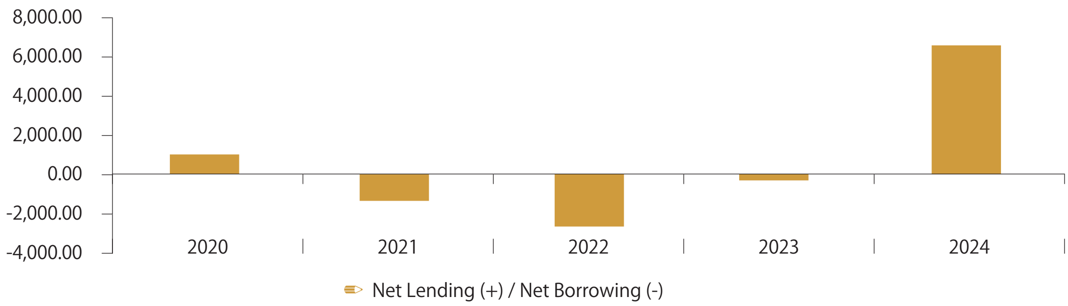
Figure 9 Fiscal Balance (Million Maloti)

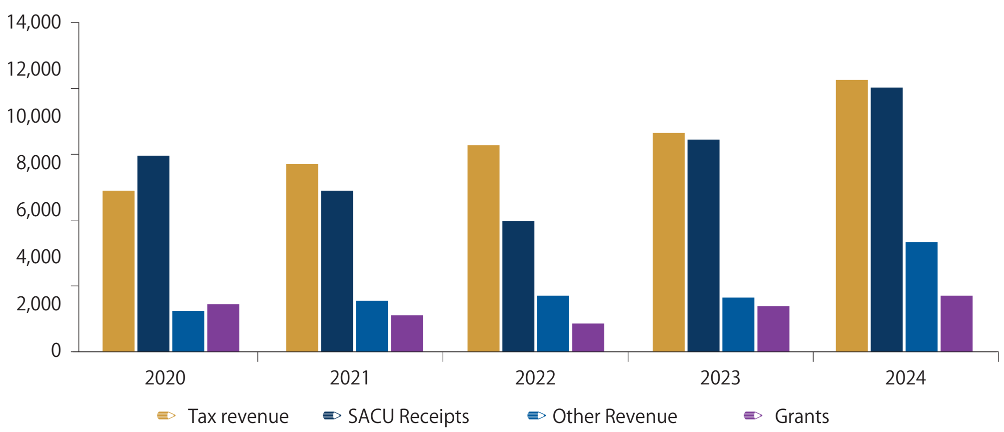


Source: Central Bank of Lesotho and Ministry of Finance

Total Revenue

Total revenue intensified by 33.3 per cent, mainly driven by increased SACU receipts, tax revenue and water royalties. This impressive growth in revenue—marking the highest record since 2012—followed a 23.3 per cent rise in the previous year. SACU receipts increased by 25.0 per cent due to enhanced trade activities within the SACU region. Domestic tax revenue—which accounted for 41.9 per cent of revenues—increased by 23.3 per cent, largely reflecting improved business environment due to continued economic recovery. Meanwhile, non-tax revenue—particularly water royalties—more than doubled, following tariff adjustments in line with the LHWP treaty. Total revenue as a percentage of GDP rose to 69.0 per cent from 54.3 per cent. However, when excluding SACU receipts, revenue as a percentage of GDP stood at 40.8 per cent in 2024, from 30.6 per cent in the previous year.

Figure 10 Revenue (Million Maloti)



Source: CBL and MFDP

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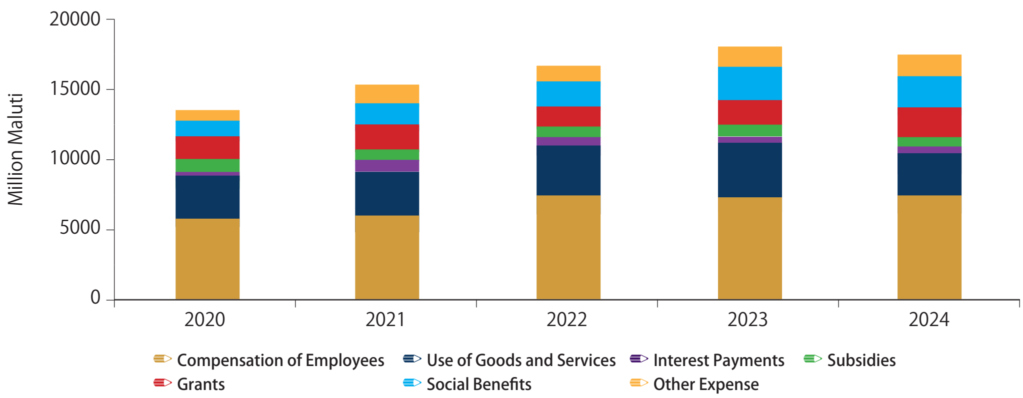
Government expenditure was estimated to have risen by 0.7 per cent during the year under review, following a revised increase of 5.8 per cent in 2023.

Total Expenditure

Government expenditure was estimated to have risen by 0.7 per cent during the year under review, following a revised increase of 5.8 per cent in 2023. This rise was primarily due to capital spending, grants to extra-budgetary units, as well as employee compensation, particularly pension contributions. Capital spending surged by 23.7 per cent as the government prioritised investments in infrastructure, focusing on the rehabilitation and upgrading of roads and bridges nationwide. This increase was an improvement from a two-year average decline of 6.9 per cent. Grants to extra-budgetary units rose by 35.1 per cent as part of efforts to enhance public services. Additionally, pension contributions rose by 54.7 per cent due to new administration costs and public servants' salary adjustment. However, this rise was countered by restrained spending on operating costs and cash-based social assistance.

Recurrent spending slowed, decreasing by 2.7 per cent compared to an 8.2 per cent increase the previous year. This was the first decrease since during the COVID-19 pandemic in 2020, confirming the government's commitment to fiscal discipline while not compromising infrastructure development. The wage bill continued to be a major component of expenses, increasing to 43.0 per cent from 40.1 per cent.

Figure 11 **Total Expense** (Million Maloti)



Source: Ministry of Finance (MoF) and CBL

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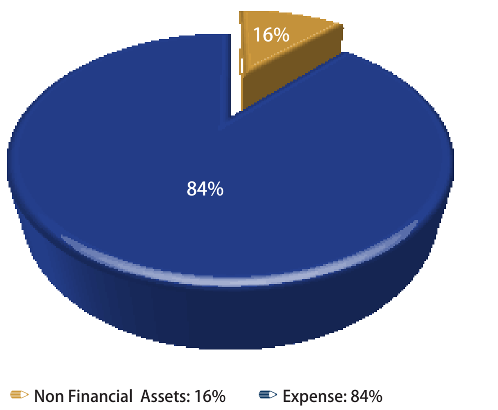
Figure 12 Total Expenditure (Million Maloti)

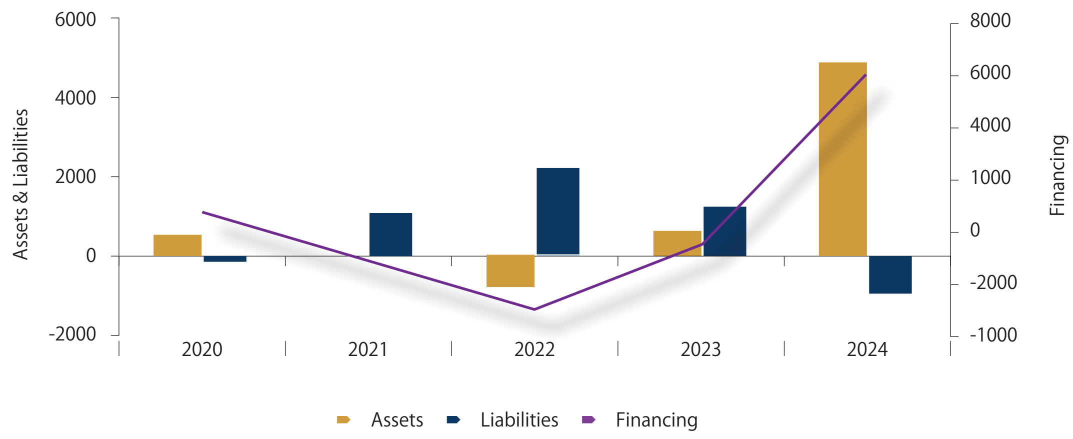


Source: MOF and CBL

Financial Assets and Liabilities[1]

The fiscal surplus was to settle other accounts payable, thereby reducing existing liabilities, with the balance used to augment government deposits within the banking system and thereby improving the government's financial assets. With this trend continuing, the sustainability of fiscal health and debt will be ensured in the medium to long term.

Figure 13 Total Financing (Million Maloti)



Source: Ministry of Finance (MoF) and CBL

[1] All categories are on net terms.

Public debt was estimated to have decreased by 0.5 per cent, mainly attributed to a 2.0 per cent decline in the external component.

Table 8 Statement of Government Operations (Million Maloti)

	2020	2021	2022	2023	2024
Revenue	**17,029.87**	**16,949.90**	**16,665.50**	**20,547.42**	**27,393.60**
Tax revenue	13,324.41	13,223.91	13,069.15	16,319.24	20,236.05
Social Contributions	0.00	0.00	0.00	0.00	0.00
Grants	1,968.93	1,568.39	1,211.71	1,950.39	2,442.87
Other revenue	1,736.53	2,157.60	2,384.64	2,277.79	4,714.68
Expenses	**13,524.35**	**15,269.82**	**16,634.55**	**17,994.54**	**17,513.44**
Compensation of Employees	5,930.36	6,133.58	7,561.95	7,217.60	7,536.49
Purchases of Goods and Services	3,184.75	3,229.36	3,451.88	4,024.99	2,807.74
Interest Payments	338.54	507.25	483.76	553.16	614.65
Subsidies	720.57	861.24	668.03	791.07	791.99
Grants	1,528.38	1,619.26	1,633.42	1,598.47	2,207.07
Social Benefits	1,096.82	1,714.46	1,819.35	2,483.26	2,237.88
Other Expenses	724.94	1,204.68	1,016.15	1,325.98	1,317.62
Net Operating Balance	**3,505.52**	**1,680.08**	**30.96**	**2,552.88**	**9,880.16**
Non-Financial Assets	**2,436.63**	**3,023.82**	**2,855.16**	**2,618.87**	**3,240.68**
Fixed Assets	**2,436.63**	**3,023.82**	**2,855.16**	**2,618.87**	**3,240.68**
Buildings and structures	939.45	1,059.26	1,432.57	1,511.03	1,720.15
Machinery and equipment	127.05	142.14	126.28	100.90	143.26
Unidentified	1,370.14	1,822.42	1,296.31	1,006.94	1,377.26
Non-Produced Assets	0.00	0.00	0.00	0.00	0.00
Net lending (+) / Net borrowing (-)	**1,068.88**	**-1,343.74**	**-2,824.20**	**-65.99**	**6,639.48**
Financing	**671.17**	**-1,154.30**	**-3,075.60**	**-598.53**	**5,950.76**
Financial Assets	**501.72**	**-73.59**	**-851.71**	**606.51**	**4,896.12**
Domestic	501.72	-73.79	-851.71	606.51	4,876.73
Foreign	0.00	0.21	0.00	0.00	19.38
Liabilities	**-169.45**	**1,080.71**	**2,223.89**	**1,205.04**	**-1,054.64**
Domestic	114.27	892.50	2,137.10	1,056.18	-1,306.17
Foreign	-283.72	188.21	86.79	148.86	251.52
Statistical Discrepancy	**397.71**	**-189.44**	**251.40**	**532.54**	**688.72**
Memo Items					
SACU Receipts	8,291.95	6,750.95	5,551.59	8,961.27	11,199.02
GDP (Current Prices)	8,758.26	9,601.16	9,253.91	9,496.43	9,930.75

Source: CBL and MOF, *Figures in this column refer projected outturn.

Total Public Sector Debt[2]

Public debt was estimated to have decreased by 0.5 per cent, mainly attributed to a 2.0 per cent decline in the external component. The reduction in external debt was largely due to exchange rate fluctuations, while domestic debt was primarily due to the redemption of treasury bonds during the year.

[2] All categories are on net terms.

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External debt was estimated at 80.2 per cent of total outstanding debt, with the concessional component—which typically features more favourable terms, such as lower interest rates and longer repayment periods—accounting for 61.4 per cent of the external debt. Furthermore, the liquidity indicators of debt service to revenue and exports ratios remained well below IMF thresholds, demonstrating the country's strong debt servicing capacity and long-term sustainability.

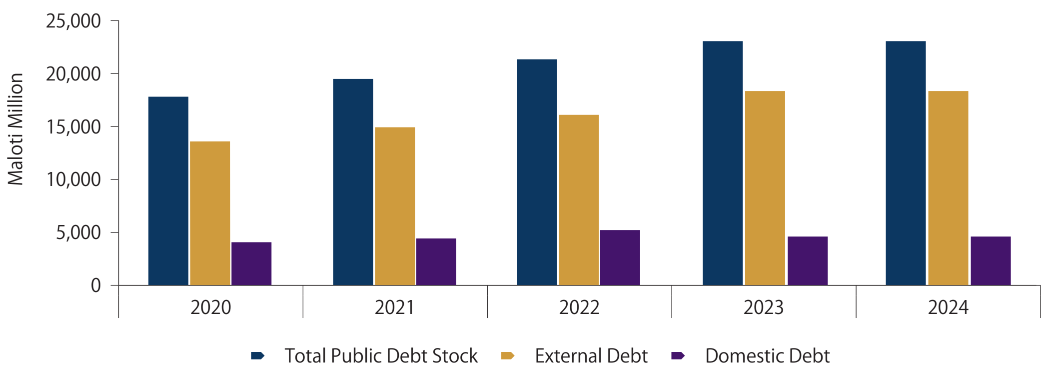
Table 9 Public Sector Debt Stock (Million Maloti)

	2020	2021	2022	2023	2024
Total Public Debt Stock	**17,523.10**	**19,171.86**	**21,062.30**	**22,727.10**	**22,734.13**
External Debt	**13,631.19**	**14,858.80**	**16,072.90**	**18,351.01**	**18,443.54**
Bilateral Loans (concessional)	975.64	1,032.50	957.34	956.72	861.77
Multilateral Loans	**11,090.74**	**11,921.30**	**12,500.32**	**13,898.35**	**14,316.38**
Concessional	9,620.03	10,535.40	9,233.88	10,403.85	10,842.44
Non-Concessional	1,470.71	1,385.90	3,266.43	3,494.50	3,473.94
Financial Institutions (non-concessional)	0.00	0.00	0.00	0.00	0.00
Suppliers' Credit (non-concessional)	1,564.81	1,905.00	2,615.24	3,495.94	3,265.38
Domestic Debt	**3,891.91**	**4,313.06**	**4,989.40**	**4,376.09**	**4,290.59**
Banks	2,367.28	2,622.88	2,735.56	1,766.75	1,554.69
Treasury Bonds	1,096.06	1,118.18	1,278.13	1,225.86	1,083.71
Treasury Bills	258.01	237.93	76.99	76.99	0.00
Central Bank (IMF-ECF)	1,013.21	1,266.77	1,380.44	463.90	470.98
Non-Bank	1,524.63	1,690.17	2,253.84	2,609.34	2,735.91
Treasury Bonds	60.44	22.04	8.58	0.00	0.00
Treasury Bills	1,464.18	1,668.13	2,245.26	2,609.34	2,735.91
Total Debt as % of GDP	52.56	54.39	57.27	61.05	57.93
External Debt as % of GDP	40.33	41.77	43.39	48.75	46.43
External Debt as % of Total	76.7	76.8	75.8	79.8	80.2
External Debt Service as % of Revenue	5.29	6.32	7.79	8.35	6.20
External Debt Service as % of Exports	6.26	6.83	7.56	10.7	9.58
Concessional as % of External Debt	80.7	77.7	77.9	62.8	61.4

Source Ministry of Finance (MoF) and Central Bank of Lesotho (CBL)

Lesotho's external sector position once again recorded a surplus in 2024, equivalent to 16.4 per cent of GDP, compared to a revised surplus of 31.5 per cent in the preceding year.

Figure 14 Outstanding Public Sector Debt (Million Maloti)



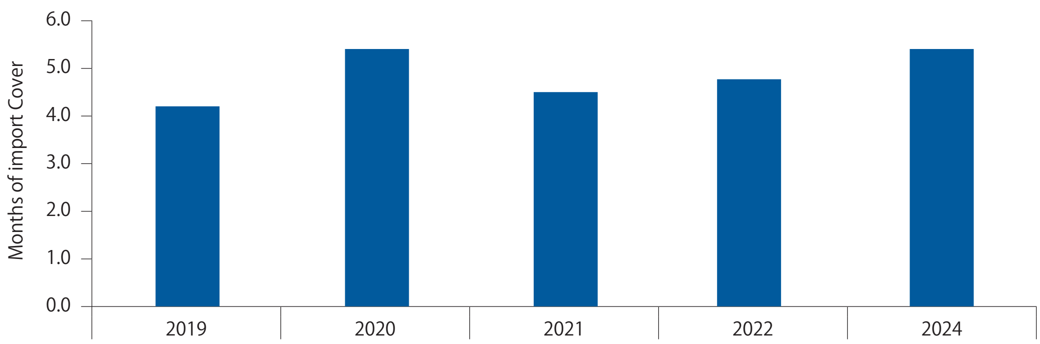
Source: Ministry of Finance (MoF) and CBL

1.2.4 Foreign Trade and Payment

Overall Balance

Lesotho's external sector position once again recorded a surplus in 2024, equivalent to 16.4 per cent of GDP, compared to a revised surplus of 31.5 per cent in the preceding year. This was underpinned by the surpluses on the current account, capital account and financial accounts. The stock of foreign reserves amounted to M18.87 billion, from M15.04 billion in 2023, bolstered by higher SACU receipts and water royalties. Consequently, months of import cover rose to 5.5 months from 4.8 months a year earlier.

Figure 15 Reserves in Months of Imports



Source: Central Bank of Lesotho

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Table 10 Summary of Balance of Payments (As percentage of GDP)

	2021	2022	2023	2024+
Current Account	**-8.1**	**-11.4**	**-6.8**	**5.0**
Goods	-31.2	-31.6	-37.5	-31.3
Services	-16.1	-18.2	-18.8	-18.1
Primary Income	16.9	20.2	22.6	23.9
Secondary Income	22.2	18.1	26.8	30.5
Capital Account	**5.40**	**4.20**	**17.3**	**13.8**
Financial Account	**6.40**	**-6.30**	**15.8**	**8.2**

Source: Central Bank of Lesotho, + CBL estimate

Current Account

The current account balance substantially improved in 2024, with a surplus of M2.06 billion, following a deficit of M2.68 billion in the previous year. The surplus on the current account was underlined by the surpluses on the primary and secondary income accounts. However, the goods and services accounts remained in deficit and therefore partly offset the observed current account surplus. The current account surplus constituted 5.0 per cent of GDP, from a deficit of 6.8 per cent a year earlier.

The goods account deficit declined by 12.5 per cent, compared to an increase of 20.3 per cent in the previous year. This resulted from improved net trade as exports increased while imports fell. The increase in merchandise exports was primarily explained by a surge in water exports due to the implementation of revised water royalties. However, the increase in water exports was moderated by the decline in diamond exports as the naturally extracted diamond industry continued to be negatively affected by high demand for lab-grown diamonds. Meanwhile, merchandise imports marginally declined during the same period, explained by the decrease in mineral products and vegetables. However, an increase in machinery and transport equipment partly offset this decline. Expressed as a percentage of GDP, the goods account accounted for 31.3 per cent of GDP, from 37.5 per cent in the previous year.
The services account deficit widened by 1.0 per cent, slowing from a 4.7 per cent increase in the previous year. This was primarily driven by a decline in tourism receipts, as well as higher payments for telecommunications services. Notwithstanding, there was a decline in payments for freight and official travel, which moderated the services account deficit during the same period. As a percentage of GDP, the services account deficit accounted for 18.1 per cent, slightly improving from 18.8 per cent in the previous year.

The current account balance substantially improved in 2024, with a surplus of M2.06 billion, following a deficit of M2.68 billion in the previous year.

Primary Income Account

The primary income account surplus rose by 17.1 per cent to M9.79 billion in 2024, relatively higher than the revised M8.84 billion in 2023. This continued growth was primarily driven by increased interest returns on foreign investments held by financial institutions, benefiting from higher global interest rates that were still prevailing. Additionally, there was a significant rise in receipts for maintenance and operational receipts for the LHWP I, which were scheduled for the year. The surplus was further supported by a decline in the government's interest payments for foreign loans. The surplus on the primary income account accounted for 23.9 per cent of GDP, slightly higher than 22.6 per cent in the previous year.

Secondary Income Account

The secondary income account surplus increased by 19.4 per cent in 2024 to M12.49 billion, following a surge of 49.7 per cent in 2023. The improved balance was primarily due to a significant increase in SACU receipts, which benefitted from a rise in the SACU revenue pool. Additionally, higher receipts for rand compensation further supported the secondary income account, although these gains were partly offset by an increase in subscriptions to international organisations during the year. The surplus on the secondary income account represented 30.5 per cent of GDP, marking an improvement from 26.8 per cent recorded in 2023.

Capital Account

The capital account flows remained robust in 2024, albeit lower than a year earlier at M5.64 billion from M6.76 billion in 2023. The capital account continued to be buttressed by receipts associated with advance infrastructure and main works activities at LHWP II. Expressed as a share of GDP, the capital account inflows constituted 13.8 per cent, from a revised 17.3 per cent of in the preceding year.

Financial Account

The financial account continued to be in surplus in 2024, albeit to a lesser extent than in the previous year. The financial account outflows amounted to M 3.35 billion, compared to M 6.16 billion in the previous year, explained by direct investment outflows, portfolio investment outflows and reserves assets. Direct investment outflows were explained by loan repayments to non-residents shareholders, while portfolio investment were buttressed by financial institutions' placements abroad in search of high yields. Reserve assets substantially rose due to an increase in SACU receipts and water royalties. Nonetheless, the observed outflows were moderated by inflows of other investments during the same period, largely emanating from commercial banks' inflows as their foreign investments had matured. Financial account inflows accounted for 8.2 per cent of GDP, from a revised 15.8 per cent in the previous year ❑

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2

The bank continued to play its role as a fiscal agent to the government of Lesotho, facilitating domestic debt issuance and supporting the development of local capital markets.

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CENTRAL BANKING ACTIVITIES

2.1 MONETARY POLICY

In 2024, the CBL convened six Monetary Policy Committee (MPC) meetings. In response to moderating inflation and a stable macroeconomic environment, the bank had reduced the policy rate by 25 basis points to 7.50 per cent by year-end. The easing stance was aligned with global monetary policy trends and aimed at bolstering economic recovery and supporting credit extension while maintaining the loti–rand parity. Financial market conditions remained stable, with strong demand for government securities and sustained credit growth to households and businesses.

2.2 RESERVES MANAGEMENT

The management of foreign exchange reserves continued to follow the long-standing policy objectives set out in the Central Bank of Lesotho Act of 2000, namely preserving capital, maintaining adequate liquidity for external obligations, and earning a reasonable return. In line with this mandate, the bank maintained an active approach to reserves management throughout 2024, navigating a global financial environment marked by heightened volatility and geopolitical uncertainty.

The resilience of the bank's reserves portfolio was supported by robust governance frameworks and prudent investment strategies, which enabled effective risk management and sustained performance under challenging conditions. Elevated global interest rates—which persisted longer than anticipated into the second half of the year—positively contributed to investment income on reserve assets. At the same time, reduced fiscal pressures enabled the greater accumulation of reserves.

As a result, reserve levels remained healthy during the year and are expected to remain buoyant moving forward, underpinned by strong SACU receipts and increased water royalties. The consistent build-up of reserves reinforces the country's external position and enhances the bank's capacity to meet its policy and operational obligations.

2.3 DOMESTIC CAPITAL MARKETS OPERATIONS

The bank continued to play its role as a fiscal agent to the government of Lesotho, facilitating domestic debt issuance and supporting the development of local capital markets. Throughout 2024, the bank ensured the smooth execution of fiscal and monetary policy objectives by maintaining strong investor demand for treasury securities, while meeting the government's financing requirements at sustainable costs.

The bank provided regular updates and maintained open communication with market participants to reinforce market confidence and transparency, contributing to sustained participation by both institutional and retail investors in scheduled auctions. During the year, four treasury bond auctions were successfully conducted, all of which were oversubscribed. Notably, a new ten-year bond was introduced in October 2024, aimed at maintaining key benchmark points and further extending the domestic yield curve. Similarly, treasury bills continued to be issued on a bi-weekly basis, consistently attracting demand in excess of supply.

CENTRAL BANKING ACTIVITIES

Despite the success in government securities issuance, activity in the Maseru Securities Market (MSM) remained limited. In 2024, only 3,459 shares of RNB Properties Ltd were traded, valued at M46,775.00 at an average price of M13.00, representing an 81 per cent decline in equity trading compared to the previous year. Secondary market activity in treasury bonds remained active, although the total traded value declined by 25.5 per cent to M43.63 million from M58.58 million in 2023. However, the number of transactions increased to 389 from 331, indicating growing interest among both retail and institutional investors.

2.4 ECONOMIC RESEARCH AND ADVISORY SERVICES

The bank continued to play its advisory role to the government of Lesotho on macroeconomic issues. For this purpose, the bank provided periodic state of the economy through various reports at different frequencies and played an active role in developing sectoral strategic frameworks aimed at leveraging on the prevailing economic environment.

2.4.1 Economic Reports

During 2024, the bank's flagship reports continued in line with the statutory requirements. To this effect, the 2023 Annual Report was produced in time for submission to the Honourable Minister of Finance and Development Planning, and then published with all supporting documents as required. In addition, four bulletins of the Quarterly Economic Review were produced during the year. Moreover, the bank produced the Lesotho's Macroeconomic Outlook report on quarterly basis to outline the projected state of the economy to aid planning. Finally, monthly economic reviews were produced throughout the year. The reports served as a litmus test for early signals of Lesotho's economic performance and prospects, informing policy decisions by the government and planning by the private sector.

2.4.2 Policy Briefs

The advisory work provided to the government of Lesotho during review period included a policy brief for the Minister of Finance and Development Planning, during the development of the public debt bill. The bill is meant to ensure public debt sustainability in the event that the government borrows to finance fiscal gaps, as well as infrastructure development and maintenance. In addition, studies were conducted providing recommendations on the formulation of the second Financial Sector Development Strategy and the National Financial Inclusion Strategy (NFIS) 2024-2028 to secure and advance gains made in financial inclusion, particularly catering for the marginalised groups.

Finally, the bank continued to provide policy advice to other national structures and regional groups through technical representations. An advisory service assessing the state of the economy was provided to the Minimum Wage Advisory Board in preparation for its annual wage setting exercise.

The microfinance subsector has grown notably since 2018, following legislative reforms spearheaded by the CBL to enhance the regulatory environment.

2.5 REGULATORY ENVIRONMENT AND FINANCIAL STABILITY

2.5.1 Banking Sector Financial Surveillance Integrity

The Kingdom of Lesotho's first Follow-Up Report of the Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) Mutual Evaluation was adopted in September 2024 in Kenya. The assessment focused on the progress made by the country in addressing the deficiencies on the CBL's regulatory and supervisory regime. For this purpose, CBL had amended a number of regulations with a focus on market entry standards to enhance measures to prevent criminals and their associates from entering the financial sector.

The set of these regulations that were amended and enacted are outlined in detail in section 2.6.2. Regarding the enhancement of cross-border reporting requirements, the cabinet approved the Currency and Exchanges Policy to facilitate amendment of the exchange control legislation. The policy has benchmarked the international best practices on the management of capital flows, which enable the gradual removal of capital account restrictions, while also providing flexibility to cope with situations of economic and financial stability.

2.5.2 Developments in the Banking Sector

In an effort to improve financial stability and public confidence, the bank successfully migrated from the Basel Accord I to Basel 2.5 in February 2024. The major focus throughout 2024 was to ensure proper understanding and consistent application of the Basel 2.5 Pillar I (Minimum Capital Requirements) by banking institutions. Several meetings were held with banks to discuss and address any challenges experienced during the submission of the reports.

The enhancement of the Risk Based Supervision Framework continued during the year. A particular focus was placed on enhancing risk rating models, the Offsite surveillance tools and aligning with international supervisory assessments of governance risks. Furthermore, other legislative instruments were reviewed while improvement of the current law was also under consideration. In particular, the Financial Institutions (Agent Banking) Regulations 2024 were promulgated. On the other hand, the benchmarking exercise for the envisaged banking bill was initiated.

2.5.3 Microfinance Institutions

The microfinance subsector has grown notably since 2018, following legislative reforms spearheaded by the CBL to enhance the regulatory environment. These reforms contributed to improved market integrity, stronger institutional governance, and a deepening of financial inclusion.

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As at end-2024, a total of 152 microfinance institutions (MFIs) were licensed by the CBL, comprising nine Tier II institutions—characterised by relatively stronger governance and larger asset bases—and 143 Tier III institutions, which are generally smaller and operate with more basic structures. The licensing and tiering framework is part of the CBL's broader supervisory efforts to promote stability and improve risk management across the subsector.

CBL continued to emphasise the importance of extending credit responsibly to underserved segments. In this regard, it promoted the use of key credit infrastructure, notably the Lesotho Electronic Registry of Movable Assets (LERIMA) and the credit information bureau. These systems are critical in supporting sound credit risk assessment, particularly as some MFIs begin cautiously expanding into the micro, small, and medium enterprises (MSME) and informal sectors.

Further, the bank continued to monitor the funding models of MFIs, noting that the majority remained dependent on shareholder capital and funding from parent companies. CBL's supervisory focus has therefore included monitoring funding sustainability and the resilience of these institutions under evolving market conditions. While the MFI subsector remains an important vehicle for advancing financial inclusion in Lesotho, the CBL recognises the need to further enhance product innovation and credit risk safeguards, especially as the market matures and diversifies.

2.5.4 Insurance Sector

As of December 2024, the insurance sector comprised 569 licensed entities, operating under various licensing categories provided for in Sections 5 and 69 of the Insurance Act, 2014. The risk-carrying entities included ten insurers, of which four were short-term (general) and six were long-term (life) insurers. The intermediary segment comprised 50 insurance brokers, nine corporate agents, and over 500 tied (individual) agents.

During the review period, the CBL continued to strengthen supervisory oversight of the sector, with a focus on improving regulatory compliance, enhancing risk management practices, and promoting market discipline. The bank also monitored developments in funding models and investment exposures across both short- and long-term insurers, in line with its mandate to safeguard financial stability. Moreover, the CBL prioritised enhancing actuarial capacity and reporting standards, as well as integrating technology in regulatory submissions to foster more efficient data collection and analysis. Despite persistent underwriting challenges across the industry, the bank maintained close surveillance to ensure that all insurers remained adequately capitalised and adhered to prudential requirements.

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As of December 2024, the insurance sector comprised 569 licensed entities, operating under various licensing categories provided for in Sections 5 and 69 of the Insurance Act, 2014.

2.6 PAYMENT AND SETTLEMENTS

2.6.1 Payment Systems Initiatives

The National Payment System (NPS) has demonstrated strong growth and increasing adoption since its launch. Notably, the introduction of the instant payments stream in March 2024 and the activation of ATM transactions in October 2024 significantly expanded the digital payment ecosystem in Lesotho.

While trends in transaction volumes and values point to encouraging progress, further analysis is necessary to assess seasonal fluctuations and identify any operational challenges that might be affecting payments' activity. Looking ahead, continued enhancement of the NPS will be critical to support financial inclusion, improve transactional efficiency, and sustain the growth trajectory of digital payments across the country.

2.6.2 Lesotho Wire

Lesotho Wire (LSW) is a large-value payment system that facilitates real-time and intraday settlement of financial transactions on a continuous and gross basis. In 2024, the system settled 64,867 transactions valued at M139.4 billion, reflecting year-on-year increases of 36.6 per cent in volume and 81.1 per cent in value compared to 2023. The growth in settlement activity was largely attributed to an increase in third-party payments during the review period.

System availability also showed marked improvement, rising from 93.7 per cent in 2023 to 99.7 per cent in 2024. This exceeded the 98.0 per cent target and is indicative of the system's enhanced operational stability, which is critical for ensuring the efficient circulation of funds within the economy.

2.6.3 Automated Clearing House

In 2024, the Automated Clearing House (ACH) system recorded a system availability of 99.5 per cent, improving from 96.2 per cent in the previous year. This performance exceeded the 98.0 per cent uptime threshold prescribed for maintaining a stable and efficient clearing environment, thereby supporting the smooth circulation of funds within the economy.

2.6.4 Mobile Money

Mobile money transactions continued to demonstrate strong growth and resilience in 2024, driven by rising customer confidence, improved accessibility, and the ongoing evolution of mobile money services. Operators in this space have continued to innovate, offering a broader range of financial services and products, which has contributed to the sustained

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increase in consumer uptake. During the reporting year, the volume of mobile money transactions rose by 18.4 per cent, while the value of transactions increased by 22.5 per cent compared to 2023. Reflecting this upward trend, the overall trust account balance grew by 28.6 per cent, reaching M918.70 million in 2024.

2.6.5 Common Monetary Area Low-Value Payments

The long-standing practice of processing low-value payments within the CMA as though they were domestic South African transactions was discontinued in September 2024. As part of the transition, low-value credit payments within the CMA were migrated to regional payment infrastructures, namely the Southern African Development Community Real-Time Gross Settlement (SADC-RTGS) system and the Transactions Cleared on an Immediate Basis (TCIB) platform. However, it is important to note that while SADC-RTGS was primarily designed for high-value transactions, its use for low-value payments has been adopted as an interim measure, with plans to phase it out by 2027.

In the case of low-value debit payments, several debit order collectors were required to establish collection accounts in Lesotho to enable the effective collection of debit orders from Lesotho to other CMA member countries.

2.6.6 Implementation of the National Payment Switch

The Lesotho National Payment Switch (LeSwitch) has continued to play a pivotal role in modernising the country’s payment infrastructure, enhancing financial inclusion, and improving transaction efficiency. Since its initial launch, LeSwitch has enabled the seamless processing of various payment streams, significantly contributing to the growth and resilience of Lesotho’s digital payment ecosystem.

The National Payment Switch went live in November 2022, initially supporting the instant payments stream, which has since shown steady adoption. A major milestone was reached with the official launch of instant payments in March 2024. Further progress was made in October 2024 when the card stream became operational, beginning with ATM transactions, thereby broadening the range of digital payment options available to consumers.

2.6.7 Currency Management

The bank finalised the implementation of the currency automation project in 2024. This entailed the installation of the vault management system, the second high-speed currency processing machine, the automated operational vault storage, and the enhancement of the primary vault. This state-of-the-art infrastructure aligns with the bank’s strategic initiative, aiming to modernise technological infrastructure to enhance efficiency and effectiveness of business processes. Again, the advancement in business technologies will ensure that the bank is better placed to serve its stakeholders evolving needs, while enhancing controls and reducing excessive human intervention in currency management functions.

The long-standing practice of processing low-value payments within the CMA as though they were domestic South African transactions was discontinued in September 2024.

The M200 commemorative banknote issued in 2023 to celebrate His Majesty King Letsie III's diamond jubilee won a prestigious international award in 2024 from Middle East and Africa High Security Printing. This award recognised the M200 banknote as the first green commemorative banknote to be issued. The bank intentionally opted for sustainable substrates for production of this banknote to align with King Letsie III's stance on issues of environmental sustainability, while it clearly reflected the rich cultural heritage of Basotho. The bank further initiated the replenishment of Maloti banknotes. This presented an opportunity for all banknote denominations to be printed on sustainable substrates to increase their circulation life and enhance security features to safeguard the integrity of Maloti banknotes.

2.6.8 Regulatory and Legislative Developments

In 2024, some key regulations and amendments were enacted to enhance the stability and transparency of the financial sector and ensure compliance with deficiencies identified by the Eastern and Southern Africa-Money Laundering Group (ESAAMLG) during the mutual evaluation of Lesotho in 2023. These regulatory frameworks reflect the commitment of the bank to foster a secure, well-regulated, and resilient financial system. The following is a list of regulations and amendments to existing regulations that were published in 2024, highlighting their purpose and impact:

1. **Financial Institutions (Agent Banking) Regulations, 2024**
   The regulations were published in April 2024 and entered into operation on the date of publication. The purpose of these regulations is to provide for the use of an agent by a bank as a cost-effective delivery channel for specific banking services and in a manner that promotes safety and soundness of the financial sector and facilitate and foster financial inclusion in Lesotho. Further, the regulations prescribe the activities that can be carried out by an agent and establish minimum standards for data and security, consumer protection and risk management in the provision of services by agents on behalf of the bank.

2. **Financial Consumer Protection (Marketing and Advertisement) Regulations, 2024**
   The regulations were published in June 2024 and entered into operation on the date of publication. The regulations are aimed at promoting responsible, ethical and professional conduct among persons involved in the chain of advertising and marketing of financial products directed at consumers of financial services in Lesotho. They further call for advertisements that are not likely to mislead, deceive or confuse consumers, abuse their trust, and exploit their lack of knowledge.

3. **Declaration of Currency and Bearer Negotiable Instruments Notice, 2024**
   The notice was published in June 2024 and entered into operation on the date of publication. The objective of the notice is to repeal Declaration of Currency Notice 2014 to include declaration of both currency and bearer negotiable instruments amounting to M25,000 at the port of entry or departure by any person who has them in his or her possession.

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4. **Money Laundering and Proceeds of Crime (Amendment of Schedule) Notice, 2024**

   The notice was published in June 2024 and entered into operation on the date of publication. The main purpose of this notice is to amend the Money Laundering and Proceeds of Crime (Amendment of Schedule) Notice 2019 to include persons conducting safekeeping and administration of cash or liquid securities activities on behalf of other person in the list of accountable institutions under the notice.

5. **Financial Institutions (Licensing Requirements) (Amendment) Regulations, 2024**

   The amendment regulations were published in June 2024 and entered into operation on the date of publication. The amendment is intended to include beneficial owners in the ownership structure of a financial institution as recommended by ESAAMLG assessors during Mutual Evaluation on Lesotho in 2023, for beneficial owners to be included in the ownership structure of a financial institution.

6. **Financial Institutions (Credit Only and Deposit Taking Microfinance Institutions) Regulations, 2014**

   The amendment regulations were published in June 2024 and entered into operation on the date of publication. Their purpose is to address the identified deficiencies on Financial Action Task Force (FATF) standards and as recommended by ESAAMLG assessors during the mutual evaluation of Lesotho. The bank reviewed and amended the regulations to substitute the definition of principal interest with beneficial owners. Further amendments were made on fit and proper requirements of shareholders so that any reference to "principal interest", "significant influence", "significant owner", and "ultimate controller" is substituted with "beneficial owner" as also recommended by ESAAMLG.

7. **Financial Lease (Amendment) Regulations, 2024**

   The amendment regulations were published in June 2024 and entered into operation on the date of publication. The purpose is to address the identified deficiencies on FATF standards and as recommended by ESAAMLG assessors during the mutual evaluation of Lesotho. The bank reviewed the regulations in order to include the definition of beneficial owners, which was erroneously omitted in the regulations and as recommended by ESAAMLG in the mutual evaluation report for Lesotho. A new regulation on combating money laundering and financing of terrorism that was erroneously omitted in the regulation was also included.

8. **Central Bank (Capital Markets) (Amendment) Regulations, 2024**

   The amendment regulations were published in June 2024 and entered into operation on the date of publication. To address the identified deficiencies on FATF standards and as recommended by ESAAMLG assessors during the mutual evaluation of Lesotho, the bank amended the Central Bank (Capital Markets) Regulations 2014 to include the definition of beneficial owners in the regulations as it was erroneously omitted.

In 2024, some key regulations and amendments were enacted to enhance the stability and transparency of the financial sector and ensure compliance with deficiencies identified by the ESAAMLG.

9. **Central Bank of Lesotho (Collective Investment Schemes) (Amendment) Regulations, 2024**
   The amendment regulations were published in June 2024 and entered into operation on the date of publication. To address the identified deficiencies on FATF standards and as recommended by ESAAMLG assessors during the mutual evaluation of Lesotho, the bank reviewed and amended the Central Bank (Collective Investment Schemes) Regulations 2018 to remove the definition of significant owner and ultimate controller and replace it with the definition of beneficial owners under interpretation as recommended by FATF in the mutual evaluation report for Lesotho. Further, amendments have been made under regulation 4(e) to replace any reference to significant owner and ultimate controller with beneficial owner.

10. **Insurance (Registration and Licensing Requirements for Insurers) (Amendment) Regulations, 2024**
    The amendment regulations were published in June 2024 and entered into operation on the date of publication. The purpose of this amendment was to ensure compliance with recommendations by ESAAMLG assessors and FATF standards during the mutual evaluation of Lesotho to include the definition of beneficial owners under interpretation and in the ownership structure of the prospective insurance business at the licensing stage. Further, amendments were made to ensure that beneficial owners are included in the ownership structure of insurance business.

11. **Insurance (Licensing of Insurance Intermediaries) (Amendment) Regulation, 2024**
    The amendment regulations were published in June 2024 and entered into operation on the date of publication. The objective of this amendment is to include the definition of beneficial owners under interpretation and in the ownership structure of an insurance intermediary as recommended by ESAAMLG assessors on the Mutual Evaluation on Lesotho for beneficial owners to be included in the ownership structure of an insurance intermediaries.

12. **Pension Funds (Registration and Licensing) (Amendment) Regulations, 2024**
    The amendment regulations were published in June 2024 and entered into operation on the date of publication. The purpose of this amendment is to include the definition of beneficial owners under interpretation as recommended by ESAAMLG during the mutual evaluation of Lesotho. Further, amendments were made to replace “significant owner”, “ultimate beneficial owner or controller” with “beneficial owner” to avoid confusion that might be created with the new insertion of the definition of beneficial owner as recommended by ESAAMLG in the mutual evaluation report for Lesotho.

13. **Pension Funds (Financial Reporting Requirements) (Amendment of Schedule) Notice, 2024**
    The notice was published in December 2024 and entered into operation on the date of publication. The purpose of the notice is to substitute schedule of the Pension Funds (Financial Reporting Requirements) 2020 and replace it with a new schedule that will enable the regulator to know the assets backing the insurance policy.

CENTRAL BANKING ACTIVITIES

2.7 FINANCIAL CONSUMER PROTECTION AND MARKET CONDUCT

2.7.1 Consumer Protection and Market Conduct

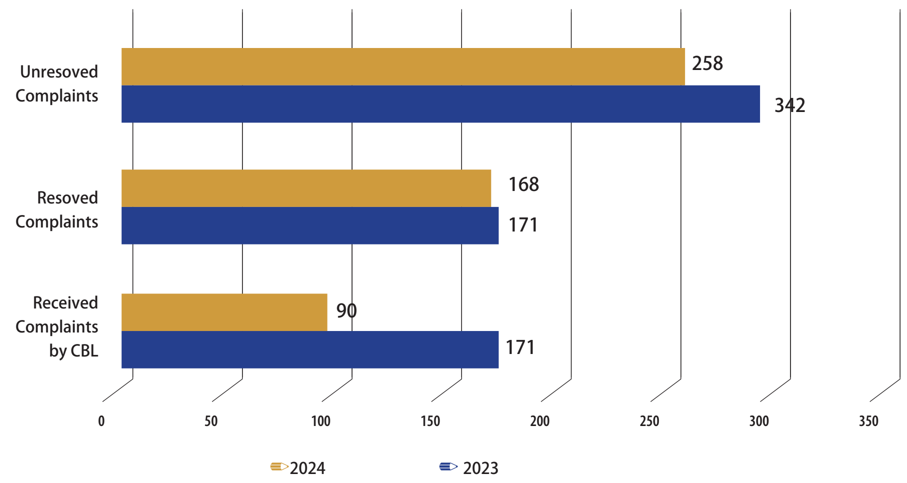
During the year under review, the CBL continued to advance its mandate on financial consumer protection and market conduct through ongoing monitoring of compliance with the Financial Consumer Protection Act 2022 and its supporting regulations, namely the FCP (Disclosure of Credit Information) Regulations 2023 and the FCP (Marketing and Advertisement) Regulations 2024. These regulatory instruments are aimed at enhancing transparency in credit contracts, addressing information asymmetries, empowering consumers, and curbing deceptive and predatory marketing and sales practices.

The regulatory framework applies to a broad spectrum of financial service providers, currently comprising 260 entities across various segments of the financial system, including commercial banks, insurance companies, MFIs, mobile money issuers, credit bureaus, large financial cooperatives, pension funds, and collective investment schemes
In line with its consumer protection responsibilities, the bank continued to receive and mediate complaints from consumers dissatisfied with the outcomes of internal dispute resolution processes conducted by financial service providers. In 2024, the bank received 258 complaints, marking a reduction from 342 complaints registered in 2023. Among the total complaints received, 65 per cent were successfully resolved and closed, reflecting an improvement from the 50 per cent resolution rate achieved in the previous year. However, a notable proportion of complaints remained unresolved due to their complexity and will be carried forward for resolution in 2025.

MFIs remained the most complained-about entities, accounting for 41 per cent of all mediated cases, followed by commercial banks (30 per cent), insurance companies (20 per cent), mobile money issuers (7 per cent), credit bureaus (1 per cent), and collective investment schemes (0.4 per cent).

In 2024, the bank received 258 complaints, marking a reduction from 342 complaints registered in 2023.

Figure 16 Number of Complaints Handled in 2023–2024



Source: Central Bank of Lesotho

2.7.2 Market Conduct Supervision

During the year, the CBL continued to implement measures to enhance regulation and supervision of the conduct of financial service providers. First, the Financial Consumer Protection (Marketing and Advertisement) Regulations 2024 were promulgated and the objective to the regulations have been outlined in detail under section 2.6.8. In addition, three additional regulations on Complaints Handling, Information Disclosure on Insurance and Investment Products, and Administrative Penalties were drafted and validated with the financial industry and now pending gazettement.

2.7.3 Consumer Empowerment

As part of its efforts to promote responsible financial behaviour and empower consumers, the bank undertook a series of financial literacy initiatives aimed at equipping individuals with the knowledge and skills necessary to make informed and effective financial decisions. These initiatives included developing a joint personal finance management programme in collaboration with the National University of Lesotho (NUL), as well as targeted training sessions on debt management and broader financial education.

Key financial literacy topics covered during these sessions included money management, budgeting, debt management, investment options, financial fraud awareness, and retirement planning. These efforts form part of the bank's broader strategy to enhance financial inclusion and strengthen consumer protection by improving financial capability across the population.

CENTRAL BANKING ACTIVITIES

2.7.4 Financial Inclusion Initiatives

In collaboration with key stakeholders—including the Ministry of Finance and Development Planning, the broader financial sector, and the judiciary—the bank contributed to developing the second Financial Sector Development Strategy, which expected to build on the progress achieved under its predecessor, with a particular focus on advancing financial inclusion and strengthening the overall financial ecosystem. These efforts were further reinforced by the development and official adoption of the National Financial Inclusion Strategy (NFIS) 2024–2028, which sets out a coordinated roadmap to improve access to and usage of quality financial services by individuals and businesses across Lesotho.

2.8 INFORMATION AND COMMUNICATION TECHNOLOGY

2.8.1 Strategic Alignment

The information and communication technology (ICT) function continues to serve as a critical enabler of the bank's operations by providing and maintaining a range of ICT solutions, including technical infrastructure, systems, and business application software. Key milestones during the review period include the implementation of infrastructure that enabled the commissioning of the national payments switch system (LeSwitch), the development of the investor portal system aimed at modernising access to domestic market operations, and the migration of systems messaging to the ISO 20022 standard, both locally and regionally. These initiatives are designed to enhance interoperability, transparency, and compliance within financial systems. Collectively, they represent transformative steps in how the bank conducts its business, while introducing new operational capabilities.

2.8.2 Cyber Security Risk Management and Business Continuity

Following a cyber attack incident in December 2023, the bank undertook significant initiatives during the year under review to strengthen its cyber resilience posture. These efforts spanned across technology, personnel, and process-based enhancements, reflecting a holistic approach to cybersecurity.

Key among these initiatives was the establishment of a Security Operations Centre (SOC), which provides continuous 24/7 security monitoring and threat surveillance. In addition, the bank rolled out ongoing online-based cybersecurity training for all staff members to raise awareness and reinforce good cyber hygiene practices across the institution.
Figure 20 illustrates some of the enhanced security measures implemented, which continue to be periodically reviewed and updated to address evolving cyber threats.

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Following a cyber attack incident in December 2023, the bank undertook significant initiatives during the year under review to strengthen its cyber resilience posture.

Figure 17 Cyber Security Enhancements

Source: Central Bank of Lesotho

2.9 ASSURANCE PROVISION

2.9.1 Internal Audit

The Internal Audit function's purpose is to provide advice, objective and risk-based assurance regarding the adequacy and effectiveness of the bank's internal control system, governance, and risk management through executing a risk-based annual audit plan. The implementation of this risk-based plan aligns and conforms with the Institute of Internal Auditors' (IIA) Global Internal Audit Standards (GIAS) and the Information Systems Auditing and Control Association (ISACA).

The CBL has since implemented the combined assurance (CA) model in line with the concepts in the King IV and IIA three lines of defence model to incorporate all assurance services and functions. The CA model is gaining momentum in terms of maturity as there is a significant improvement regarding information sharing and coordination efforts between respective assurance providers. In the CA 2024 plan, the focus was placed on delivering assurance concerning specific risks identified by key stakeholders, including the Risk and IT Governance Committee (RITGC). Comprehensive reviews were conducted through collaborative efforts of the Combined Assurance Forum, and all findings were promptly disseminated to the bank's Executive Committee, RITGC, and the Audit Committee.

CENTRAL BANKING ACTIVITIES

Risk Management

In the world surrounded by volatility, uncertainty, complexity and ambiguity (VUCA), the bank continued to face a myriad of risks that are inherent to its nature of business. This necessitated close monitoring of the overall risk landscape and continually identifying key risks that could affect the achievement of objectives at all levels and managing these to acceptable levels using the key risk indicators set by the board of directors of the bank. An integrated approach continued to be followed from the planning process to embed risk management practices in all bank activities. Quarterly reviews of the risk profile were undertaken, and assessment of risk management programme implementation performance reported to management and the board for informed decision-making. In 2024, the bank focused on reviewing its government instruments to embrace the evolving risk management practices to mitigate key and emerging risks effectively.

Business Continuity Management

In view of the increasing disruptive risks landscape, the bank undertook a number of business continuity initiatives to strengthen its resilience capabilities to disruptions, including intensifying the crisis response collaboration with local and regional bodies, fortifying the bank's cyber environment, and reviewing the business continuity frameworks and recovery plans in line with international standards. In order to validate the bank's resilience arrangements and ensure their readiness to respond to crisis events, several business continuity plan (BCP) tests and response teams exercising were undertaken on a periodic basis. Furthermore, the bank also took an opportunity presented by the Committee of Central Bank Governors (CCBG) to undertake an external business continuity management system (BCMS) peer review audit to evaluate the robustness of the bank's business continuity management system in compliance with ISO22301.

Project Portfolio Management

In 2024, the bank strategically invested in a diverse portfolio of projects aimed at enhancing its operational efficiency, technological infrastructure, and customer experience. The portfolio encompassed projects focusing on digital transformation, financial infrastructure, strengthening risk management, implementing international financial communication standards, improving customer experience, and heritage preservation. These investments aimed to improve technological resilience, operational efficiency and financial service delivery reflecting the bank's commitment to innovation, continuous improvement and excellence.

3

In accordance with the CBL Act No. 2 of 2000, the Directors are responsible for the preparation of the annual financial statements.

CENTRAL BANK OF LESOTHO
BANKA E KHOLO EA LESOTHO

Financial Statements
for the year ended 31 December 2024

General Information

Nature of business and principal activities

Statutory body duly continuing in existence in terms of the Central Bank of Lesotho Act No. 2 of 2000.

Registered office

Cnr Airport & Moshoeshoe Roads Maseru 100 Lesotho

Postal address

P.O. Box 1184 Maseru 100 Lesotho

Auditors

Due to current regulation in Lesotho, a locally registered audit firm is required to provide the statutory opinion of the financial statements. This is performed by Moteane Qhuashie and Associates. A portion of the audit is sub-contracted to SNG Grant Thornton (South Africa) in order to involve an internationally recognised audit firm in the ultimate delivery of the external audit process. SNG Grant Thornton (South Africa) was contracted to provide an audit (including methodology support) of certain specific account balances and disclosures included in the Annual Financial Statements.

Secretary

Mr. Napo Rantsane (Adv.)

Lawyer

Webber & Newdigate

Contents

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Corporate Governance Report

This report sets out key aspects of governance of the Central Bank of Lesotho. The Bank is committed to ensuring that its policies and business practices comply with standards of good governance and best practice. The Board of Directors is committed to ensuring that the Bank adheres to the principles of high performance, ethical leadership, accountability, transparency and integrity in all its dealings and interactions with its stakeholders.

Report for the year

The Bank has a unitary Board, which comprises of five (5) Non-Executive Directors and three (3) Executive Directors. The Non-Executive Directors are independent of Executive Management and free of any business or other relationship with the Bank that could materially affect their unfettered and independent judgment in the exercise of their fiduciary duties.

The Governor is the Chairperson of the Board and provides its leadership and sets the tone for its performance. He is responsible for effective organisation and conduct of the Board's affairs. He builds and maintains an effective working relationship with all Board Members, and encourages robust and constructive debate, as well as equal participation in all deliberations of the Board.

The Board is collectively responsible for the execution of the mandate of the Bank as stated in the Central Bank of Lesotho Act. No. 2 of 2000 (the Act). The Board sets the Bank's strategy, oversees its execution and provides leadership for the successful delivery of the statutory mandate and for the long-term sustainability and success of the Bank.

In order to assist the Board in carrying out its responsibilities, the Board has established the Audit Committee, the Risk and IT Governance Committee, and the Ethics, Human Resources and Remuneration Committee. The Committees have charters in terms of which they perform their respective roles as delegated by the Board. Matters that have been dealt with by the Committees are referred to the Board with clear recommendations for consideration and decision. Each Committee provides periodic reports to the Board on the matters that it dealt with.

Apart from these Committees, there is the Executive Committee, which comprises the Governor, who is also the Chairperson, the Deputy Governors and Heads of Departments. The Executive Committee acts with delegated authority from the Board and is responsible for day-to- day operations of the Bank and reports to the Board periodical.

The Board is responsible for facilitating an induction programme for new members through the Board Secretary. The Board Secretary also plays an active role in providing regular training to capacitate the Board as a whole on issues of central banking and corporate governance to enhance its efficiency and effectiveness. The Board has access to the services and advice of the Board Secretary.

In line with section 13 (2) of the Act, the Board meets as frequently as possible and not less than once every two months. The Board convened eleven (11) meetings during the 2024 Financial Year.

Adv. N. Rantsane
Secretary to the Board

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Audit Committee Report

Introduction

The report serves to outline the activities of the Audit Committee (AC or Committee) of the Central Bank of Lesotho for the year ended 31 December 2024.

The AC as the statutory committee established in terms of the Central Bank of Lesotho Act, 2000 continued to discharge its obligations during the 2024 Financial Year. The Committee had been scheduled for seven (7) regular meetings, and it managed to convene five (5) regular meetings.

Governance issues

The tenure of two members of the Committee came to an end on 31 May 2024 and 16 June 2024 and were duly replaced on 1 and 18 June
2024 respectively.

Activities covered in 2024

The Committee considered and transmitted to the Board the following items:

- The quarterly reports from the Internal Audit Department and Department of Finance.
- Annual Financial Statements for the year ended 31 December 2023.
- Management letter as well as management responses for 2023.
- The Supplementary budget for the year 2024 as well as the proposed Operational and Capital Budget for the Bank as well as Lehakoe Recreation and Cultural Centre (LRCC) for the year, 2025.
- The Monitoring of the performance of the Budget of the Bank through consideration of cumulative quarterly Management Accounts reports from the Department of Finance.
- The signing of the Engagement Letter with SNG Grant Thornton and Moteane Quashie & Associates.
- The approval of the 2024 Internal Audit Department's Annual Work Plan.
- The approval of 2024 External Audit planning memorandum.
- The Quarterly 2024 Whistleblowing reports from the Whistleblowing Response Team.

Conclusion

In conclusion, the Bank was considered to have discharged its obligations in line with the CBL Act 2000, relevant charters and policies as well as observing the relevant audit best practices befitting of an institution of its nature.

On behalf of the Audit Committee.

Mrs. R. Tlali
Chairperson of the Audit Committee

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Directors' Responsibilities and Approval

In accordance with the CBL Act No. 2 of 2000, the Directors are responsible for the preparation of the annual financial statements. These financial statements are prepared in accordance with the Central Bank of Lesotho Act No. 2 of 2000 and in line with the policies set out in note 1 of the financial statements. The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates, and appropriately present the affairs of the Bank as at 31 December 2024, and the results of its operations, net profit and cash flows for the year then ended.

The Directors are responsible for the content and integrity of the annual financial statements and related disclosures in this report. Management enables the Directors to meet these responsibilities through the design, implementation and monitoring standards and systems of internal control. These standards and systems of internal control are designed, implemented and monitored to provide reasonable assurance of the integrity and reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability to the stakeholders. The systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

The external auditors are engaged to express an independent opinion on the annual financial statements.

The Directors are of the opinion, based on the information and explanations given by Management that the systems of internal control provide reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, not absolute, assurance against material misstatement or loss. Nothing has come to the attention of the Directors to indicate that a breakdown in the functioning of these controls, resulting in material loss to the Bank, has occurred during the year and up to the date of this report.

These financial statements have been prepared on the going concern basis, and the Directors have every reason to believe that the Bank has adequate resources in place to continue in operation for the foreseeable future.

The financial statements were approved by the Board of Directors on 26 March 2025 and are signed on its behalf by:

Dr. E.M Letete
Governor

Mr. M. Letsoela
Director

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Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Directors' Report

The Directors present their annual report, of the Central Bank of Lesotho for the year ended 31 December 2024. The annual financial statements are expressed in Maloti, the local currency of Lesotho and the functional currency of the Bank that is at par with the South African Rand. These financial statements were prepared on a going concern basis taking into account that the Bank is a lender of last resort and continues to be the banker to the Government of Lesotho.

1. Review of financial results and activities

Nature of business

The Bank is constituted and governed by the Central Bank of Lesotho Act No. 2 of 2000 (the Act). In terms of this Act, the Bank's primary objective is the achievement and maintenance of price stability.

Financial results

The Bank has chosen to use IFRS® Accounting Standards as a guide in deciding on the most 'appropriate' accounting policies to adopt and as a model for the presentation and disclosure framework followed in its annual financial statements. The Act however takes precedence over IFRS Accounting Standards in areas where there are conflicts between the Act and IFRS Accounting Standards. As a result, certain criteria set out in IFRS Accounting Standards have not been followed where appropriate. In addition, the Bank considers certain recognition and measurement principles as well as disclosures inappropriate to its functions. The Bank's financial statements, therefore disclose less detail than would be required under IFRS Accounting Standards.

The financial results of the Bank are set out in the statement of profit or loss and other comprehensive income on page 13. The gains and losses arising from any changes in the valuation of the Bank's assets or liabilities in, or denominated in, gold or foreign currencies, or Special Drawing Rights as a result of changes in the exchange rate for the Maloti or of any change in the values, parities or exchange rates of such assets with respect to the Maloti shall be carried to a special account called the Revaluation Reserve Account and SDR Revaluation Reserve Account. Profit after tax after appropriations have been allocated to the general and other reserves, are paid over to the Government of Lesotho Consolidated Fund as dividends in accordance with Section 21(5) of the Act. These appropriations which have been fully disclosed in the statement of changes in equity in terms of the Act were as follows:

	M '000
31 December 2024	(172,622)

2. Amounts due to Government of Lesotho

Amounts due to the Government of Lesotho Consolidated Fund in terms of Section 21 (5) of the Act are set out in the statement of financial position on page 61 - 62.

3. Share capital

There were no changes in the Bank's authorised share capital during the year under review. The entire issued share capital is held by the Government of Lesotho (GOL).

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Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Directors' Report

4. Directorate

The directors of the Bank during the year and to the date of this report are as follows:

Name	Date of appointment	Position held	Changes
Dr. E.M Letete	June, 2022	Governor and Chairman	
Mr. P.L Mohapi	June, 2022	First Deputy Governor	
Vacant	Vacant	Second Deputy Governor	
Mrs. K. Thabane (Adv.)	June, 2021	Non-Executive Director	Term Expired Monday, 16 June, 2024
Mr. M. Letsoela	July, 2019	Non-Executive Director	
Dr. R. Thamae	September, 2020	Non-Executive Director	
Mrs. R. Tlali	February, 2021	Non-Executive Director	
Mr. O. 'Nete	February, 2021	Non-Executive Director	
Dr M. Kulelile	June, 2024	Non Executive Director	Appointed Tuesday, 18 June 2024

Changes in responsibilities

There was a transition of a Non Executive Ordinary member to a Chairperson in HRRC, this was after Ms. Kuena Thabane's retirement on 17 June 2024.

5. Secretary

Name	Date of appointment	Position held
Mr. N. Rantsane (Adv.)	March 2015	Director of Corporate Affairs

6. Events after the reporting period

The Directors are not aware of any material events that could cause changes to the annual financial statements, which may have occurred between the financial year-end and the date of this report.

7. Auditors

SNG Grant Thornton & Moteane Quashie and Associates carried out the statutory audit of the Bank.

8. Financial Reporting Framework

The Central Bank of Lesotho (CBL) annual financial statements are prepared in accordance with the requirements of the Central Bank of Lesotho (CBL) Act, No. 2 of 2000 and the accounting policies set out in note 1 of the annual financial statements. The Bank has chosen to use IFRS Accounting Standards, as a guide in deciding on the most appropriate accounting policies to adopt, and as a model for the presentation and disclosure framework followed in its financial statement however, the CBL Act takes precedence over IFRS Accounting Standards in areas where there are deviations between the Act and IFRS Accounting Standards. As a result, certain criteria set out in IFRS Accounting Standards have not been followed where applicable.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Directors' Report

All monetary figures appearing in the financial statements, unless otherwise indicated, are stated in Maloti. The preparation of financial statements requires the use of certain critical accounting estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Although these estimates are based on Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

8.1 Revaluation Reserve Account

The Bank has established the Revaluation Reserve Account in compliance with the Act which states that: gains and losses arising from any changes in the valuation of the Bank's assets or liabilities in, or denominated in, gold or foreign currencies, or Special Drawing Rights as a result of changes in the exchange rate for the Maloti or of any change in the values, parities or exchange rates of such assets with respect to the Maloti shall be carried to a special account called the Revaluation Reserve Account.

The Act, further continues to prescribe that "The profits or losses arising from such change shall not be included in the computation of the annual profits and losses of the Bank". The gains and losses arising from any changes in the valuation of the Bank's assets or liabilities in, or denominated in, gold or foreign currencies, or Special Drawing Rights as a result of changes in the exchange rate for the Maloti or of any change in the values, parities or exchange rates of such assets with respect to the Maloti shall be carried to a special account called the Foreign Exchange Revaluation Reserve Account and SDR Revaluation Reserve Account without affecting the Bank's profit or loss account. The distribution of profits between the general reserve and Government consolidated account is based on profit which has not been affected by any gain/loss on foreign exchange activities.

8.2 Rand Compensation Reserve

The Rand Compensation Reserve has been created and is used to book any amounts received by the Bank on behalf of the Government of Lesotho for the Rand Compensation payments it is entitled to in terms of the Multilateral Monetary Agreement. The amounts received are split between equity and the Government consolidated account. This is done to comply with the requirements of the Government's directive that 25% of the monies received from the Government of the Republic of South Africa be transferred to equity while 75% of the monies must be credited to the Government consolidated account.

8.3 Profits and General Reserves

(1)."The Bank has established a General Reserve Account in compliance section 21 of the CBL Act, to which net profits are allocated at the end of each financial year of the Bank as follows":

(a) "in the case of any year at the end of which the general reserve of the Bank does not exceed the minimum paid-up capital of the Bank, one- third of the net profits of the Bank for the financial year";

(b) "in the case of any year at the end of which the general reserve of the Bank exceeds the minimum paid-up capital of the Bank but does not exceed four times the paid-up capital of the Bank, one-sixth of the net profits of the Bank for the financial year".

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Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Directors' Report

8.3 Profits and General Reserves (continued)

(2) "After appropriate allocations have been made to the general reserve under subsection (2), one-quarter of the remainder of the net profits for the financial year shall be applied to the redemption of any securities of the Government held by the Bank which have been issued under section 20(6)."

(3) "With the approval of the Minister, further allocations may be made from time to time to the general reserve to increase it beyond four times the minimum paid-up capital of the Bank".

(4) "The residue of the net annual profits for the financial year remaining after all deductions authorized by subsections (2), (3), (4) and section
55 have been made shall be paid into the Consolidated Fund as soon as practicable after the end of each financial year".

(5) "No deduction authorized under subsections (2), (3) and (4) shall be required to be made nor shall any payment be made under subsection (5) if, in the judgement of the Board, the assets of the Bank are, or after the deduction or payment, will be, less than the sum of its liabilities and minimum paid-up capital".

(6) "If the Bank incurs any net loss during any financial year, such loss shall be charged to the general reserve and if the general reserve is inadequate to cover the entire amount of the loss, the balance of loss shall be carried forward in an account for accumulated losses".

(7) "The balance of accumulated losses shall be replenished by the Government by transferring to the Bank funds, negotiable securities bearing market related terms and conditions or foreign exchange on the lines indicated in section 20 (6)".

(8) "If in any financial year there are accumulated losses carried forward from previous years and which losses have not yet been replenished by the Government in the manner indicated in subsection (8), the final profit of that year shall be allocated in priority to the cancellation of such accumulated losses".

(9) "The allocations stipulated in subsections (2), (3), (4) and (5) shall refer only to the balance of profits which remains after the cancellation of accumulated losses carried forward from previous years".

Dr. E.M Letete
Governor
26 March 2025

Mrs. R. Tlali
Director
26 March 2025

MOTEANE, QUASHIE & ASSOCIATES
CHARTERED ACCOUNTANTS
& MANAGEMENT CONSULTANTS

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF THE CENTRAL BANK OF LESOTHO

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the Central Bank of Lesotho (the Bank), set out on pages 12 to 64, which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of material accounting policies.

In our opinion, the financial statements of the Bank for the year ended 31 December 2024 are prepared, in all material respects, in accordance with the accounting policies described in note 1 to the financial statements and the requirements of the Central Bank of Lesotho Act No.2 of 2000.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants "International Code of Ethics for Professional Accountants" (IESBA Code) and other independence requirements applicable to performing audits of financial statements in the Kingdom of Lesotho. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in the Kingdom of Lesotho. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Basis of preparation

We draw attention to note 1 of the financial statements which describes the basis of accounting. The financial statements are prepared to assist the Bank in complying with the requirements of the Central Bank of Lesotho Act No.2 of 2000. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Bank's directors are responsible for the other information. The other information comprises the information included in the document titled "Central Bank of Lesotho Financial statements for the year ended 31 December 2024". The other information does not include the financial statements and our auditors' report thereon.

Moteane, Quashie & Associates Chartered Accountants & Management Consultants
Plot 582 Hoohlo, Cnr Kingsway Rd. / Maseru Bypass, Private Bag A169, Maseru 100 Lesotho
Tel: (+266) 22 316 490, VAT NO: 1519433 TIN NO:1028676-4. Please see www.mqa.ls for further details.

M.A. Moteane (Mrs.)(resident) [Managing Director]
Moteane, Quashie & Associates Chartered Accountants & Management Consultants Registration Number: 27612

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Victor Sekese [Chief Executive]
A comprehensive list of all Directors is available at the company offices or registered office
SizweNtsalubaGobodo Grant Thornton Incorporated Registration Number: 2005/034639/21

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the financial statements

The Bank's directors are responsible for the preparation and presentation of the financial statements in accordance with the Bank's accounting policies and the requirements of the Central Bank of Lesotho Act No.2 of 2000, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Moteane, Quashie & Associates

Juliet Onubi
Moteane, Quashie & Associates
Chartered Registered Auditor
31 March 2025
Plot 582 Hoohlo
Maseru, 100

SizweNtsalubaGobodo Grant Thornton Inc.

Pravesh Hiralall
SizweNtsalubaGobodo Grant Thornton Inc.
Chartered Registered Auditor
31 March 2025
152 14th Road, Noordwyk,
Midrand, 1687

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Statement of Financial Position as at 31 December 2024

	Note(s)	2024 M '000	2023 M '000
Assets			
Cash and cash equivalents	2	9,192,601	5,143,180
Deposit floaters & fixed deposits	3	894,704	783,887
Investment in Swift	4	473	474
Treasury notes and bonds	5	5,594,940	5,371,483
Treasury bills at amortised cost	6	508,525	623,331
IMF subscription account	7	1,673,596	1,725,295
IMF holding of Special Drawing Rights (SDR)	8	2,394,719	2,206,877
Currency inventory	10	92,511	58,821
Loans and advances	11	192,506	165,766
Other assets	12	35,221	32,945
Property and equipment	13	874,836	860,999
Intangible assets	14	17,319	32,777
Tax receivable	23	12,921	-
Deferred tax	28	11,828	25,798
Total Assets		**21,496,700**	**17,031,633**

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Statement of Financial Position as at 31 December 2024

	Note(s)	2024 M '000	2023 M '000
Equity and Liabilities			
Liabilities			
Notes and coins issued	15	2,183,450	2,399,728
Deposits	16	949,829	371,970
Lesotho Government deposits	17	6,709,698	2,499,333
Government project accounts	18	368,307	265,540
IMF Maloti currency holding	19	1,366,558	1,911,423
IMF Special Drawing Rights allocation	20	2,392,387	2,461,688
IMF Rapid Credit Facility	22	279,572	288,208
Taxation payable	23	-	80,481
Dividends due to Government of Lesotho	24	172,622	151,276
Trade and other payables	25	80,560	126,787
Long-term employee benefit obligation	26	139,581	116,368
Total Liabilities		**14,642,564**	**10,672,802**
Equity			
Share capital	29	100 000	100 000
General reserve		393,085	358,560
Rand compensation reserve		1,306,208	1,198,854
SDR revaluation reserve		108,247	109,630
Foreign exchange revaluation reserve		4,694,937	4,473,380
Property revaluation reserve		17,358	16,274
Bond revaluation reserve		78,281	46,247
Loss allowance for debt investments at FVTOCI		156,020	55,886
Total Equity		**6,854,136**	**6,358,831**
Total Equity and Liabilities		**21,496,700**	**17,031,633**

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Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2024 M '000	2023 M '000
Interest income	30	1,014,954	854,572
Interest expense	31	(108,403)	(112,727)
Net interest income		**906,551**	**741,845**
Other income	32	110,965	111,514
Total income		**1,017,516**	**853,359**
Expected credit (losses)/gains on financial assets		(104,871)	(43)
Operating costs and expenses	33	(623,938)	(548,948)
Operating profit		**288,707**	**304,368**
Actuarial (losses)/gains on long term employee benefits	26	(5,442)	3,376
Profit/loss before taxation		**283,265**	**307,744**
Tax expense	34	(76,118)	(126,213)
Profit for the year		**207,147**	**181,531**
Other comprehensive income:			
Net change in fair value of debt financial assets measured at fair value through other comprehensive income (FVOCI)			
Net change in expected credit loss (ECL)		100,134	(6,491)
Net change in fair value		32,034	81,689
Net movement		**132,168**	**75,198**
Property revaluation			
Increase/(decrease) in property revaluations		1,447	(167,131)
Tax effect		(363)	(56,588)
Net movement		**1,084**	**(223,719)**
Rand compensation			
Increase in reserve		107,354	109,606
Tax effect		-	-
Net movement		**107,354**	**109,606**
Other comprehensive income/(losses) for the period net of taxation		**240,606**	**(38,915)**
Total comprehensive income for the year		**447,753**	**142,616**

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Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Statement of Changes in Equity

	Share capital	General reserve	Rand compensation reserve	SDR revaluation reserve	Foreign exchange revaluation reserve	Property revaluation reserve	Bond revaluation reserve	Loss allowance for debt investments at FVTOCI	Accumulated profit/(loss)	Total equity
	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000
Balance at 1 January 2023	**100,000**	**328,305**	**1,089,248**	**151,922**	**4,111,428**	**239,993**	**(35,442)**	**49,395**	**-**	**6,034,849**
Profit for the year	-	-	-	-	-	-	-	-	181,531	181,531
Loss allowance recognised for debt investments at fair value through other comprehensive income	-	-	-	-	-	-	-	6,491	-	6,491
Foreign exchange translation to designated reserve	-	-	-	(42,292)	361,952	-	-	-	-	319,660
Movement in bond/unit trust fair values	-	-	-	-	-	-	81,689	-	-	81,689
Asset revaluation for the year	-	-	-	-	-	**(223,719)**	-	-	-	(223,719)
Rand compensatory receipts	-	-	109,606	-	-	-	-	-	-	109,606
Transfer to General Reserve	-	30,255	-	-	-	-	-	-	(30,255)	-
Dividends payable to Government of Lesotho	-	-	-	-	-	-	-	-	(151,276)	(151,276)
Total changes	**-**	**30,255**	**109,606**	**(42,292)**	**361,952**	**(223,719)**	**81,689**	**6,491**	**-**	**323,982**
Balance at 1 January 2024	**100,000**	**358,560**	**1,198,854**	**109,630**	**4,473,380**	**16,274**	**46,247**	**55,886**	**-**	**6,358,831**
Profit for the year	-	-	-	-	-	-	-	-	207,147	207,147
Foreign exchange translation to designated reserve	-	-	-	(1,383)	221,557	-	-	-	-	220,174
Movement in bond/unit trust fair values	-	-	-	-	-	-	32,034	-	-	32,034
Asset revaluation for the year	-	-	-	-	-	1,084	-	-	-	1,084
Rand compensatory receipts	-	-	107,354	-	-	-	-	-	-	107,354
Transfer to General Reserve	-	34,525	-	-	-	-	-	-	(34,525)	-
Dividends payable to Government of Lesotho	-	-	-	-	-	-	-	-	(172,622)	(172,622)
Total changes	**-**	**34,525**	**107,354**	**(1,383)**	**221,557**	**1,084**	**32,034**	**100,134**	**-**	**495,305**
Balance at 31 December 2024	**100,000**	**393,085**	**1,306,208**	**108,247**	**4,694,937**	**17,358**	**78,281**	**156,020**	**-**	**6,854,136**

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Statement of Change in Equity

Explanatory notes

* **General reserve** has been allocated in terms of Section 21(2)(b) of the Central Bank of Lesotho Act No. 2 of 2000. The Act stipulates that in the case of any year at the end of which the general reserve exceeds the minimum paid-up capital of the Bank, but does not exceed four times the paid-up capital of the Bank, one sixth of the net profits will be allocated to the general reserve.

*__The Rand compensation reserve__ represents amounts received by the Bank from the Government of Lesotho, being the Bank's share of the Rand compensation payments received by the Government, in terms of the Multilateral Monetary Agreement amongst the Government of Namibia, Swaziland, Lesotho and the Republic of South Africa. The Government has directed that 25% of this amount be treated as a reserve.

*__The SDR Revaluation Reserve__ represents unrealised gains and losses on the revaluation of SDR denominated balances.

* **Foreign exchange revaluation reserve** in terms of Section 54 of the Central Bank of Lesotho Act No. 2 of 2000, the gains and losses arising from any changes in the valuation of the Bank's assets or liabilities in, or denominated in, gold or foreign currencies, or Special Drawing Rights as a result of changes in the exchange rate for the Maloti or of any change in the values, parities or exchange rates of such assets with respect to the Maloti shall be carried to a special account called the Foreign Exchange Revaluation Reserve Account and SDR Revaluation Reserve Account without affecting the Bank's profit or loss account. In the case of a carried over loss or net debit balance in the Revaluation Reserve Account, amounts shall be transferred from the available balance in the General Reserve to cancel such carried over losses.

Effects of changes in foreign exchange rates, exchange differences dealt with under the terms of section 54 of the Central Bank of Lesotho Act No. 2 of 2000, are recognised in the statement of changes in equity by being transferred to the special account.

* **The Property Revaluation Reserve** rReserve represents unrealised gains and losses on the revaluation of property and equipment.

* **The Bond Revaluation Reserve** represents unrealised gains and losses on the revaluation of bonds held by the Bank.

*__Loss allowance recognised for debt investments at fair value through other comprehensive income__, typically refers to an estimate of potential losses that CBL might experience on its financial assets (bonds). This is often associated with credit risk where there's a possibility that borrowers may not fully repay their debts. The recognition of loss allowance involves accounting practices to reflect the potential losses in financial statements using Expected Credit Loss (ECL) model..

* **Accumulate Profit** In terms of Section 21.

1. The net profits of the Bank for each financial year shall be determined by the Board after making provision for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds and for all other matters for which provision is to be made by or under this Act.
2. The Bank shall establish a general reserve to which shall be allocated at the end of each financial year of the Bank
   (a) in the case of any year at the end of which the general reserve of the Bank does not exceed the minimum paidup capital of the Bank, one-third of the net profits of the Bank for the financial year;
   (b) in the case of any year at the end of which the general reserve of the Bank exceeds the minimum paid-up capital of the Bank but does not exceed four times the paid-up capital of the Bank, one-sixth of the net profits of the Bank for the financial year.
3. After appropriate allocations have been made to the general reserve under subsection (2), one-quarter of the remainder of the net profits for the financial year shall be applied to the redemption of any securities of the Government held by the Bank which have been issued under section 20(6).
4. With the approval of the Minister, further allocations may be made from time to time to the general reserve to increase it beyond four times the minimum paid-up capital of the Bank.
5. The residue of the net annual profits for the financial year remaining after all deductions authorized by subsections (2), (3), (4) and section 55 have been made shall be paid into the Consolidated Fund as soon as practicable after the end of each financial year.

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Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Statement of Cash Flows

	Note(s)	2024 M'000	2023 Restated M'000
Cash flows from operating activities			
Cash used in operations	35	3,729,185	(1,281,030)
Interest received	30	1,017,315	851,880
Interest paid	31	(108,403)	(112,727)
Tax paid	23	(166,823)	(14,374)
Rand compensation reserve		107,354	109,605
Payments to Government of Lesotho Consolidated Fund	24	(151,276)	(38,361)
(Increase)/decrease in Other assets		(2,276)	(17,158)
Sale/(purchase) of Government Securities		-	946
(Purchase)/Sale of Treasury notes and bonds		(196,999)	344,876
Decrease/(increase) in Notes and coins	15	(216,277)	593,030
Increase in Staff loans		(26,741)	(30,191)
Increase/(decrease) in funds from Government project accounts		102,767	(236,559)
Investment in Swift		1	-
Net cash from operating activities		**4,087,827**	**169,938**
Cash flows from investing activities			
Purchase of property and equipment	13	71,054)	(42,629)
Purchase of intangible assets	14	(1,608)	(16,955)
Disposal of property and equipment		2,394	-
Sale of investment in Swift		-	(79)
Net cash from investing activities		**(70,268)**	**(59,663)**
Cash flows from financing activities			
Movement in IMF Funded PRGF	21	-	(41,156)
Total cash movement for the year		**4,017,559**	**(69,119)**
Cash at the beginning of the year		5,143,180	5,016,709
Effect of exchange rate movement on cash balances		31,862	57,353
Total cash and cash equivalents at end of the year	2	**9,192,601**	**5,143,181**

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Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Accounting Policies

1. Presentation of financial statements

The material accounting policies applied in the preparation of these financial statements are set out below. These accounting policies should be read together with the financial reporting framework on page 58.

These financial statements are prepared in accordance with the requirements of the Central Bank of Lesotho Act, No. 2 of 2000. The Bank has chosen to use IFRS Accounting Standards as a guide in deciding on the most appropriate accounting policies to adopt and as a model for the presentation and disclosure framework followed in its financial statements. However, the Act takes precedence over IFRS Accounting Standards in areas where there are deviations between the Act and IFRS Accounting Standards. As a result, certain criteria set out in IFRS Accounting Standards have not been followed. The financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the revaluation of property and equipment, financial instruments classified as financial assets at fair value through other comprehensive income and financial assets and liabilities held at fair value through profit or loss. All monetary figures appearing in the financial statements, unless otherwise indicated, are stated in Maloti, rounded to the nearest M'000 unless otherwise indicated.

The preparation of financial statements requires the use of certain critical accounting estimates, judgements and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

1.1 Property, plant and equipment

Owner-occupied properties
Property and equipment comprises owner occupied properties and equipment held for use in the supply of services or for the Bank's administrative purpose. These are all initially recorded at cost.

Property and equipment is initially measured at cost and recognised when it is probable that expected future economic benefits attributable to the asset will flow to the Bank and the cost of the asset can be measured reliably.

All repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Subsequent to initial recognition, buildings are reflected at a revaluation based on fair values as determined by an independent professional valuer every five years, less accumulated depreciation and impairment.

After recognition as an asset, buildings shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Other property and equipment (office furniture, equipment, computers, land and motor vehicles) are subsequently carried at cost less accumulated impairment losses and accumulated depreciation. Work in progress consists of items under construction and is measured at cost. Work in progress is transferred to the related category of assets and depreciated accordingly when the asset is completed and available for use. Items under construction are not used and thus not depreciated.

Increases in the carrying amount arising on revaluation of buildings are credited to property revaluation reserves in equity. Decreases that offset previous increases of the same asset are charged against property revaluation reserves.

Unrealised surpluses or deficits arising on revaluation of buildings are transferred to a Revaluation Reserve Account.

The most recent independent valuation for buildings was performed in May 2023.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values using the applicable rates as follows:

The Bank has decided to review its fixed assset management policy on depreciation rates as per the schedule below:

Item	Depreciation method	Rates
CBL Buildings	Straight line	1%.
CBL and Lehakoe Land		NIL
Lehakoe buildings	Straight line	1%
Residential land and buildings	Straight line	1%
Housing Furniture	Straight line	5%
Office Furniture	Straight line	5%
Motor vehicles	Straight line	20%
Office equipment	Straight line	10%
IT equipment	Straight line	20%
Lehakoe Furniture	Straight line	5%
Sports/ Music equipment	Straight line	10%
Housing equipment	Straight line	10%
Security equipment	Straight line	10%

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Accounting Policies

1.1 Property, plant and equipment (continued)

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The assets' residual values and useful lives are reviewed, and adjusted if impairment is indicated, at each financial year end.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss. Property and equipment is derecognised when economic benefits arising from them are no longer expected.

1.2 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis at a rate of 10% on all software.

Intangible assets are derecognised when economic benefits arising from them are no longer expected.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows which is finite:

Item	Rates
Computer software (general)	10%

1.3 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws that have been substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the financial year end date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax related to fair value re-measurement of financial assets at fair value through other comprehensive income, which are charged or credited directly to equity, is also credited or charged directly to equity and subsequently recognised in the statement of profit or loss and other comprehensive income together with the gain or loss.

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Accounting Policies

1.3 Current and deferred income tax (continued)

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill, or initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and to the extent that a transaction is not a business combination . A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.4 Share capital

(a) Share capital is classified as equity.

The entire issued share capital is held by the Government of Lesotho.

(b) Dividends on ordinary shares

Dividends paid to the Government of Lesotho Consolidated Fund in terms of Section 21 (5) of the Central Bank Act are set out in the statement of changes in equity and recognised in the period in which it is distributed.

1.5 Employee benefits

(a) Post employment benefits

The Bank participates in a multi-employer defined benefit pension plan, the assets of which are held in a separate trustee administered fund. The pension plan is funded by payments from employees and the employer taking into account the recommendations made by the independent actuaries. The pension contributions are recorded in profit or loss via the pension contribution account.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. The expected costs of post-employment defined benefits are charged to profit or loss over the expected service life of the employees entitled to these benefits according to the projected unit credit method.

Costs are actuarially assessed, and expense adjustments and past-service costs resulting from plan amendments are amortised over the expected average remaining service life of the employees. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognised actuarial gains or losses and past-service costs.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high- quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

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Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Accounting Policies

1.5 Employee benefits (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in OCI in the period in which they arise. Remeasurements are not classified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss at the earlier of the following dates: (i) when the plan amendment or curtailment occurs or, (ii) when the entity recognises related restructuring costs or termination benefits. The Bank is responsible for any shortfall of the defined benefit.

(b) Other long-term employee benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date. The Bank recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to their present value.

Long-term employee benefits include:

- Severance pay - this is calculated as two weeks' salary for each continuous completed year of service from 1993.
- Gratuity - this is calculated at 12.5% of the average of the annual gross salary of the last three years multiplied by number of years of service for permanent employees who have completed 10 years (Advance gratuity) of continuous service with the Bank and 25% of total earnings for the contract period of contract employees.

(c) Actuarial gains/losses on long-term employee benefits

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to profit or loss in the period in which they arise.

(d) Accrual for leave pay

Employee benefits in the form of 25% of annual leave entitlements are provided for when they accrue to employees with reference to services rendered up to the statement of financial position date.

1.6 Provisions

Contingent liabilities are not disclosed because the Bank believes that they may not become an actual liability and therefore may not be incurred due to an uncertain future events. The Bank holds a belief that the possibility of future outflow of settlement embodying economic benefits is remote.

Provisions for legal claims are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.7 Revenue

Interest income is recognised using the effective interest rate. When a financial asset is impaired, the Bank reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

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1.7 Revenue (continued)

Where financial assets have been impaired, interest income continues to be recognised on the impaired value based on the original effective interest rate. Net interest income includes fair value adjustments on interest-bearing financial instruments held at fair value, excluding financial instruments held for trading.

1.8 Translation of foreign currencies

(a) Functional and presentation

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ('the functional currency'). The financial statements of the Bank are presented in Maloti Lesotho currency, which is the functional and presentation currency of the Bank.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of changes in equity under foreign currency reserves as required by the Central Bank of Lesotho Act, of 2000.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial instruments at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in equity.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial instruments at fair value through profit or loss are analysed between translation differences resulting from changes in fair value of the security and other changes in the carrying amount of the security. Translation differences related to changes in fair value are recognised in equity.

1.9 Impairment of non-financial assets

The carrying amounts of the Bank's non financial assests are reviewed annually to determine whether there is any indication of impairment, in which case their recoverable amount is estimated.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.10 Loans and advances

Claims on staff represent aggregate advances to staff.

1.11 Currency inventory

The cost of new Lesotho bank notes and coins are treated as inventory. The cost comprise of printing and minting costs, carriage, insurance and freight to land at the Bank 's premises. Currency is issued using the First In First Out method.

1.12 Dividend distribution

Dividend distribution to the Government of Lesotho is recognised as a liability in the Bank's financial statements in the period in accordance with the Central Bank Act No.2 of 2000. The entire profit as defined by Section 21(5) of the Act (net profit after allocations to reserves) is payable as dividends to the Government of Lesotho's Consolidated Fund.

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1.13 Notes and coins

The Bilateral Monetary agreement between the Government of the Republic of South Africa and the Government of the Kingdom of Lesotho states that both Rand currency issued by the South African Reserve Bank and Maloti currency issued by the Central Bank of Lesotho are legal tender within Lesotho and are convertible at par. Notes and coins are measured at the face value. Notes and coins represent the face value of currency (Maloti) in circulation.

1.14 IMF holding of Special Drawing Rights and IMF subscription account

Upon joining the International Monetary Fund (IMF), Lesotho was allocated Special Drawing Rights, currently the IMF subscription account, which holds Lesotho's subscription in IMF amounts to 69 800 000 units. The Central Bank of Lesotho administers the Special Drawing Rights (SDR) on behalf of the Government of Lesotho for the allocation in the financial records of the Bank.

The units are translated daily using a basket of 5 major currencies. The SDR allocation was initially recorded as a liability, and the corresponding entry as the Holdings account under external assets. When the SDRs are utilised by the Government, the Holdings account decreases. The SDR allocation account accrues interest expense at an average rate of 0.015% and the Holdings account earns interest income at an average rate of 0.015%. Annually, the rights and IMF liabilities are translated at the ruling SDR rate and the difference on revaluation is taken to the SDR Revaluation Reserve.

1.15 IMF funded PRGF advances

This IMF loan was secured under the Poverty Reduction and Growth Facility. The Ministry of Finance tranche is now accounted for through the Bank's records to present the amount due to the IMF. The loan has been on-lent to the Government of Lesotho. The IMF loan is stated at amortised cost using the effective interest method. Interest expense and exchange rate differences are borne by the Government of Lesotho.

1.16 General reserve

The General Reserve has been allocated in terms of Section 21(2)(b) of the Central Bank of Lesotho Act No. 2 of 2000.

In terms of the Central Bank of Lesotho Act No.2 of 2000, in the case of any year at the end of which the general reserve of the Bank does not exceed the minimum paid-up capital of the Bank, one third of the net profits of the Bank for the financial year will be allocated to general reserve in the case of any year of which the general reserve exceeds the minimum paid-up capital of the Bank but does not exceed four times the paid up capital of the Bank, one sixth of the net profits of the Bank will be allocated to general reserve. However, where the general reserve of the Bank exceeds four times the paid-up capital, with the approval of the Minister, further allocations may be made from time to time to the general reserve to increase it beyond four times the minimum paid-up capital.

1.17 Rand compensation reserve

The Rand compensation reserve represents amounts received by the Bank from the Government of Lesotho, being the Bank's share of the Rand compensation payments received by the Government, in terms of the Multilateral Monetary Agreement amongst the Government of Namibia, Swaziland, Lesotho and the Republic of South Africa. The Government has directed that this amount be treated as a reserve.

1.18 Foreign exchange revaluation reserve account

In terms of Section 54 of the Central Bank of Lesotho Act No. 2 of 2000, the gains and losses arising from any changes in the valuation of the Bank's assets or liabilities in, or denominated in, gold or foreign currencies, or Special Drawing Rights as a result of changes in the exchange rate for the Maloti or of any change in the values, parities or exchange rates of such assets with respect to the Maloti shall be carried to a special account called the Foreign Exchange Revaluation Reserve Account and SDR Revaluation Reserve Account without affecting the Bank's profit or loss account. In the case of a carried over loss or net debit balance in the Revaluation Reserve Account, amounts shall be transferred from the available balance in the General Reserve to cancel such carried over losses.

Effects of changes in foreign exchange rates, exchange differences dealt with under the terms of section 54 of the Central Bank of Lesotho Act No. 2 of 2000, are recognised in the statement of changes in equity by being transferred to the special account.

1.19 SDR revaluation reserve

The SDR revaluation reserve represents unrealised gains and losses on the revaluation of SDR denominated balances.

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1.20 Property revaluation reserve

The Property revaluation reserve represents unrealised gains and losses on the revaluation of buildings.

1.21 Bond revaluation reserve

The Bond Revaluation Reserve represents unrealised gains and losses on the fair valuing of Bonds and Unit Trusts held by the Bank.

1.22 Financial risk management

(a) Market Risk

(i) Foreign Exchange Risk

The Bank does business internationally, with some of its obligations in foreign currencies. This exposes it to foreign exchange risk, which arises from transactions, liabilities and investments which are denominated in a currency which is not the Bank's functional currency.

As of 31 December 2024, if the foreign currencies in the Bank 's portfolio had weakened/strengthened by 5% against the functional currency, the Bank's foreign assets would have been 2.36% (2023:1.08%) higher/lower as a result of foreign exchange losses/gains on valuation of foreign currency denominated assets.

(ii) Interest Rate Risk

Interest rate risk is the uncertainty associated with the value of a financial instrument due to the variability in interest rates. The Bank owns significant financial instruments and this exposes it to interest rate risk.

In order to manage interest rate risk, the Bank spreads its investments across the yield curve as per its risk profile. To introduce stability of the returns, the Bank makes investments in different proportions in maturity buckets, providing some degree of diversification.

(iii) Price risk

The Bank is exposed to fixed rate securities price risk because of investments held by the Bank which are classified on the statement of financial position either as financial instruments at fair value through other comprehensive income or as financial instruments at fair value through profit or loss.

In managing price risk, the Bank's portfolio managers take a view on how future interest rates will unfold, ensuring that as investments mature, they are reinvested at the highest possible rates, cognisant of limits and targets set out in the investment strategy and strategic asset allocation (SAA). For fixed rate instruments, interest rate risk is managed by aligning the portfolios to market indexes.

(b) Credit risk

Credit risk arises from a possibility of counterparties failing to honour their obligations in favour of the Bank on financial instruments. The Bank has credit exposure to banks, sovereign and supranational institutions. Credit exposure to these institutions is monitored frequently with limits set for individual institutions. For banks, only independently rated institutions that are rated at least 'medium grade investment' (grade B), are accepted. During the period, no limits were exceeded and counterparties rating have been within acceptable grades.

(c) Liquidity risk

Liquidity risk is the risk that the Bank's liquid assets will be unable to provide for foreseen and unforeseen financial obligations. In managing this risk, the Bank sets aside and monitors closely a portion of reserves in the working capital tranche to cater for these obligations. The limits of this tranche were determined by the analysis of historical payment patterns over a period of time.

Refer to the Risk Management statements on pages 104 to 128.

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1.23 IMF currency holding account

The IMF Holdings of Maloti are represented by the No.1 and No.2 accounts which total SDR 56,994,490 (2023: SDR 57,021,266) in favour of the IMF. GOL chose to substitute non-interest bearing notes for a portion of the balance held in its Fund's No. 1 account and the securities substituted for currency are recorded in the Securities Account. GOL's holding in IMF SDR Department is posted in the No.1 account and is used for the Fund's operational transactions e.g. purchases and repurchases, whereas the No. 2 account is used for the payment of operational expenses incurred by the IMF fund, in Maloti. The Bank revalues the IMF accounts in its statement of financial position in accordance with the practices of the IMF Treasury Department. The revaluation of the SDR rates by the IMF is effected annually on 30 April, and whenever there are IMF transactions using the Maloti. The IMF accounts have been revalued using the latest prevailing SDR rates as per the IMF website.

1.24 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Employee benefits

The severance and gratuity obligations have been valued using the Projected Unit Credit method. This method was used to determine the past- service liabilities at the valuation date and projected annual expenses in the year following the valuation date.

The key assumptions used in the calculations are economic and demographic assumptions, withdrawal and mortality rates. In the valuation the real discount rate of 11.82% p.a. has been used.

The assets and liabilities relating to the employees of the Bank participating in the post employment Corporate Bodies Pension Scheme (CBPS) cannot be separated due to the fact that it is a multi-employer plan.

The liability recognised in the statement of financial position in respect of defined benefit pension plans (Corporate Bodies Pension Scheme (CBPS)) is the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognised actuarial gains or losses and past-service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Refer to further disclosure in note 27.

The key assumptions used in the valuation are discount rate 13.16%, price inflation rate of 7.80%, salary increase of 9.00% and the 80% resignations based on the previously applied rates.

(b) Fair values

The following bases are used in determining fair value:

(i) Balances due to and from banks

The amounts include inter-bank placement and items in course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. Fixed deposits are shown at current value including accrued interest.

(c) Impairment of fair value through other comprehensive income and amortised costs financial assets

Estimates have been used for the implementation of the ECL model, Refer to Accounting policy 1.25.

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Accounting Policies

1.25 Financial Instruments

Financial assets and financial liabilities are recognised in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at Fair Value Through Profit or Loss (FVTPL)) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. Day 1 profit or loss);

In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. Day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

1.25 .1 Financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the instruments, and that have contractual cash flows that are SPPI, are subsequently measured at Fair Value Through Other Comprehensive Income (FVOCI);
- All other instruments (e.g. instruments managed on a fair value basis or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Bank may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

- The Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is not held for trading in OCI; and.
- The Bank may irrevocably designate a debt instrument that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVOCI, its contractual terms should give rise to cash flows that are solely payment of principal and interest (SPPI).

The Bank considers all relevant information available when making the business model assessment. The Bank takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

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1.25 Financial Instruments (continued)

At initial recognition of a financial asset, the Bank determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Bank has not identified a change in its business models.

When an instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVOCI are subject to impairment.

Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost exchange differences are recognised in a special account called the Foreign
- Exchange Revaluation Reserve Account.
- For debt instruments measured at FVTOCI exchange differences on the amortised cost of the debt instrument are recognised in a special account called the Foreign Exchange Revaluation Reserve Account.
- For financial assets measured at FVTPL exchange differences are recognised in a special account called the Foreign Exchange
- Revaluation Reserve Account.
- For equity instruments measured at FVTOCI, exchange differences are recognised in a special account called the Foreign
- Exchange Revaluation Reserve Account.

Impairment of financial assets

The Bank recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Loans and advances;
- Debt investment securities;
- Deposits at other institutions;
- Loan commitments issued;
- No impairment loss is recognised on equity investments.

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Accounting Policies

1.25 Financial Instruments (continued)

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e., lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e., lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's Effectve Interest Rate (EIR).

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

More information on measurement of ECLs is provided in note 39, including details on how instruments are grouped when they are assessed on a collective basis.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the disappearance of an active market for a security because of financial difficulties; or

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of credit impairment includes default, unlikeliness to pay indicators and a back-stop if amounts are overdue for 90 days or more.

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Accounting Policies

1.25 Financial Instruments (continued)

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

Default is defined as when:

- The borrower is unlikely to pay its credit obligations to the Bank in full. Borrower is past due more than 90 days on any material credit obligation to the Bank; or
- The borrower is unlikely to pay its credit obligations to the Bank in full.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

Significant increase in credit risk

The Bank monitors all financial assets to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL.

Qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly.

As a back-stop when an asset becomes 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

More information about significant increase in credit risk is provided in note (39).

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;

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1.25 Financial Instruments (continued)

- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Bank deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12- month ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing: the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with the remaining lifetime PD at the reporting date based on the modified terms.

Where a modification does not lead to derecognition the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset's risks and rewards of ownership are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains.

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Accounting Policies

1.25 Financial Instruments (continued)

1.25.2 Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost.

The EIR method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR see the "net interest income section" above.

Derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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1.25 Financial Instruments (continued)

Derecognition of financial liabilities (continued)

When the Bank exchanges with the existing lender one debt instrument to another, with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

1.26 Standards and interpretations not yet effective

The Bank has chosen not to early adopt the following standards and interpretations, which are relevant to its operations, which have been published and are mandatory for the Bank's accounting periods beginning on or after 1 January 2025, or later periods. It is expected that the Bank will adopt the new pronouncements on its effective dates in accordance with the requirements of the pronouncements. The Bank is in the process of assessing the impact of these standards and interpretations on the annual financial statements.

Standard	New and Amended Standard:	Effective for Annual Period beginning on or after
IFRS 18 Presentation and Disclosure in Financial Statements	*The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.*	*1 January 2027*
IFRS 9 and 7 Amendments to the classification and measurement of financial instruments (amendments to IFRS 9 and 7)	*The primary objective of the amendments to IFRS 9 and 7 is to enhance transparancy and ensure consistent application of requirements for classifying financial assets and liabilities, while also addressing practical implementation and disclosure uncertainties.*	*1 January 2026*
IAS 21 Lack of exchangeability (amendment)	*An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.*	*1 January 2025*

1.27 Related Parties

As per IAS 24 *Related Party Disclosures*, the financial statements contain the disclosures necessary to draw attention to the possibility that the Bank's financial position and profit or loss may have been affected by the existence of related parties.

Related parties of the Bank include, but are not limited to the Government of Lesotho, Non Executive Directors, Executive Directors and Key Management who are charged with governance in accordance with legislation and hold positions of responsibility, respectively. Their remuneration may be established by statute or by another body independent of the Bank. Their responsibilities may enable them to influence the benefits of office that flow to them, their related parties or parties that they represent on the governing body.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Accounting Policies

		2024 M'000	2023 M'000
2.	**Cash and cash equivalents**		
	Cash and cash equivalents consist of:		
	Cash and Balances with Banks		
	Cash on hand	2,380	3,706
	Bank balances	302,529	373,328
	Short-term deposits	41,006	17,257
	Total cash in hand and cash at bank	345,915	394,291
	Current and Call Accounts		
	Foreign Banks	743,260	307,743
	South African Banks	4,397,603	1,884,635
	Total Current and Call Accounts	5,140,863	2,192,378
	Fixed Deposits		
	Foreign Banks	1,677,480	1,525,312
	Interest Accrued	33,981	32,101
	South African Banks	2,000,000	1,000,000
	Expected credit loss for cash and cash equivalents	(5,638)	(902)
	Total Fixed deposits (with maturity shorter than 3 months)	3,705,823	2,556,511
	Total cash and cash equivalents	**9,192,601**	**5,143,180**
3.	**Deposit Floaters & Fixed Deposit**		
	South African banks	400,000	600,000
	Foreign banks	494,704	183,887
		894,704	**783,887**

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Accounting Policies

	2024	2023
	M '000	M '000
4. Investment in Swift		
Investment in SWIFT shares	473	474

The investment in Society for Worldwide Interbank Financial Telecommunication (Swift) relates to a share allocation based on the financial contribution to Swift for network-based services. The share allocation is done in accordance with clause 9.2 of the By-laws General Membership Rules. The share allocation applies to all shareholders (members) in live operations. The shares are measured at cost.

5. Treasury notes and bonds

2024

	Fair value through Profit and loss	Fair value through OCI	Total
US bonds at fair value	2,117,472	969,112	3,086,584
ZAR bonds at fair value	-	2,440,888	2,440,888
US bonds accrued interest	16,502	8,916	25,418
ZAR bonds accrued interest	-	42,050	42,050
	2,133,974	**3,460,966**	**5,594,940**

2023

	Fair value through Profit and loss	Fair value through OCI	Total
US bonds at fair value	1,874,585	1,019,249	2,893,834
ZAR bonds at fair value	-	2,405,939	2,405,939
US bonds accrued interest	15,747	8,193	23,940
ZAR bonds accrued interest	-	47,770	47,770
	1,890,332	**3,481,151**	**5,371,483**

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Accounting Policies

	2024	2023
	M ‘000	M ‘000
6. Treasury bills at amortised cost		
US Treasury Bills		
Treasury Bills at amortised cost	508,525	623,331

The Treasury bills are debt securities issued by the South African Government and United States Treasury Department for a term of one year and are treated as securities at amortised cost. All treasury bills are subject to interest rate risk ranging from 5.09%-5.57%.

7. IMF Subscription Account

Balance at beginning of year	1,725,295	1,589,772
Exchange revaluation	(51,699)	135,523
Balance at end of year	**1,673,596**	**1,725,295**

A member’s subscription to IMF resources is equal to its quota and determines the maximum amount of financial resources the member is obliged to provide to the IMF. A member must pay its subscription in full. A country must pay 25% of its quota in widely accepted foreign currencies or SDRs, and the remaining 75% in its own currency.

The quota also defines a member’s voting power in IMF decisions. The Kingdom of Lesotho has been a member of the IMF since 25th July 1968. As fiscal agent of the GOL, the Bank is authorized to carry out all operations and transactions with IMF.

The Lesotho Government’s Quota in the International Monetary Fund (IMF) is SDR 69,800,000 in 2024. The local currency equivalent of the subscription account in the statement of financial position is converted at the rate of 0.04170660000 (2023: SDR 69,800,000 at 0.040470500000).

8. IMF Holding of Special Drawing Rights (SDR)

Balance at beginning of year	2,206,877	1,594,810
Net transactions - (decrease) / increase in rights	162,596	523,572
Exchange revaluation	25,246	88,495
Balance at end of year	**2,394,719**	**2,206,877**

Holding of SDRs is potentially a claim on freely usable currencies of IMF members, in that holders of SDRs can exchange their currencies for SDRs. The SDR value as a reserve asset derives from the commitments of members to hold and accept SDRs and to honour various obligations connected with the operation of the SDR system. The IMF ensures that the SDR claim on freely usable currencies is being honoured in two ways: by designating IMF members with a strong external position to purchase SDRs from members with weak external positions, and through the arrangement of voluntary exchanges between participating members in a managed market.

The value of SDR 99,875,570 (2023: SDR 89,450,223) allocated by the International Monetary Fund less utilisation is converted at the rate: 0.041706600000 (2023:0.040470500000).

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Notes to the Financial Statements

		2024 M '000	2023 M '000
9.	**IMF funded PRGF advances**		
	Balance at beginning of year	-	38,810
	Paid during the year	-	(41,156)
	Exchange revaluation	-	2,346
	Balance at end of year	**-**	**-**

These are funds secured under the IMF Poverty Reduction and Growth Facility (PRGF) and on-lent to the Government of Lesotho, the corresponding asset is maintained primarily to track payments and revaluations of the loan. The advance was fully settled in September 2023. The SDR equivalents and translation thereof are shown in note 21.

		2024 M '000	2023 M '000
10.	**Currency Inventory**		
	Balance at beginning of year	58,821	44,991
	Currency issued	(23,085)	(20,495)
	Currency addition	56,775	34,325
	Balance at end of year	**92,511**	**58,821**

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Notes to the Financial Statements

	2024	2023
	M '000	M '000
11. Loans and advances		
Housing loans	60,755	59,131
Car loans	32,242	31,067
Furniture loans	50	479
Personal loans and comprehensive Insurance	99,459	75,089
	192,506	**165,766**

The loans issued to staff members during the period are paid in monthly instalments and attract interest at a rate of 3% per annum. Refer to related parties note 36 and risk management note 39 for further details.

12. Other assets

	2024	2023
Other prepayments	24,778	20,075
Other receivables	5,511	8,976
Commemorative coins	4,932	3,894
	35,221	**32,945**

Other prepayments relate to licenses that have been paid in advance and other receivables relating to LRCC operating activities.

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Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Notes to the Financial Statements

13. Property, plant and equipment

	2024			2023		
	Cost or revaluation M'000	Accumulated depreciation M'000	Carrying value M'000	Cost or revaluation M'000	Accumulated depreciation M'000	Carrying value M'000
CBL buildings	518,212	(71,787)	446,425	496,485	(63,015)	433,470
CBL and Lehakoe land	10,225	-	10,225	10,225	-	10,225
Lehakoe buildings	130,315	(36,778)	93,537	130,315	(34,698)	95,617
Residential land and buildings	24,321	(3,384)	20,937	24,321	(3,039)	21,282
Housing furniture	456	(431)	25	640	(587)	53
Office furniture	25,760	(15,279)	10,481	26,409	(15,389)	11,020
Motor vehicles	11,720	(5,199)	6,521	14,868	(11,959)	2,909
Office equipment	36,074	(18,451)	17,623	93,543	(67,938)	25,605
Office computers	47,706	(28,468)	19,238	56,627	(33,108)	23,519
Lehakoe furniture	5,485	(5,023)	462	5,645	(5,021)	624
Sports/music equipment	6,673	(1,003)	5,670	16,620	(13,948)	2,672
Housing equipment	-	-	-	350	(331)	19
Security equipment	9,797	(5,595)	4,202	37,757	(30,954)	6,803
Work in progress	239,490	-	239,490	227,181	-	227,181
Total	**1,066,234**	**(191,398)**	**874,836**	**1,140,986**	**(279,987)**	**860,999**

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Financial Statements for the year ended 31 December 2024
Notes to the Financial Statements

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance M'000	Additions M'000	Cost of Disposals M'000	Accumulated depreciation on disposal M'000	Other changes, movements * M'000	Depreciation M'000	Revaluation excesss M'000	Total M'000
CBL buildings	433,470	21,726	-	-	-	(10,144)	1,373	446,425
CBL and Lehakoe land	10,225	-	-	-	-	-	-	10,225
Lehakoe buildings	95,617	-	-	-	-	(2,263)	183	93,537
Residential land and buildings	21,282	-	-	-	-	(236)	(109)	20,937
Housing furniture	53	-	(185)	172	-	(15)	-	25
Office furniture	11,020	2,736	(1,062)	968	(2,323)	(858)	-	10,481
Motor vehicles	2,909	5,742	(8,889)	8,475	-	(1,716)	-	6,521
Office equipment	25,605	66	(57,520)	55,540	(15)	(6,053)	-	17,623
Office computers	23,519	6,483	(12,507)	12,190	(2,897)	(7,550)	-	19,238
Lehakoe furniture	624	-	(160)	148	-	(150)	-	462
Sports/music equipment	2,672	5,789	(14,020)	13,596	(1,716)	(651)	-	5,670
Housing equipment	19	-	(350)	339	-	(8)	-	-
Security equipment	6,803	2,838	(27,710)	26,803	(3,088)	(1,444)	-	4,202
Work in progress	227,181	25,674	-	-	(13,365)	-	-	239,490
	860,999	**71,054**	**(122,403)**	**118,231**	**(23,404)**	**(31,088)**	**1,447**	**874,836**

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Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Notes to the Financial Statements

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Revaluations	Other changes, movements	Depreciation	Total
	M '000	M '000	M '000	M '000	M '000	M '000
CBL buildings	605,506	582	(164,614)	-	(8,004)	433,470
CBL and Lehakoe land	10,225	-	-	-	-	10,225
Lehakoe buildings	111,398	-	(14,040)	-	(1,741)	95,617
Residential land and buildings	12,924	-	8,639	-	(281)	21,282
Housing furniture	71	-	-	-	(18)	53
Office furniture	9,978	9	57	2,322	(1,346)	11,020
Motor vehicles	3,089	-	117	1,319	(1,616)	2,909
Office equipment	32,485	1,198	1,281	22	(9,381)	25,605
Office computers	22,976	4,323	420	2,976	(7,176)	23,519
Lehakoe furniture	1,344	-	4	-	(724)	624
Sports/music equipment	3,396	-	135	1,889	(2,748)	2,672
Housing equipment	39	-	-	-	(20)	19
Security equipment	5,378	606	11	3,025	(2,217)	6,803
Work in progress	177,397	35,911	-	13,873	-	227,181
	996,206	**42,629**	**(167,990)**	**25,426**	**(35,272)**	**860,999**

* Other changes relate to assets procured in 2023 but only received in the current year.

Analysis at carrying amount as at 31 December 2024 had the Bank remained on cost

Analysis of carrying amount as at 31 December 2024 had the Bank remained on cost.	Cost Analysis	Revalued Amount
	M'000	M'000
CBL Building	636,643	446,425
LRCC Building	22,000	93,537
Residential Building	1,312	20,937

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Financial Statements for the year ended 31 December 2024

Notes to the Financial Statements

13. Property, plant and equipment (continued)

Revaluations

Property and equipment comprises owner-occupied properties and equipment held for use in the supply of services or for the Bank's administrative purposes. These are all initially recorded at cost.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to initial recognition, buildings are reflected at a valuation based on fair value, as determined by an independent professional valuer every five years, less accumulated depreciation.

Increases in the carrying amount arising on revaluation of buildings are credited to revaluation reserves in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves.

Unrealised surpluses or deficits arising on revaluation of buildings are transferred to a Revaluation Reserve Account. The effective date of the most recent valuation conducted by an independent valuer was 1 May 2023.

14. Intangible assets

	2024			2023		
	Cost M '000	Accumulated amortisation M '000	Carrying value M '000	Cost M '000	Accumulated amortisation M '000	Carrying value M '000
Computer software	116,389	(99,070)	17,319	134,100	(101,323)	32,777

Reconciliation of intangible assets - 2024

	Opening balance M '000	Additions M '000	Revaluations M '000	Amortisation M '000	Total M '000
Computer software	32,777	1,608	-	(17,066)	17,319

Reconciliation of intangible assets - 2023

	Opening balance M '000	Additions M '000	Revaluations M '000	Amortisation M '000	Total M '000
Computer software	28,451	16,944	-	(12,618)	32,777

The new amortization is based on the new reassessed useful life. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis at a rate of 10% on all software.

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Notes to the Financial Statements

	2024 M'000	2023 M'000
15. Notes and coins issued		
Notes	2,146,905	2,365,535
Coins	36,545	34,193
	2,183,450	**2,399,728**

The Bilateral Monetary agreement between the Government of the Republic of South Africa and the Government of the Kingdom of Lesotho states that both Rand currency, issued by the South African Reserve Bank, and Maloti currency issued by the Central Bank of Lesotho, are legal tender within Lesotho and are convertible at par. Notes and coins represent the face value of the currency (Maloti) in circulation.

	2024 M'000	2023 M'000
16. Deposits		
Deposits from Banks & Large Financial Corperatives - Non-interest bearing		
Banks	938,882	365,849
Large financial corperative	1,077	1,077
Other Deposits - Non-interest bearing		
International Institutions	806	787
Parastatals and others	9,064	4,257
	949,829	**371,970**

	2024 M'000	2023 M'000
17. Lesotho Government deposits		
Governaments depositS		
Govenment deposits	6,709,698	2,499,333

Lesotho Government deposits typically refers to funds that are held by the Government entity, they include deposits from various sources, such as revenues collected, fees or revenue related to their specific functions. These funds are subject to Government regulations and are managed in accordance with specific policies and objectives.

	2024 M'000	2023 M'000
18. Government project accounts		
Government project accounts		
Government project accounts	368,307	265,540

The Bank holds funds on behalf of the Government for the execution of projects it is mandated to oversee.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Notes to the Financial Statements

	2024 M'000	2023 M'000
19. IMF Maloti Currency Holding		
Securities account	238,469	748,217
General resources account	1,128,089	1,163,206
	1,366,558	**1,911,423**

The No. 1 account is used for IMF transactions and operations, including subscription payments, purchases, repurchases, repayment of borrowing, and sales in Lesotho local currency. The No. 2 account is used for the IMF's administrative expenditures and receipts (for example, receipts from sales of IMF publications) in the member's currency and within its territory. Small out-of-pocket expenses, such as telecommunication charges, may be debited to this account on a quarterly basis. The IMF securities account is a security held in custody in respect of the IMF quota.

20. IMF Special Drawing Rights Allocation

	2024 M'000	2023 M'000
Balance at beginning of year	2,461,688	2,272,562
Exchange revaluation	(69,301)	189,126
Balance at end of year	**2,392,387**	**2,461,688**

The SDR allocation is an unsecured, interest-bearing distribution of SDRs by the IMF through general and special allocations. The general allocation is made by the IMF according to the Articles of Agreement to all participants in its SDR Department in proportion to countries' quotas in the IMF. On 10 August 2009, the Fourth Amendment to the IMF Articles of Agreement providing for a special one-time allocation of SDRs entered into force to boost global liquidity. According to the amendment dated 9 August 2021, the special allocation was made to the IMF members, which included the Kingdom of Lesotho amounting to SDR 66,900,161. Members and prescribed holders may use their SDR holdings to conduct transactions with the IMF. The Bank treats the allocation as a foreign currency liability to the IMF. There is an interest charge if the country's SDR holdings fall below its SDR allocations. Some countries' SDR allocations are in excess of their holdings, e.g. Lesotho, reflecting their purchases of SDRs, or charges that they have paid on their reserve tranche positions in the General Reserve Account.

Lesotho's allocation by IMF of SDR99,778,347 is converted at 0.041706600000 (2023: SDR99,778,347 is converted at 0.040470500000).

21. IMF-PRGF Facility

	2024 M'000	2023 M'000
Balance at beginning of year	-	38,810
Paid during the year	-	(41,157)
Exchange revaluation	-	2,347
Balance at end of year	**-**	**-**

This IMF loan was secured under the Poverty Reduction and Growth Facility. The Ministry of Finance's tranche is accounted for through the Bank's records to present the amount due to the IMF. So far, five tranches have been disbursed and the last tranche was disbursed in 2013.

The facility was settled on 30 September 2023.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Notes to the Financial Statements

	2024 M'000	2023 M'000
22. IMF Rapid Credit Facility		
Balance at beginning of year	288,208	265,569
Exchange revaluation	(8,636)	22,639
Balance at end of year	**279,572**	**288,208**

The Rapid Credit Facility (RCF) provides rapid concessional financial assistance with limited conditionality to low-income countries facing an urgent balance of payments need. The RCF was created under the Poverty Reduction and Growth Trust (PRGT) as part of a broader reform to make the Fund's financial support more flexible and better tailored to the diverse needs of LICs, including in times of crisis. The RCF places emphasis on the country's poverty reduction and growth objectives.

The value of RCF 11,660,000 (2023: SDR 11,660,000) allocated by the IMF is converted at 0.041706600000 (2023:0.040470500000).

	2024 M'000	2023 M'000
23. Taxation receivable/ (payable)		
Balance at beginning of year	(80,481)	1,081
Paid during the year	166,823	14,374
Current year charge	(73,422)	(95,936)
Balance at end of year	**12,920**	**(80,481)**
24. Dividends due to Government of Lesotho		
Balance at beginning of year	151,276	28,449
Paid during the year	(151,276)	(28,449)
Profit appropriations for the current year	172,622	151,276
Balance at end of year	**172,622**	**151,276**

The profit after tax is transferred to the Government of Lesotho Consolidated Fund and the General Reserve account in terms of Section 21 of the Central Bank of Lesotho Act No.2 of 2000.

	2024 M'000	2023 M'000
Profit after tax appropriates as follows:		
Profit/(Loss) after tax & after actuarial (loss)/gain on employee benefits)	207,146	181,532
Profit after tax net of gain on foreign exchange activities	207,146	181,532
Transfer to General Reserve	(34,524)	(30,256)
Balance at end of year	**172,622**	**151,276**
25. Trade and other payables		
Various accruals	37,876	85,294
Divisional cheque accounts	104	1,047
Other	39,331	37,475
Accrued leave pay	3,249	2,971
	80,560	**126,787**

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Notes to the Financial Statements

	2024 M'000	2023 M'000

Other accruals relate to Financial Institutions unclaimed balances, VAT collected on behalf of the tax authorities and Withholding tax at source which was yet to be remitted to the tax authorities.

Various accruals relate to accrued expenses as at year end.

26. Long term employee benefit obligation

	2024 M'000	2023 M'000
Provision for severance pay	27,450	24,807
Opening obligation	3,667	3,114
Interest cost	3,528	3,200
Current service cost	1,227	(817)
Actuarial (gain)/ loss on employee benefits	(2,686)	(2,854)
Benefits paid	**33,186**	**27,450**
Provision for gratuity		
Opening obligation	88,918	83,498
Interest cost	11,800	9,896
Current service cost	17,483	14,027
Actuarial (gain)/ loss on employee benefits	4,149	4,043
Benefits paid	(15,956)	(22,546)
	106,394	**88,918**
	139,580	**116,368**

The Bank's liability is valued using the Projected Unit Credit Method by the independent actuarial valuer. The valuer has used assumptions based on Statistics South African market data as at 31 December 2024. The valuer has determined the discount rate to be 11.82% p.a., implied inflation assumption to be 6.55% p.a for future inflation. Future salaries can be expected to increase in line with salary inflation. It is assumed that salary inflation will exceed general inflation by 1.25% p.a. The valuer has used the discount rate assumption of high quality corporate bonds. The valuer has set the discount rate by using the best fit discount rate at 31 December 2024 based on yields from the zero coupon South African government bond curve with the duration of between 10-15 years. The computation has been determined taking into consideration the cash-flow weighted duration of the liabilities. The recommended discount rate is 11.82%. The benefits paid for severance and gratuity payments have been recognised in the statement of profit or loss.

	2024	2023
Key assumptions used		
Discount rates used	11.82 %	13.16 %

Sensitivity Analysis 2024	**Current Assumption**	**1% decrease**	**1% increase**
	11.82%	**10.82%**	**12.82%**
Bank	142,909	153,726	133,495
Cost/(Saving)	-	10,817	(9,414)
	142,909	**164,543**	**124,081**

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

Notes to the Financial Statements

	2024 M'000	2023 M'000

26. Long term employee benefit obligation (continued)

Sensitivity Analysis 2023	**Current Assumption 13.16%**	**1% decrease 12.16%**	**1% increase 14.16%**
Bank	119,339	128,508	111,363
Cost/(Saving)	-	9,169	(7,976)
	119,339	**137,677**	**103,387**

27. Post-employment retirement fund benefits

Statutory actuarial valuations of the Corporate Bodies Pension Scheme was performed in March 2023 for the year ended 31 December 2022 and it was found that the fund was in a sound financial position as the funding level stood at 96.44%. The next actuarial valuation will be performed in the year ending 31 December 2025:

The expected Corporate Bodies Pension Scheme contributions for the 2025 financial year is estimated at M9,758,620.00. This is based on the 2024 financial year contributions adjusted for inflation at 5.5%.

Financial position of the scheme		
Value of assets	210, 515	210,515
Value of liabilities	(218,291)	(218,291)
Active member liabilities	(103,891)	(103,891)
Pensioner liabilities	(110,775)	(110,775)
Deferred liabilities	(3,625)	(3,625)
(Deficit)	(7,776)	(7,776)
Funding level	96.44 %	96.44 %
Surplus/(deficit) attributable to the contributors	**(7,776)**	**(7,776)**

The plan assets were invested in the following different asset classes as at 31 December 2022 per the Actuarial valuation:

Investment		
Property	60,341	60,341
Lesotho Bank 24 Hour Call Account	9,757	9,757
Stanlib Income Fund	37,578	37,578
Government Bonds	35,000	35,000
Accrued Interest	1,127	1,127
Creditors	(1,207)	(1,207)
Bank Account	304	304
Stanlib Balanced Fund	67,615	67,615
Total	**210,515**	**210,515**

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	2024 M'000	2023 M'000

27. Post-employment retirement fund benefits (continued)

Assumptions

Below is a summary of the principal assumptions used at the valuation date:

Assumption	2024	2023
Discount rate	12.30 %	12.30 %
Price inflation	7.30 %	7.30 %
Salary increases	8.30 %	8.30 %
Pension increases	- %	- %
Pre-retirement real rate	3.69 %	3.69 %
Post-retirement real rate	12.30 %	12.30 %
Pre-retirement mortality	125%*SA56/62	125%*SA56/62
Post-retirement mortality	a(55)	a(55)
Commutation	25,00 %	25,00 %

Discount rate is considered to be the only significant assumption.

There were no significant changes in the valuation of the fund's assets and liabilities. The Bank has no liability as at 31 December 2024.

28. Deferred tax

Deferred tax asset

	2024	2023
Property plant and equipment	11,828	25,798

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement, therefore they have been offset in the statement of financial position as follows:

	2024	2023
Deferred tax asset	11,828	25,798

Reconciliation of deferred tax asset / (liability)

	2024	2023
At beginning of year	25,798	83,979
Movements in profit and loss	(2,696)	(30,278)
Movement in equity - current year	(11,274)	(27,903)
	11,828	25,798

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	2024 M'000	2023 M'000
28. Deferred tax (continued)		
Reconciliation of deferred tax asset		
Accelerated capital allowance for tax purposes	(3,830)	(2,841)
Liabilities for health care benefits accrued	26,932	56,543
Bond/unit trust revaluation reserve	(10,912)	28,684
Property revaluation reserve	(362)	(56,588)
	11,828	**25,798**

Recognition of deferred tax asset

Deferred taxation assets are recognised for all deductible temporary differences, the carry forward of unused taxation losses and the carry forward of unused taxation credits. Deferred taxation assets are recognised for unused taxation losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Deferred taxation assets and liabilities are offset when the deferred taxation assets and liabilities relate to income taxation levied by the same taxation authority/jurisdiction on the same taxable entity. Management holds a strong view that there will be future taxable incomes against which the deferred tax asset can be utilised.

The Bank's profitability was considered in determining the appropriateness of recognising deferred taxation assets.

29. Share capital

	2024 M'000	2023 M'000
Authorised		
Authorised capital	100,000	100,000
Issued		
Issued and fully paid	100,000	100,000

The authorised share capital of the Bank shall remain in accordance with the applicable legislation and may not be reduced except through the amendment of the CBL Act. The paid-up capital shall be exclusively subscribed and held by the Government, and such holdings shall not be subject to any encumbrance.

30. Investment income

	2024 M'000	2023 M'000
Interest income		
Foreign currency deposits	605,101	458,833
Interest treasury bills and SDR holdings	125,678	125,541
Debt instrument at fair value through other comprehensive income and profit or loss	284,175	270,198
Total interest income	**1,014,954**	**854,572**

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		2024 M'000	2023 M'000
30.	**Investment income** (continued)		
	Interest Income Reconcilliation		
	Total Interest Income	1,014,954	854,572
	Less Accrued interest Cash and cash equivalents	(33,981)	(32,100)
	Less Accrued interest US bonds	(25,418)	(23,940)
	Less: Accrued interest ZAR bonds	(42,050)	(47,770)
	Add: Prior year interest Cash and cash equivalents	32,100	19,493
	Add: Prior year interest US bonds	23,940	13,213
	Add: Prior year interest ZAR bonds	47,770	68,412
	Interest Income Actually recieved	**1,017,315**	**851,880**

		2024 M'000	2023 M'000
31.	**Interest expense**		
	Interest on non-financial Public Enterprises	103	90
	IMF SDR allocation account	108,300	112,637
	Total interest expense	**108,403**	**112,727**

Since the implementation of Reserves Management System, the Bank has adopted the effective interest methodology on its securities.

		2024 M'000	2023 M'000
32.	**Other income**		
	Other rental income	324	-
	Profit on sale of bonds	25,478	4,983
	Interest on staff loans (amortised cost)	3,287	2,774
	Lehakoe income	28,089	21,625
	Other income	8,358	5,319
	Gain on instruments at fair value through profit or loss	47,210	76,813
	Loss/profit on sale of fixed assets	(1,781)	-
		110,965	**111,514**

Other income consists of rental income from the Bank's residential buildings, license fees and penalties charged to financial institutions, commission fee charged for banking services and Lehakoe income, relates to staff membership fees and revenue for sale of food and refreshments at the Bank 's Recreational and Cultural Centre. The Bank charges license fees to any financial and non-financial institution that wants to operate a banking or non-banking business with fees charged annually.

		2024 M'000	2023 M'000
33.	**Operating costs and expense per nature**		
	Administration and other expenses	170,420	130,155
	Auditors remuneration	2,560	2,697
	Currency printing and minting	23,086	20,213
	Computer software amortisation	17,066	12,684
	Depreciation	31,088	34,549
	Property and equipment maintenance expenses	31,115	43,059
	Loss on sale of other instruments	2,464	18,489
	Loss on fair valuation of treasury notes and bonds	37,725	17,823

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	2024 M'000	2023 M'000
33. Operating costs and expense per nature (continued)		
Personnel costs:		
Staff welfare expenses	43,863	31,725
Non-executive directors' fees	2,149	1,737
Executive directors' salaries	8,367	7,443
Key management (heads of departments)	20,629	17,267
Staff salaries and expenses	187,678	164,047
Pension fund contributions	9,250	8,168
Gratuity and severance pay (interest and service cost)	36,478	38,892
	623,938	**548,948**

34. Tax expense

Major components of the tax expense

	2024 M'000	2023 M'000
Current and deferred		
Local income tax - current period	76,118	126,213

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	2024	2023
Statutory tax rate	25,00 %	25,00 %
Permanent differences:		
Donations	0.33 %	0.25 %
Entertainment	0.13 %	0.06 %
Training expenses additional	(0.79)%	0.67 %
Other	2.20 %	15.03 %
Effective tax rate	**26.87 %**	**41.01 %**

	2024 M'000	2023 M'000
Accounting profit	288,707	304,369
Add: Permanent differences disallowed for tax purposes	11,688	8,216
Add: Temporary differences disallowed for tax purposes	(6,706)	71,156
Taxable profit	**293,689**	**383,741**
Taxation @ 25% (2023: 25%)	73,422	95,935
Deferred tax expense	2,696	30,278
Total Tax due	**76,118**	**126,213**

Temporary differences entail wear and tear of other asset classes except buildings, provisions and prepayments.

Permanent differences entail depreciation on buildings, donations, entertainment and training.

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	2024 M'000	2023 M'000
35. Cash generated from/(used in) operations		
Profit before taxation	283,265	307,745
Adjusted for:		
Depreciation	31,089	34,548
Computer software amortised	17,066	12,684
Interest income	(1,014,954)	(854,572)
Interest expense	108,403	112,727
Movement in Currency inventory	(33,690)	(13,830)
Movement in FV through profit/(loss) financial instruments	-	(97,575)
Movement in foreign denominated balances and SDR denominated balances	253,591	443,641
Movement in Deposits	4,788,223	(523,739)
Movement in Treasury bills at amortised cost	114,806	(175,128)
Movement in IMF Maloti currency holding	(544,865)	82,557
Movement in IMF subscription account	51,699	(135,524)
Movement in Trade and other payables	(46,219)	(76,682)
Movement in IMF holding of Special Drawing Rights (SDR)	(187,841)	(612,068)
Movement in IMF Special Drawing Rights allocation	(69,301)	189,127
Movements in Long-term employee benefit obligation	23,213	8,063
Movement in Deposit floaters	(110,817)	66,113
Expected credit loss for financial instruments at FVOCI	100,135	43
Expected credit loss for amortised cost financial instruments	4,736	(902)
Profit on sale of bonds	(25,478)	(4,983)
Gain on FVTPL instruments	(47,210)	(76,813)
(Gain)/loss on sale of other instruments	2,464	18,489
Loss on fair valuation of treasury notes and bonds	37,725	17,823
Movement in IMF RCF	(8,636)	-
Interest on staff loans	-	(2,774)
Loss on disposal of property and equipment	1,781	-
	3,729,185	**(1,281,030)**

36. Related parties

		2024 M'000	2023 M'000
Gross advances made during the period:			
Heads of Departments	Car loans	91	1,929
	Personal loans	4,349	5,190
	Comprehensive insurance	41	82
Balances due at end of December:			
Heads of Departments	Car loans	5,075	5,285
	Furniture loans	8	41
	Housing loans	865	1,475
	Personal loans	8,978	6,913
	Comprehensive insurance	35	67

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		2024 M'000	2023 M'000
36. Related parties (continued)			
Interest charged for the period:			
Heads of Departments	Car loans	156	116
	Furniture loans	2	1
	Housing loans	39	38
	Personal loans	177	122
	Comprehensive insurance	2	1

The loans issued to Executive Directors (Governors) and other key management (Heads of Departments) personnel during the year are repayable monthly and have interest rates of 3% per annum.

The Bank, requires and accordingly has the following as collateral:

- terminal benefits to the tune of M32,242,495.82 for car, furniture and personal loans.
- Title deeds, insurance cover and registered mortgages in relation to housing loans.

Further, all long term loans are covered by insurance policies to ensure recoveries in instances of death of employees.

Mortgages amounting to M60,754,659 (2023: M59,130,748) were registered with the Bank's attorneys and life cover policies ceded to the Bank. During the year terminal benefits amounting to M3,262,390 (2023: M2,674,326) were paid to key management staff while accrued benefits payable upon termination amount to M13,178,864.

Annual remuneration to Executive Directors and key management includes basic salaries, car allowances, housing allowances and utilities allowances, medical aid and group life assurance.

	2024 M'000	2023 M'000
Executive Director's remuneration	8,367	7,443
Key management remuneration	20,629	17,267
	28,996	**24,710**
Non-Executive Directors emoluments		
Directors fees	2,149	1,737

The Bank is wholly owned by the Government of Lesotho.

These are related parties with the Government as the Bank also acts as a Banker to the Government.

	2024 M'000	2023 M'000
Government deposits	6,709,698	2,499,333
Dividends due to Government of Lesotho	172,622	151,276
Government projects accounts	368,307	265,540
	7,250,627	2,916,149

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37. Financial assets by category

The financial assets have been categorised as follows:

2024

	Armortised Cost M'000	Fair value through OCI M'000	Assets at fair value through profit and loss M'000	Total M'000
Cash and cash equivalents	9,192,601	-	-	9,192,601
Deposit floaters	894,704	-	-	894,704
Investment in Swift	473	-	-	473
Treasury notes and bonds	-	3,460,966	2,133,974	5,594,940
Treasury bills at amortised cost	508,525	-	-	508,525
IMF subscription account	1,673,596	-	-	1,673,596
IMF holding of Special Drawing Rights (SDR)	2,394,719	-	-	2,394,719
Loans and advances	192,506	-	-	192,506
	14,857,124	**3,460,966**	**2,133,974**	**20,452,064**

2023

	Armortised Cost M'000	Fair value through OCI M'000	Assets at fair value through profit and loss M'000	Total M'000
Cash and cash equivalents	5,143,180	-	-	5,143,180
Deposit floaters	783,887	-	-	783,887
Investment in Swift	474	-	-	474
Treasury notes and bonds	-	3,481,151	1,890,332	5,371,483
Treasury bills at amortised cost	623,331	-	-	623,331
IMF subscription account	1,725,295	-	-	1,725,295
IMF holding of Special Drawing Rights (SDR)	2,206,877	-	-	2,206,877
Loans and advances	165,766	-	-	165,766
	10,648,810	3,481,151	**1,890,332**	**16,020,293**

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37. Financial assets by category (continued)

Gains and losses per financial instrument category 2024	Armortised cost M'000	FV through P/L M'000	FV through OCI M'000	Total M'000
Interest Income	605,101	-	284,175	889,276
Interest treasury bills and SDR holdings	-	125,678	-	125,678
Gain on instruments at FVTPL	-	47,210	-	47,210
Subtotal	605,101	172,888	284,175	1,062,164
	605,101	**172,888**	**284,175**	**1,062,164**

Gains and losses per financial instrument category 2023	Armortised cost M'000	FV through P/L M'000	FV through OCI M'000	Total M'000
Interest Income	458,833	-	270,198	729,031
Interest treasury bills and SDR holdings	-	125,541	-	125,541
Gain on instruments at FVTPL	-	76,813	-	76,813
Subtotal	458,833	202,354	270,198	931,385
	458,833	**202,354**	**270,198**	**931,385**

38. Financial liabilities by category

The financial liabilities have been categorised as follows:

2024

	Financial liabilities at amortised cost M '000	Total M '000
Notes and coins issued	2,183,450	2,183,450
Deposits	949,829	949,829
Lesotho Government deposits	6,709,698	6,709,698
IMF Maloti currency holding	1,366,558	1,366,558
IMF Special Drawing Rights allocation	2,392,387	2,392,387
Government projects accounts	368,307	368,307
IMF Rapid Credit Facility	279,572	279,572
Trade and other payables	80,560	80,560
Dividends due to Government of Lesotho	172,622	172,622
	14,502,983	**14,502,983**

2023

	Financial liabilities at amortised cost M '000	Total M '000
Notes and coins issued	2,399,728	2,399,728
Deposits	371,970	371,970
Lesotho Government deposits	2,499,333	2,499,333
IMF Maloti currency holding	1,911,423	1,911,423
IMF Special Drawing Rights allocation	2,461,688	2,461,688
Government project accounts	265,540	265,540
IMF Rapid Credit Facility	288,208	288,208
Trade and other payables	126,787	126,787
Dividends due to Government of Lesotho	151,276	151,276
	10,475,953	**10,475,953**

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38. Financial liabilities by category (continued)

2024 Gains and losses per financial instrument category	**Armortised cost M'000**
Interest expense	(108,403)

2023 Gains and losses per financial instrument category	**Armortised cost M'000**
Interest expense	(112,727)

39. Financial instruments and risk management

Financial risk management

General risk management

The Bank's overall risk management programme focuses on the unpredictability of a spectrum of risks identified, assessed and included in the Bank's Risk Profile and seeks to minimize potential adverse effects on the Bank's performance. Risk Management is carried out by the Bank's dedicated Enterprise Risk Management Department. The Bank uses the Risk Management Framework and Policy approved by the Board of Directors to manage its risk exposure.

Management structures

The organisational structure of the Bank is designed to ensure an appropriate allocation of responsibilities. This is supported by formal delegation of authority and segregation of duties to achieve sound internal controls.

Risk elements

The main risk elements in the Bank's activities are operational, human resource, legal and reputational risks, interest rate, market price, credit and market liquidity risk. These are discussed below:

Operational risk

Operational risk is the risk of failure in processes and systems as a result of inadequate controls, policies and/or human error. The Bank's Enterprise Risk Management Department is responsible for collating and reporting operational risk throughout the entire Bank. However, management of operational risk is the responsibility of departments and individual units. Within the Financial Markets Department, internal controls in place include policies, guidelines, procedures, segregation of duties, as well as daily reconciliations of accounts.

Human resource risk

The particular nature of the Bank's activities necessitates specialised knowledge in certain areas.

In order to ensure an adequate knowledge base at all times, the Bank invests significantly in staff training and succession planning for key personnel.

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39. Financial instruments and risk management (continued)

Legal risk

Legal risk arises from any uncertainty of enforceability, whether through legal or judicial processes, of the obligations of the Bank's counterparties.

The Bank minimises such uncertainties through continuous consultation with internal and external legal advisers to better understand the nature of such risks and to improve the documentation and structure of transactions.

In addition, the Bank has put in place procedures designed to ensure compliance with all statutory and regulatory requirements.

Reputational risk

The Bank's objective of achieving and maintaining price stability in Lesotho exposes it to external scrutiny and possible criticism in the event of any failures. The Bank also strives for compliance with the Basel Core Principles for effective banking supervision. The Bank adheres to best practice established in accordance with international standards.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in market conditions and prices. In its monetary policy operations, the Bank may be obliged to accept certain market-related risks, which would not be fully compatible with pure commercial practice.

The foreign currency risk is reported on a daily, monthly and quarterly basis to the Bank's Management and different Committees.

The tables below discuss impact of different risk exposures that the Bank is exposed to.

The following table summarises the Bank's exposure to foreign currency exchange rate fluctuations as of the year end.

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39. Financial instruments and risk management (continued)

Currency 2024	**Value of Currency M'000**	**Exchange Rate**	**Maloti Equivalent M'000**
Currency risk			
Cash and balances with banks			
South Africa	7,113,830	1.0000	7,113,830
United States	117,419	18.8608	2,214,623
Botswana	191	1.3541	259
England	2,180	23.6345	51,517
European Union	33,810	19.6020	662,746
IMF	99,876	23.9770	2,394,719

Treasury notes and bonds	**Value of Currency M'000**	**Exchange Rate**	**Maloti Equivalent M'000**
South Africa	2,482,938	1.0000	2,482,938
United States	164,998	18.8608	3,112,002

Treasury Bills	**Value of Currency M'000**	**Exchange Rate**	**Maloti Equivalent M'000**
United States	11,690	18.8608	220,491
South Africa	288,034	1.0000	288,034

Currency 2023

Cash and balances with banks	**Value of Currency M'000**	**Exchange Rate**	**Maloti Equivalent M'000**
South Africa	3,905,727	1.0000	3,905,727
United States	103,948	18.3887	1,911,469
Botswana	63	1.3689	86
England	2,062	23.4005	48,252
European Union	1,059	20.3535	21,514
IMF	89,450	24.6716	2,206,875

Treasury notes and bonds	**Value of Currency M'000**	**Exchange Rate**	**Maloti Equivalent M'000**
South Africa	2,453,709	1.0000	2,453,709
United States	158,672	18.3887	2,917,774

Treasury Bills	**Value of Currency M'000**	**Exchange Rate**	**Maloti Equivalent M'000**
United States	11,652	18.3887	214,265
South Africa	409,051	1.0000	409,051

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38. Financial instruments and risk management (continued)

Foreign exchange risk

Foreign exchange or currency risk arises from changes in transaction positions in monetary assets and liabilities taken on by the Bank and that are denominated in currencies other than Lesotho Loti (LSL). The Bank has to, for reporting purposes, translate all transactions executed in foreign currencies into the local currency (the Loti). The adverse movement of foreign currencies result in foreign exchange risk. To mitigate the effects of foreign exchange risk, the Bank stipulates in its annual SAA eligible currencies and their allocations for asset and liability management.

Credit risk

Credit risk exists where there is a possibility that a counterparty may default on its obligations when they fall due. The first and second objectives are liquidity and preservation of of capital respectively. The Bank's third objective is to earn reasonable returns. To achieve this objective, the Bank invests in various investment assets and with various institutions. Uncertainties over whether the expected returns will be earned or the ability of the counterparty to make good on its obligations when they fall due contribute directly to the creation of credit risk.

The Bank's management of credit risk begins with investing only with counterparties and issues that are investment grade (according to global rating agencies) and have been approved by the Investment Committee upon recommendation by the Investment Technical Committee (ITC), a technical arm of the Investment Committee. Credit ratings of all counterparts to which the Bank is exposed to are monitored through use of global rating agencies, wherein Analysts track the rating agencies' credit opinions, issuer-in-depth research and analyses. Reliance is also placed on market-related credit indicators including bond yields and spreads, along with credit default swaps (CDS) as early market warning signals. All exposures are monitored daily and reported to the ITC, with major focus on significant credit events that would result in the counterparty/issuer's ratings changing. Any credit event that would result in a change in credit ratings for a counterparty/issuer to speculative or default from investment grade would require a special dispensation by the Investment Committee to allow the Bank to continue holding instruments of such counterparties/issues in the portfolio.

Quantitative information

The Bank uses credit ratings in order to determine significant increase in credit risk (SICR). Management considers credit risk on a financial instrument to have significantly increased if the credit rating moves to the next lower rating of the credit rating scale. Other considerations by Management are ratings downgrade by one of or all international rating agencies resulting in the instrument or issuer falling out of the investment grade.

The Bank does not however assess the qualitative analysis of credit risk.

The reserves are managed conservatively in highly liquid investment grade instruments with exception only in ZAR bonds that were downgraded to junk status. Despite the junk status, the Bank still invests in them due to the inherent nature of high allocation of reserves to ZAR as per the Strategic Asset Allocation of the Bank. For other instruments the Bank manages risk by proper exposure limits, benchmarks, and durations. The maturity profile of all the benchmarks are less than five years with ZAR index having the longest duration of about 3.6 years. The Bank does not allow for any capital losses in both the working capital and the liquidity tranche and only permits 1% loss of capital in the investment tranche.

Implementation of ECL model

For simplicity, the Bank has used the simplified matrix as the Bank has reckoned that it has low risk securities and majority of the Bank's securities are investment grade except for South African investments. Also this is based on the Bank's historical default rates over the expected life and adjusted for forward-looking estimates. ECL has been computed for both 12-month and lifetime periods.

The standard borrows the model from credit risk modelling and Basel. Credit /Default risk is defined as the possibility that contractual cash flows will not be paid as promised or change in value due to perceived change in credit quality.

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39. Financial instruments and risk management (continued)

Default will be understood as the first occurrence of a payment default on any financial obligation, rated or unrated, other than a financial obligation subject to a valid commercial dispute; an exception occurs when an interest payment missed on the due date is made within a grace period, as per S&P rating agency. The Expected Credit Loss Model uses a number of parameters and a set of assumptions to quantify the parameters as outlined below.

Assumptions of the CBL model

- Loss given default follows the recovery rates of the International Swaps and Derivatives Association (ISDA) CDS standard model, as a function of the seniority and the region.
- The rating given to each security is the lowest between the ratings of S&P, Fitch and Moody's.
- The transition matrix is the S&P's global corporate from 1981 to 2024.
- A default probability of 1 bps is assumed for AAA rated securities and 1.5 basis points (bps) for AA+ rated securities.

Probability of Default (PD)

There is a wide range of sources of the probability of default; the Central Bank of Lesotho will rely on rating agency transition matrices with the latest update considered. Given that default rates on AAA rated instruments is highly scarce, a bps and probabilities per Transition Matrix will be assigned based on 12 month ECL to AAA and AA+ respectively following the External Commercial Borrowing (ECB) (2007).

Credit risk analysis

The table below shows the investment spread of the funds of the Bank globally and the credit rating of such institutions.

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39. Financial instruments and risk management (continued)

2024

Cash	**Carrying amount M'000**	**Maximum exposure M'000**	**Held in Denomination**	**Type of collateral held**	**Credit rating**
ZAR	293,655	293,655	ZAR	none	n/a
USD	2,119	2,119	USD	none	n/a
GBP	43	43	GBP	none	n/a
EUR	219	219	EUR	none	n/a
	296,036	**296,036**			

Current and call accounts	**Carrying amount M'000**	**Maximum exposure M'000**	**Held in Denomination**	**Type of collateral held**	**Credit rating**
ABSA Maloti Repatriation	12,617	12,617	ZAR	none	BB-
ABSA Credit Card	1,071	1,071	ZAR	none	BB-
B.I.S	140	140	GBP	none	Supranational
B.I.S	7	7	USD	none	Supranational
B.I.S	20	20	EUR	none	Supranational
Bank of England	45,908	45,908	GBP	none	AA-
Bank of N.Y	754	754	USD	none	A
Bank of N.Y (RAMP)	649	649	USD	none	A
Crown Agents	181	181	GBP	none	BB
Crown Agents	146	146	USD	none	BB
Deutsche Bankers trust	22,385	22,385	USD	none	A
Deutsche Bundersbank	655,715	655,715	EUR	none	AAA
Federal Reserve Bank of N.Y	312,261	312,261	USD	none	AA+
International Monetary Fund Holdings	2,394,717	2,394,717	SDR	none	Supranational
Standard Chartered Botswana	259	259	BWP	none	A+
Standard Chartered London	5,379	5,379	GBP	none	A+
South African Reserve Bank	4,383,915	4,383,915	ZAR	none	Ba2/P-2
Deutsche Bank AG Euro	6,793	6,793	EUR	none	A
	7,842,917	**7,842,917**			

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Central Bank of Lesotho

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39. Financial instruments and risk management (continued)

Fixed deposits	Carrying amount M'000	Maximum exposure M'000	Held in Denomination	Type of collateral held	Credit rating
ABSA	405,223	405,223	ZAR	none	BB-
African Import-Export Bank	381,259	381,259	USD	none	BBB+
BIS	188,979	188,979	USD	none	Supranational
Deutsche Bank AG Frankfurt	379,214	379,214	ZAR	none	A-
ICBC ASIA	498,356	498,356	USD	none	A+
Investec	405,065	405,065	ZAR	none	BB-
NedBank	201,132	201,132	ZAR	none	Ba2/P-2
Standard Chartered Bank	286,003	286,003	USD	none	A+
Standard Bank PLC	87,655	87,655	USD	none	BBB+
Standard Bank PLC	503,547	503,547	ZAR	none	BBB+
World Bank RAMP	54,703	54,703	USD	none	Supranational
Rand Merchant Investment Bank	455,503	455,503	ZAR	none	BB-
Standard Bank South Africa	452,101	452,101	ZAR	none	BB-
	4,298,740	**4,298,740**			

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39. Financial instruments and risk management (continued)

Treasury bills	**Carrying amount M'000**	**Maximum exposure M'000**	**Held in Denomination**	**Type of collateral held**	**Credit rating**
ZAR T Bills	288,034	288,034	ZAR	none	BB-
US T Bills	220,491	220,491	USD	none	AA+
	508,525	**508,525**			

Treasury notes and bonds	**Carrying amount M'000**	**Maximum exposure M'000**	**Held in Denomination**	**Type of collateral held**	**Credit rating**
South Africa	2,482,938	2,482,938	ZAR	none	BB+
United States-RAMP	2,133,975	2,133,975	USD	none	AA+
United States-Internally Managed	978,028	978,028	USD	none	AA+
	5,594,941	**5,594,941**			

Loans to staff	**Carrying amount M'000**	**Maximum exposure M'000**	**Held in Denomination**	**Type of collateral held**	**Credit rating**
Housing loans	60,755	60,755	LSL	Title deeds	n/a
Car loans	32,242	32,242	LSL T	erminal benefits	n/a
Furniture loans	50	50	LSL T	erminal benefits	n/a
Personal loans and comprehensive insurance	99,459	99,459	LSL T	erminal benefits	n/a
	192,506	**192,506**			

2023

Cash	**Carrying amount M '000**	**Maximum exposure M '000**	**Held in Denomination**	**Type of collateral held**	**Credit rating**
ZAR	374,770	374,770	ZAR	none	n/a
USD	3,453	3,453	USD	none	n/a
GBP	44	44	GBP	none	n/a
EUR	209	209	EUR	none	n/a
	378,476	**378,476**			

Central Bank of Lesotho

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40. Financial instruments and risk management (continued)

Current and call accounts

	Carrying amount M '000	Maximum exposure M '000	Held in Denomination	Type of collateral held	Credit rating
ABSA	50	50	ZAR	none	Ba2/P-2
ABSA Maloti Repatriation	16,752	16,752	ZAR	none	Ba2/P-2
ABSA Credit Card	1,630	1,630	ZAR	none	Ba2/P-2
B.I.S	7	7	GBP	none	Supranational
B.I.S	129	129	USD	none	Supranational
B.I.S	20	20	EUR	none	Supranational
Bank of England	42,951	42,951	GBP	none	Aa3/P-1
Bank of N.Y	41,634	41,634	USD	none	A1/P-1
Bank of N.Y Mellon	52,500	52,500	ZAR	none	A1/P-1
Bank of N.Y (RAMP)	13,369	13,369	USD	none	A1/P-1
Crown Agents	203	203	GBP	none	B BB
Crown Agents	4,296	4,296	USD	none	B BB
Deutsche Bankers trust	121,053	121,053	USD	none	Baa11P-1
Deutsche Bundersbank	21,323	21,323	EUR	none	Aaa
Federal Reserve Bank of N.Y	148,558	148,558	USD	none	AA+
First Rand	106	106	ZAR	none	Baa3/P-3
International Monetary Fund Holdings	2,206,880	2,206,880	SDR	none	Supranational
Investec Bank	104	104	ZAR	none	Baa3/P-3
NedBank	33	33	ZAR	none	Baa2/P-2
Special Rand Deposit	263,966	263,966	ZAR	none	Baa3/P-3
Standard Bank	94	94	ZAR	none	Baa3/P-3
Standard Chartered Botswana	86	86	BWP	none	A2
Standard Chartered London	5,047	5,047	GBP	none	A1/P-1
South African Reserve Bank	1,595,404	1,595,404	ZAR	none	Baa3/P-3
	4,536,195	**4,536,195**			

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39. Financial instruments and risk management (continued)

Fixed deposits	**Carrying amount M '000**	**Maximum exposure M '000**	**Held in Denomination**	**Type of collateral held**	**Credit rating**
ABSA	201,587	201,587	ZAR	none	Ba2/P-2
African Import-Export Bank	372,334	372,334	USD	none	Baa1/P-2
BIS	186,052	186,052	ZAR	none	Supranational
ICBC ASIA	470,652	470,652	USD	none	A1/P-1
Investec	405,387	405,387	ZAR	none	Ba2/P-2
Standard Bank PLC	81,052	81,052	USD	none	Baa3/P-3
Standard Bank PLC	508,100	508,100	ZAR	none	Baa3/P-3
Sumitomo Mitsui USD	469,080	469,080	USD	none	A-
Rand Merchant Investment Bank	251,762	251,762	ZAR	none	BB-
Standard Bank South Africa	251,804	251,804	ZAR	none	BB-
	3,197,810	**3,197,810**			

Treasury bills	**Carrying amount M'000**	**Maximum exposure M'000**	**Held in Denomination**	**Type of collateral held**	**Credit rating**
ZAR T Bills	409,051	409,051	ZAR	none	Ba2/P-2
RAMP T Bills	214,280	214,280	ZAR	none	BB-
	623,331	**623,331**			

Treasury notes, bonds and unit trusts	**Carrying amount M'000**	**Maximum exposure M'000**	**Held in Denomination**	**Type of collateral held**	**Credit rating**
South Africa	2,453,709	2,453,709	ZAR	none	Ba2/P-3
United States-RAMP	15,746	15,746	USD	none	Aaa
United States-Internally Managed	2,902,028	2,902,028	USD	none	Aaa
	5,371,483	**5,371,483**			

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39. Financial instruments and risk management (continued)

Loans to staff	**Carrying amount M '000**	**Maximume xposure M '000**	**Held in Denomination**	**Type of collateral held**	**Credit rating**
Housing Loans	59,131	59,131	LSL	Title deeds	n/a
Car loans	31,067	31,067	LSL	Terminal benefits	n/a
Furniture loans	479	479	LSL	Terminal benefits	n/a
Personal loans and comprehensive insurance	75,089	75,089	LSL	Terminal benefits	n/a
	165,766	**165,766**			

All financial assets were fully performing at year end.

AAA - Obligations rated AAA are judged to be of the highest quality, with minimal credit risk.

Aa - Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A - Obligations rated A are considered upper-medium grade and are subject to low credit risk.

B - Obligations rated B are considered speculative and are subject to high credit risk.

P-1 - Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

P-2 - Issuers (supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

P-3 - Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.

Credit quality per class of financial assets - 2024	**Stage 1 M'000**	**Stage 2 M'000**	**Stage 3 M'000**	**Total M'000**
Treasury notes and bonds	969,112	2,440,888	-	3,410,000
Accrued interest	8,916	42,050	-	50,966
FVOCI Instruments	**978,028**	**2,482,938**	**-**	**3,460,966**

	Stage 1 M'000	**Stage 2 M'000**	**Stage 3 M'000**	**Total M'000**
Cash and cash equivalents	9,192,601	-	-	9,192,601
Deposit Floaters	894,704	-	-	894,704
Treasury bills at amortised cost	508,525	-	-	508,525
IMF Subscription Account	1,673,596	-	-	1,673,596
IMF Holding of Special Drawing Rights (SDR)	2,394,719	-	-	2,394,719
Loans and Advances	192,507	-	-	192,507
Instruments at amortised cost	**14,856,652**	**-**	**-**	**14,856,652**
Balance as at 31 December 2024	**15,834,680**	**2,482,938**	**-**	**18,317,618**

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

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39. Financial instruments and risk management (continued)

Credit quality per class of financial assets - 2023	Stage 1 M'000	Stage 2 M'000	Stage 3 M'000	Total M'000
Treasury notes and bonds	1,019,249	2,405,939	-	3,425,188
Treasury notes and bonds	8,193	47,770	-	55,963
FVOCI Instruments	**1,027,442**	**2,453,709**	**-**	**3,481,151**

	Stage 1 M'000	Stage 2 M'000	Stage 3 M'000	Total M'000
Cash and cash equivalents	5,143,180	-	-	5,143,180
Deposit floaters	783,887	-	-	783,887
Treasury bills at amortised cost	623,331	-	-	623,331
IMF subscription account	1,725,295	-	-	1,725,295
IMF holding of Special Drawing Rights (SDR)	2,206,877	-	-	2,206,877
Loans and Advances	165,765	-	-	165,765
Instruments at amortised cost	**10,648,335**	**-**	**-**	**10,648,335**
Balance as at 31 December 2023	**11,675,777**	**2,453,709**	**-**	**14,129,486**

n/a - Cash and reserve banks do not have a credit rating

Loans and advances

The Bank has secured terminal benefits of M106,308,000.00 as collateral for loans extended to staff.

Prior to issuing staff loans, internal qualification assessment is performed on all loans to determine the ability to repay the loan facilities in order to reduce the credit risk.

Car loans - Registration documents are held under the custody of the Bank until fully paid. Housing loans - The Bank holds mortgage bonds until the loans are settled.
Car loans vehicles can be sold enabling the Bank to recover the outstanding amount in the event of default.

Personal loans historical data demonstrates successful recovery from employees who leave the Bank prior to retirement or end of contract therefore the loans are considered low risk and no ECL has thus been recongised

Expected credit loss per class of financial assets

2024	Stage 1 M'000	Stage 1 12-month ECL M'000	Stage 2 M'000	Stage 3 Lifetime ECL M'000	Total ECL M'000
FVOCI instruments	978,028	-	156,020	-	156,020
Instruments at amortised cost	14,856,652	5,638	-	-	5,638
Balance as at 31 December 2024	**15,834,680**	**5,638**	**156,020**	**-**	**161,658**

2023	Stage 1 M'000	Stage 1 12- month ECL M'000	Stage 2 M'000	Stage 3 Lifetime ECL M'000	Total ECL M'000
FVOCI Instruments	1,027,442	-	55,886	-	55,886
Instruments at amortised cost	10,648,335	902	-	-	902
Balance as at 31 December 2023	**11,675,777**	**902**	**55,886**	**-**	**56,788**

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39. Financial instruments and risk management (continued)

Reconciliation of the expected credit loss allowance

2024	**Stage 1 12-month ECL M'000**	**Stage 2 Lifetime ECL M'000**	**Stage 3 Lifetime ECL M'000**	**Total M'000**
Balance as at 01 January 2024	**902**	**55,886**	**-**	**56,788**
- Instruments at amortised cost	902	-	-	902
- FVOCI Instruments	-	55,886	-	55,886
Net charge for the year	**4,736**	**100,134**	**-**	**104,870**
- Instruments at amortised cost	4,736	-	-	4,736
- FVOCI Instruments	-	100,134	-	100,134
Balance as at 31 December 2024	**5,638**	**156,020**	**-**	**161,658**

2023	**Stage 1 12-month ECL M'000**	**Stage 2 Lifetime ECL M'000**	**Stage 3 Lifetime ECL M'000**	**Total M'000**
Balance as at 1 January 2023	**7,349**	**49,395**	**-**	**56,744**
- Instruments at amortised cost	7,349	-	-	7,349
- FVOCI instruments	-	49,395	-	49,395
Net charge for the year	**(6,447)**	**6,491**	**-**	**44**
- Instruments at amortised cost	-	6,491	-	6,491
- FVOCI instruments	(6,447)	-	-	(6,447)
Balance as at 31 December 2023	**902**	**55,886**	**-**	**56,788**

Changes in the ECL are due to movements in the probability of defaults. There were no movements between stages or levels. No instruments were written off as the Bank does not have a history of doing so. No modifications to cashflows occurred. There have been no changes in estimation techniques. The instruments are currently classified at stage 1 and stage 2.

Sensitivity Analysis for the year ended 31 December 2024

The following tables below show the sensitivity of both currency and foreign investment risk should the exchange rate move either +5% or - 5% directions and the overall impact on profit before tax and equity. However, unrealised gains and losses are only dealt with in equity in line with the Central Bank Act No.2 of 2000.

The Foreign Exchange (FX) sensitivity analysis takes into consideration the impact of a -/+5 percent increase in the exchange rates of currencies held in the Central Bank of Lesotho 's portfolio.

Table 1 provides a comparative view of holdings in their original currencies, along with the closing foreign exchange rates for 2024 and 2023 financial years.

Table 2 translates the original currency holdings in Table 1 into the reporting currency (LSL).

Table 3 and 4 illustrate the impact of a 5 percent increase and decrease in the value of the exchange rate on the portfolio level for both years.

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39. Financial instruments and risk management (continued)

	31 December 2024		31 December 2023	
	Portfolio level M'000	Exchange rate M'000	Portfolio level M'000	Exchange rate M'000
South Africa	9,884,802	1.00	6,786,812	1.00
United States	294,108	18.86	274,283	18.39
Botswana	191	1.35	63	1.37
England	2,180	23.63	2,062	23.40
European Union	33,810	19.60	1,059	20.35
IMF	99,876	23.98	89,450	24.67

Base case Data for currency and foreign investment risk	**31 December 2024**			**31 December 2023**		
	Portfolio level	**Portfolio level in %**	**Exchange Rate**	**Portfolio level**	**Portfolio level in %**	**Exchange Rate**
Currency composition	**M'000**			**M'000**		
ZAR	9,884,802	53.31 %	1.00	6,786,812	48.11 %	1.00
USD	5,547,117	29.92 %	18.86	5,043,715	35.75 %	18.39
EUR	662,746	3.57 %	19.60	21,551	0.15 %	20.35
GBP	51,517	0.28 %	23.63	48,251	0.34 %	23.40
BWP	259	- %	1.35	86	- %	1.37
SDR	2,394,716	12.92 %	23.98	2,206,880	15.64 %	24.67
	18,541,157	**100 %**		**14,107,295**	**100 %**	

31 December 2024

5% increase in exchange rate for currency and foreign investment risk	**Portfolio level**	**Portfolio level in %**	**Level change**	**Exchange rate**
Currency composition	**M'000**		**M'000**	
ZAR	9,884,802	52.10 %	-	1.00
USD	5,824,472	30.70 %	277,356	19.80
EUR	695,884	3.67 %	33,138	20.58
GBP	54,093	0.29 %	2,576	24.82
BWP	272	- %	13	1.42
SDR	2,514,452	13.25 %	119,736	25.18
	18,973,975	**100 %**		

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39. Financial instruments and risk management (continued)

31 December 2023

5% increase in exchange rate for currency and foreign investment risk	**Portfolio level**	**Portfolio level in %**	**Level change**	**Exchange rate**
Currency composition	**M'000**		**M'000**	
ZAR	6,786,812	46.89 %	-	1.00
USD	5,295,901	36.59 %	252,186	19.31
EUR	22,629	0.16 %	1,078	21.37
GBP	50,663	0.35 %	2,413	24.57
BWP	91	- %	5	1.44
SDR	2,317,224	16.01 %	110,344	25.91
	14,473,320	**100 %**		

%change 1.08%

31 December 2024

5% decrease in exchange rate for currency and foreign investment risk	**Portfolio level**	**Portfolio level in %**	**Level change**	**Exchange rate**
Currency composition	**M'000**		**M'000**	
ZAR	9,884,802	54.59 %	-	1.00
USD	5,269,761	29.10 %	(277,355)	17.92
EUR	629,609	3.48 %	(33,137)	18.62
GBP	48,941	0.27 %	(2,576)	22.45
BWP	246	- %	(13)	1.29
SDR	2,274,981	12.56 %	(119,736)	22.78
	18,108,340	**100 %**		

31 December 2023

5% decrease in exchange rate for currency and foreign investment risk	**Portfolio level**	**Portfolio level in %**	**Level change**	**Exchange rate**
Currency composition	**M'000**		**M'000**	
ZAR	6,786,812	49.39 %	-	1.00
USD	4,791,529	34.87 %	(252,186)	17.47
EUR	20,474	0.15 %	(1,078)	19.34
GBP	45,838	0.33 %	(2,413)	22.23
BWP	82	- %	(4)	1.30
SDR	2,096,536	15.26 %	(110,344)	23.44
	13,741,271	**100 %**		

%Change -2.11%.

The table below indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant.

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39. Financial instruments and risk management (continued)

The table below indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's profit

31 December 2024

	Cash	0 to 6 Months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
	M '000	M '000	M '000	M '000	M '000	M '000
ZAR	4,679,849	2,433,981	288,034	1,044,664	1,438,273	9,884,801
USD	42,439	2,703,411	610,313	2,190,954	-	5,547,117
EUR	662,746	-	-	-	-	662,746
GBP	51,517	-	-	-	-	51,517
Other	2,394,976	-	-	-	-	2,394,976
	7,831,527	**5,137,392**	**898,347**	**3,235,618**	**1,438,273**	**18,541,157**

31 December 2023

	Cash	0 to 6 Months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
	M '000	M '000	M '000	M '000	M '000	M '000
ZAR	2,305,410	1,872,721	762,789	1,066,972	778,919	6,786,811
USD	332,492	2,056,085	662,494	1,992,645	-	5,043,716
EUR	21,551	-	-	-	-	21,551
GBP	48,250	-	-	-	-	48,250
Other	2,206,966	-	-	-	-	2,206,966
	4,914,669	**3,928,806**	**1,425,283**	**3,059,617**	**778,919**	**14,107,294**

31 December 2024

Base case yields	0 to 6 Months	6 months to 1 year	1 year to 5 years	More than 5 years
	M '000	M '000	M '000	M '000
ZAR	7.28 %	8.74 %	8.24 %	11.23 %
USD	5.12 %	5.02 %	4.65 %	4.35 %
EUR	3.46 %	3.29 %	- %	- %
GBP	5.14 %	5.05 %	- %	- %
Other	3.59 %	3.88 %	- %	- %

31 December 2023

Base case yields	0 to 6 Months	6 months to 1 year	1 year to 5 years	More than 5 years
	M '000	M '000	M '000	M '000
ZAR	7.86 %	7.91 %	5.00 %	9.96 %
USD	5.46 %	3.32 %	4.85 %	4.09 %
EUR	3.08 %	5.30 %	- %	- %
GBP	4.33 %	4.71 %	- %	- %
Other	3.59 %	3.88 %	- %	- %

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39. Financial instruments and risk management (continued)

31 December 2024

100 Basis points increase in yields	**0 to 6 Months**	**6 months to 1 year**	**1 year to 5 years**	**More than 5 years**
	M '000	**M '000**	**M '000**	**M '000**
ZAR	8.28 %	9.74 %	9.24 %	12.23 %
USD	6.12 %	6.02 %	5.65 %	5.35 %
EUR	4.46 %	4.29 %	- %	- %
GBP	6.14 %	6.05 %	- %	- %
Other	-%	4.88 %	- %	- %

31 December 2023

100 Basis points increase in yields	**0 to 6 Months**	**6 months to 1 year**	**1 year to 5 years**	**More than 5 years**
	M '000	**M '000**	**M '000**	**M '000**
ZAR	8.86 %	8.91 %	6.00 %	10.96 %
USD	6.46 %	4.32 %	5.85 %	5.09 %
EUR	4.08 %	6.30 %	- %	- %
GBP	5.33 %	5.71 %	- %	- %
Other	-%	4.88 %	- %	- %

31 December 2024

100 Basis points decrease in yields	**0 to 6 Months**	**6 months to 1 year**	**1 year to 5 years**	**More than 5 years**
	M '000	**M '000**	**M '000**	**M '000**
ZAR	6.28 %	7.74 %	7.24 %	10.23 %
USD	4.12 %	4.02 %	3.65 %	3.35 %
EUR	2.46 %	2.29 %	- %	- %
GBP	4.14 %	4.05 %	- %	- %
Other	2.59 %	2.88 %	- %	- %

31 December 2023

100 Basis points decrease in yields	**0 to 6 Months**	**6 months to 1 year**	**1 year to 5 years**	**More than 5 years**
	M '000	**M '000**	**M '000**	**M '000**
ZAR	6.86 %	6.91 %	4.00 %	8.96 %
USD	4.46 %	2.32 %	3.85 %	3.09 %
EUR	2.08 %	4.30 %	- %	- %
GBP	3.33 %	3.71 %	- %	- %
Other	2.59 %	2.88 %	- %	- %

31 December 2024

Nominal return in base case yields	**0 to 6 Months**	**6 months to 1 year**	**1 year to 5 years**	**More than 5 years**
	M '000	**M '000**	**M '000**	**M '000**
ZAR	6.86 %	6.91 %	4.00 %	8.96 %
USD	4.46 %	2.32 %	3.85 %	3.09 %
EUR	2.08 %	4.30 %	- %	- %
GBP	3.33 %	3.71 %	- %	- %
Other	2.59 %	2.88 %	- %	- %

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39. Financial instruments and risk management (continued)

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Nominal return in base case yields	**0 to 6 Months**	**6 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Nominal Income**
	M '000	**M '000**	**M '000**	**M '000**	**M '000**
ZAR	176,291	25,181	86,095	161,549	-
USD	123,164	30,652	101,853	-	-
	-	-	-	-	704,883

31 December 2023

Nominal return in increasing yields	**0 to 6 Months**	**6 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Nominal Income**
			M '000	**M '000**	**M '000**
ZAR	147,169	60,368	53,369	77,574	-
USD	112,283	21,982	96,617	-	-
	-	-	-	-	569,362

31 December 2024

Nominal return in increasing yields	**0 to 6 Months**	**6 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Nominal Income**
	M '000	**M '000**	**M '000**	**M '000**	**M '000**
ZAR	200,516	28,061	(3,517)	(34,074)	-
USD	114,188	12,226	(7,455)	-	-
	-	-	-	-	309,945

31 December 2023

Nominal return in decreasing yields	**0 to 6 Months**	**6 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Nominal Income**
	M '000	**M '000**	**M '000**	**M '000**	**M '000**
ZAR	143,261	34,457	(10,883)	(10,904)	-
USD	101,458	8,043	(7,566)	-	-
	-	-	-	-	259,624

31 December 2024

Nominal return in decreasing yields	**0 to 6 Months**	**6 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Nominal Income**
	M '000	**M '000**	**M '000**	**M '000**	**M '000**
ZAR	152,065	22,300	3,517	34,074	-
USD	77,630	9,285	12,734	-	-
	-	-	-	-	311,607

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39. Financial instruments and risk management (continued)

31 December 2023

Nominal return in decreasing yields	**0 to 6 Months**	**6 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Nominal Income**
	M ‘000	**M ‘000**	**M ‘000**	**M ‘000**	**M ‘000**
ZAR	11,114	28,530	10,883	10,905	-
USD	71,019	6,177	7,566	-	-
	-	-	-	-	246,224

Sensitivity: For a 1 percentage increase in yields, income increase by - 54%

For a 1 percentage decrease in yields, income decreases by -57%.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates +/-1% (2023: +/-1%) These changes are considered to be reasonably possible based on current market conditions. The calculations are based on a change in the average market interest rate for each period and the financial instruments held at each reporting date are sensitive to change in interest rates. All other variables are held constant.

Liquidity Risk

Market liquidity risk refers to the risk that the Bank will encounter difficulty in raising funds to meet commitments as they fall due. The Bank maintains sufficient short-term liquid funds to meet its obligations as they arise. It also holds adequate reserves to absorb losses resulting from market fluctuations.

The table below summarises the remaining contractual maturities of the Bank’s financial assets, based on un-discounted cash flows (excluding loans to staff and expected interest cashflows:

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39. Financial instruments and risk management (continued)

31 December 2024

Financial assets	Redeemable on demand M'000	Maturing within 1 month M'000	Maturing after 1 but within 6 months M'000	Maturing after 6 but within 12 months M'000	Maturing after 1 but within 5 years M'000	Maturing after 5 years M'000	Total M'000
Cash and balances with banks	8,193,650	1,283,312	2,926,745	-	-	-	12,403,707
Accrued interest due from banks	-	17,975	16,006	-	-	-	33,981
	8,193,650	**1,301,287**	**2,942,751**	**-**	**-**	**-**	**12,437,688**

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Financial liabilities	Redeemable on demand M'000	Maturing within 1 month M'000	Maturing after 1 but within 6 months M'000	Maturing after 6 but within 12 months M'000	Maturing after 1 but within 5 years M'000	Maturing after 5 years M'000	Total M'000
Notes & coins issued	2,183,450	-	-	-	-	-	2,183,450
Deposits	949,829	-	-	-	-	-	949,829
Lesotho Government deposits	6,709,698	-	-	-	-	-	6,709,698
IMF accounts	4,038,517	-	-	-	-	-	4,038,517
Government project accounts	368,307	-	-	-	-	-	368,307
Trade and other payables	80,560	-	-	-	-	-	80,560
Dividends to Government of Lesotho	172,622	-	-	-	-	-	172,622
	14,502,983	**-**	**-**	**-**	**-**	**-**	**14,502,983**
Net liquidity gap	**(6,309,333)**	**1,301,287**	**2,942,751**	**-**	**-**	**-**	**(2,065,295)**

Liquidity risk refers to the risk that the Bank will encounter difficulty in settling obligations as they fall due. The Bank maintains sufficient short- term liquid funds to meet its obligations as they arise. Assets held for managing liquidity risk includes only assets that are readily available or saleable to generate cashflows to meet cash outflows on financial liabilities. This only includes assets in the working capital and liquidity tranche and not the investment tranche. The Bank also holds adequate funds in investment tranche that are held in sufficiently liquid treasury bonds to cover the net liquidity gap and absorb likely losses resulting from market fluctuations

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39. Financial instruments and risk management (continued)

31 December 2023

Financial assets	Redeemable on demand M'000	Maturing within 1 month M'000	Maturing after 1 but within 6 months M'000	Maturing after 6 but within 12 months M'000	Maturing after 1 but within 5 years M'000	Maturing after 5 years M'000	Total M'000
Cash and balances with banks	4,896,055	1,334,399	1,831,368	-	-	-	8,061,822
Accrued interest due from banks	-	18,699	13,402	-	-	-	32,101
	4,896,055	**1,353,098**	**1,844,770**	**-**	**-**	**-**	**8,093,923**

Financial liabilities	Redeemable on demand M'000	Maturing within 1 month M'000	Maturing after 1 but within 6 months M'000	Maturing after 6 but within 12 months M'000	Maturing after 1 but within 5 years M'000	Maturing after 5 years M'000	Total M'000
Notes & coins issued	2,399,728	-	-	-	-	-	2,399,728
Deposits	371,970	-	-	-	-	-	371,970
Lesotho Government deposits	2,499,333	-	-	-	-	-	2,499,333
IMF accounts	4,661,319	-	-	-	-	-	4,661,319
Government project accounts	265,540	-	-	-	-	-	265,540
Trade and other payables	126,787	-	-	-	-	-	126,787
Dividends to Government of Lesotho	151,276	-	-	-	-	-	151,276
	10,475,953	**-**	**-**	**-**	**-**	**-**	**10,475,953**
Net liquidity gap	**(5,579,898)**	**1,353,098**	**1,844,770**	**-**	**-**	**-**	**(2,382,030)**

Liquidity risk refers to the risk that the Bank will encounter difficulty in settling obligations as they fall due. The Bank maintains sufficient short- term liquid funds to meet its obligations as they arise. Assets held for managing liquidity risk includes only assets that are readily available or saleable to generate cashflows to meet cash outflows on financial liabilities. This only includes assets in the working capital and liquidity tranche and not the investment tranche. The Bank also holds adequate funds in investment tranche that are held in sufficiently liquid treasury bonds to cover the net liquidity gap and absorb likely losses resulting from market fluctuations

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39. Financial instruments and risk management (continued)

Price risk

The Bank is exposed to bond securities price risk due to financial instruments which are classified as financial assets at fair value through other comprehensive income or as financial assets at fair value through profit or loss. The Bank's exposure to bond securities price risk is limited to the bond prices in the portfolio.

The table below summarises the impact of increase or decrease in the bond sprices in the statement of profit or loss and equity. The analysis is based on the assumption that the bond prices had increased or decreased by 10% with all other variables held constant.

	2024 M'000	2023 M'000
10% increase (in profit or loss)	213,397	189,033
10% decrease (in profit or loss)	(213,397)	(189,033)
10% Increase (profit or loss and OCI net of tax)	419,620	402,861
10% Decrease (profit or loss and OCI net of tax)	(419,620)	(402,861)
	-	-

40. Fair value information

Levels of fair value measurements		
Level 1		
Recurring fair value measurements		
Assets		
Fair value through profit or loss		
Treasury notes and bonds	2,133,974	1,890,332
Financial assets at fair value through OCI		
Treasury notes and bonds	3,460,966	3,481,151
	5,594,940	**5,371,483**
Total	**5,594,940**	**5,371,483**

Fair value is based on quoted prices (unadjusted) in active markets for identical assets. These prices are readily available in the market and are typically obtainable from multiple sources. The fair value of financial instruments traded in active markets is determined based on quoted market prices as provided by custodians at the reporting date.

Level 2		
Non-recurring fair value measurements		
Assets		
Financial assets at amortised cost		
Cash and cash equivalents	9,192,601	5,143,181
Deposit floaters	894,704	783,887
Treasury bills	508,525	623,331
IMF subscription account	1,673,596	1,725,295
IMF holding of Special Drawing Rights	2,394,719	2,206,877
Loans and advances	192,506	165,765
Total financial assets at amortised cost	**14,856,651**	**10,648,336**
Total	**14,856,651**	**10,648,336**

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	Notes	2024 M'000	2023 M'000

40. Fair value information (continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These techniques maximise the use of observable market data where available, and rely as little as possible on entity-specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is classified as Level 2. The present value technique is used to measure fair value, considering circumstances specific to the asset.

Level 2: Inputs other than bond prices included within level 1 that are observable for the asset or liability, either directly (e.g.market interest rates) or indirectly (e.g.derived from instrument specific interest rates).

Level 3

Recurring fair value measurements	2024 M'000	2023 M'000
Assets		
Financial assets		
Investment in SWIFT	473	474

The investment in Society for Worldwide Interbank Financial Telecommunication (Swift) relates to a share allocation based on the financial contribution to Swift for network-based services. The share allocation is done in accordance with clause 9.2 of the By-laws General Membership Rules. The share allocation applies to all shareholders (Members) in live operations. The shares are measured at cost. On an annual basis, a share certificate is issued to the Bank. The value of these shares is more related to the operational and strategic benefits they provide to member institutions, rather than the market price.

Non-financial assets		
Property and equipment	560,899	550,369
Total	**561,372**	**550,843**

The buildings have been revalued in previous years based on the open market value of the property, which is defined under the International Assets Valuation Standards Committee as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing. The market value is estimated using valuation methods and procedures that reflect the nature of the property. Inputs to the valuation include the gross replacement cost method and the income approach.

Information about valuation techniques and inputs used to derive level 3 fair values

Valuation processes applied by the Bank

The fair value of land and buildings is determined by external, independent property valuers with appropriate, recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation company provides the fair value of the Bank's property.

Inputs into the valuation:

For commercial buildings the valuer used the Gross Replacement Cost method.

The Bank uses the price per square meter to determine the value of the buildings.

For residential buildings the valuer used the Income Approach to value the building using the rentals earned from these buildings.

The Bank uses the estimated rental for vacant land.

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	Notes	2024 M'000	2023 M'000

40. Fair value information (continued)

Should the price decrease, this would decrease the Property Revaluation Reserve and should the price increase there would be a corresponding increase to the Property Revaluation Reserve.

The fair value is based on inputs for the assets that are not based on observable market data (i.e. unobservable inputs).

Impact on the fair value of property and equipment (Revised carrying values)

	2024 M'000	2023 M'000
10% increase	616,988	605,406
10% decrease	504,809	495,332

41. Events after the reporting period

Uncertainty coming out of the US on tariffs policy and foreign policy affecting the global geopolitical environment are making subsequent central bank actions rather uncertain because they act on second round effects not on the shocks. If they turn out to be inflationary, yields will climb higher which will have the effect of shrinking the size of bond portfolios. The tension between US and SA will also have similar effect on the ZAR bond portfolio.

42. Going concern

The annual financial statements of the Central Bank of Lesotho (the Bank) for the year ended 31 December 2024 were prepared on a going concern basis. The annual financial statements include appropriate disclosures and are based on accounting policies that have been consistently applied and that are supported by reasonable and prudent judgements and estimates. The Bank has not implemented any change in accounting policies in the current year. In accordance with Central Bank Act of 2000, the Bank has been established as a body corporate having perpetual succession, with a common seal and which is capable of suing and being sued in its own capacity. Since coming into operation in 1978, the Bank has financed its operations through returns (interests) earned from the official international reserves that it has been endowed with the mandate of managing.

The Bank is expected to have sufficient revenue to sustain its operations in the coming year. All projected operational expenditure, including non-cash expenditure, fall within the projected revenue. Furthermore, the Bank does not have any long-term commitments (loans) as at the reporting period. The CBL Act of 2000 establishes the Bank as having a perpetual succession and therefore its ability to continue as a going concern is legislated. Management and Board do not have knowledge of any matter that may have bearing on the going concern of the Bank.

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