

Central Bank of Lesotho



Financial Statements

For the year ended 31 December 2025

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

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
Auditors	Moteane Quashie & Associates and SNG Grant Thornton
Secretary	Mr. N. Rantsane (Adv.)
Lawyer	Webber & Newdigate N.T. Ntaote Chambers

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

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Central Bank of Lesotho

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Corporate Governance Report

The rules and principles of corporate governance that the Central Bank of Lesotho practices are laid down in the founding statute of the Bank, the Central Bank of Lesotho Act No. 2 of 2000 (the Act), the Central Bank of Lesotho By Laws 2005, and the Charters of the Board and Board Committees. The Bank is committed to ensuring that its policies and practices adhere to the principles of high performance, accountability, transparency and integrity.

Report for the year

The Bank has a unitary Board, which comprises five (5) Non-Executive Directors and three (3) Executive Directors. The Non-Executive directors are independent of the 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 ultimately responsible for the execution of the mandate of the Bank as provided for in 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 to carry 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 First Deputy Governor, the Second Deputy Governor, and Heads of Department. The Executive Committee acts with delegated authority from the Board and is responsible for the day-to-day operations of the Bank and reports to the Board periodically.

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 in every two months. The Board convened nine (9) meetings during the 2025 Financial Year.



Adv. N. Rantsane
Secretary to the Board

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Audit Committee Report

Introduction

The report serves to outline the activities of the Audit Committee (AC) of the Central Bank of Lesotho for the year ended 31 December 2025.

The AC, as the statutory committee established under the Central Bank Act, 2000, continued to discharge its obligations during the Financial Year, 2025. During 2025, the Committee had been scheduled for seven (7) regular meetings, and it managed to convene five (5) regular meetings and two (2) special meetings.

Governance issues

One external non-board member was elevated to a position of non-executive board member and was subsequently redesignated to serve as the Non-Executive Member in the Risk and IT Governance Committee of the Board. A new external non-member was accordingly appointed to the AC to fill the vacancy left.

Activities covered in 2025

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

- The quarterly reports from both the Internal Audit Department and the Finance Department of the Bank;
- Annual financial statements (AFS) for the year ended 31 December 2024;
- Management letter as well as management responses to the 2024 AFS;
- The supplementary budget for the year 2025 as well as the proposed operational and capital budget for the Bank as well as Lehakoe Recreation and Cultural Centre (LRCC) for the year, 2026;
- The monitoring of the performance of the budget of the Bank through consideration of cumulative quarterly management accounts reports from the Finance Department.
- The extension of the term of appointment of external auditors and subsequent signing of the engagement letter with Moteane Quashie & Associates and SNG Grant Thornton.
- The approval of the 2025 external auditors annual plan.
- The quarterly 2025 whistleblowing reports from the Whistleblowing Response Team.

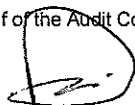
Challenges

The Committee completed the tasks assigned to it in 2025.

Conclusion

In conclusion, the Bank was considered to have discharged its obligations in line with the CBL Act, 2000, relevant charters and policies, and in accordance with 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 2025

Directors' Responsibilities and Approval

In accordance with the CBL Act No. 2 of 2000, the Directors are responsible for the preparation of the 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 2025, and the results of its operations, net profit and cash flows for the year then ended.

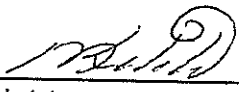
The Directors are responsible for the content and integrity of the financial statements and related disclosures in this report. Management enables the Directors to meet these responsibilities through the design, implementation and monitoring standards and systems of internal control. These standards and systems of internal control are designed, implemented and monitored to provide reasonable assurance of the integrity and reliability of the 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 financial statements.

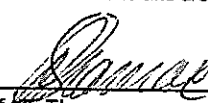
The Directors are of the opinion, based on the information and explanations given by Management that the systems of internal control provide reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control 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 31 March 2026 and are signed on its behalf by:



Dr. E.M Letete
Governor



Prof. R. Thamae
Director

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Directors' Report

The Directors present their annual report, of the Central Bank of Lesotho for the year ended 31 December 2025. The 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 issued by the IASB, 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:

31 December 2025	M' '000 <u>336,110</u>
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2. Amounts due to the 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 12.

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).

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. L. P. Mohapi	June, 2022	First Deputy Governor	
Vacant	Vacant	Second Deputy Governor	
Mr. M. Letsoela	June, 2019	Non-Executive Director	Term of office expired on 18 June 2025
Prof. 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. Kulehile	June, 2024	Non-Executive Director	
Mrs. M. Monyake Mohasoa		Non-Executive Director	Appointed 11 June 2025

5. Secretary

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Directors' Report (continued)

6. Events after the reporting period

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

7. Auditors

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

8. Financial Reporting Framework

The Central Bank of Lesotho (CBL) 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.

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".

(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".

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Directors' Report (continued)

8.3 Profits and General Reserves (continued)

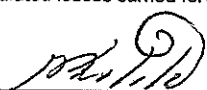
(5) "No deduction authorized under subsections (2), (3) and (4) shall be required to be made nor shall any payment be made under subsection (5) if, in the judgement of the Board, the assets of the Bank are, or after the deduction or payment, will be, less than the sum of its liabilities and minimum paid-up 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
31 March 2026



Mrs. R.Tlali
Director
31 March 2026

Independent auditors' report

To the shareholder of the Central Bank of Lesotho

Opinion

We have audited the financial statements of the Central Bank of Lesotho (the Bank), set out on pages 12 to 62, which comprise the statement of financial position as at 31 December 2025, 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 policy information.

In our opinion, the accompanying financial statements of the Bank for the year ended 31 December 2025 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 Board for Accountants Code of Ethics for Professional Accountants* (IESBA Code), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to audits of financial statements of public interest entities in Lesotho. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 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 2025". The other information does not include the financial statements and our auditors' report thereon.

Moteane, Quashie & Associates Chartered Accountants and Management Consultants Plot 582 Hoooho, 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

SizweNtsalubaGobodo Grant Thornton Inc., 152 14th Road, Noordwyk, Midrand, 1687, South Africa, T: 086 117 6782 www.sng-granthornton.co.za

Victor Sekese [Chief Executive]

A comprehensive list of all Directors is available at the company offices or registered office.

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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 directors are responsible for the preparation and presentation of the financial statements in accordance with the Bank's accounting policies described in note 1 to the financial statements 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 scepticism 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.

Motwane Quashie & Ass

Juliet Onubi
Moteane, Quashie & Associates
Chartered Registered Auditor
Plot 582 Hoothlo
Maseru, 100
31 March 2026

SizweNtsalubaGobodo Grant Thornton Inc.

Pravesh Hiralall
SizweNtsalubaGobodo Grant Thornton Inc.
Chartered Registered Auditor
152 14th Road, Noordwyk,
Midrand, 1687
31 March 2026

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Statement of Financial Position as at 31 December 2025

	Note(s)	2025 M' '000	2024 M' '000
Assets			
Cash and cash equivalents	2	8,483,752	9,192,601
Deposit floaters & fixed deposits	3	-	894,704
Investment in Swift	4	546	473
Treasury notes and bonds	5	6,373,975	5,594,940
Treasury bills at amortised cost	6	1,184,407	508,525
IMF subscription account	7	1,586,623	1,673,596
IMF holding of Special Drawing Rights (SDR)	8	3,414,911	2,394,719
Currency inventory	9	118,984	92,511
Loans & advances	10	214,980	192,506
Other assets	11	61,991	35,221
Property and equipment	12	897,794	874,836
Intangible assets	13	7,034	17,319
Tax receivable	21	-	12,921
Deferred tax	26	-	11,828
Total Assets		22,344,997	21,496,700
Equity and Liabilities			
Liabilities			
Notes and coins issued	14	2,168,294	2,183,450
Deposits	15	692,938	949,829
Lesotho Government deposits	16	8,299,541	6,709,698
Government project accounts	17	301,364	368,307
IMF Maloti currency holding	18	1,294,904	1,366,558
IMF Special Drawing Rights allocation	19	2,268,061	2,392,387
IMF Rapid Credit Facility	20	265,043	279,572
Taxation payable	21	86,475	-
Dividends due to Government of Lesotho	22	336,110	172,622
Trade and other payables	23	124,764	80,560
Long-term employee benefit obligation	24	171,401	139,581
Deferred tax	26	884	-
Total Liabilities		16,009,779	14,642,564
Equity			
Share capital	27	100,000	100,000
General reserve		460,307	393,085
Rand compensation reserve		1,399,791	1,306,208
SDR revaluation reserve		106,819	108,247
Foreign exchange revaluation reserve		3,965,984	4,694,937
Property revaluation reserve		17,358	17,358
Bond revaluation reserve		138,754	78,281
Loss allowance for debt investments at FVTOCI		146,205	156,020
Total Equity		6,335,218	6,854,136
Total Equity and Liabilities		22,344,997	21,496,700

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2025 M' '000	2024 M' '000
Interest income	28	1,099,088	1,014,954
Interest expense	29	(74,795)	(108,403)
Net interest income		1,024,293	906,551
Other income	30	176,254	110,965
Total income		1,200,547	1,017,516
Expected credit gains/(losses) on financial assets		275	(104,871)
Operating costs and expenses	31	(639,526)	(623,938)
Operating profit		561,296	288,707
Actuarial gains/(losses) on long term employee benefits		(12,854)	(5,442)
Profit/loss before taxation		548,442	283,265
Tax expense	32	(145,110)	(76,118)
Profit for the year		403,332	207,147
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)		(9,815)	100,134
Net change in fair value		60,473	32,034
Net movement		50,658	132,168
Property revaluation			
Increase/(decrease) in property revaluations		-	1,447
Tax effect		-	(363)
Net movement		-	1,084
Rand compensation			
Increase in reserve		93,583	107,354
Tax effect		-	-
Net movement		93,583	107,354
Other comprehensive income/(losses) for the period net of taxation		144,241	240,606
Total comprehensive income for the year		547,573	447,753

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

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 instruments 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 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
Loss allowance for debt instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	100,134	-	100,134
Foreign exchange translation to designated reserve	-	-	-	(1,383)	221,557	-	-	-	-	220,174
Movement in bond 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 1 January 2025	100,000	393,085	1,306,208	108,247	4,694,937	17,358	78,281	156,020	-	6,854,136
Profit for the year	-	-	-	-	-	-	-	-	403,332	403,332
Loss allowance for debt instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	(9,815)	-	(9,815)
Foreign exchange translation to designated reserve	-	-	-	(1,428)	(728,953)	-	-	-	-	(730,381)
Movement in bond fair values	-	-	-	-	-	-	60,473	-	-	60,473
Rand compensatory receipts	-	-	93,583	-	-	-	-	-	-	93,583
Transfer to General Reserve	-	67,222	-	-	-	-	-	-	(67,222)	-
Dividends payable to Government of Lesotho	-	-	-	-	-	-	-	-	(336,110)	(336,110)
Total changes	-	67,222	93,583	(1,428)	(728,953)	-	60,473	(9,815)	-	(518,918)
Balance as at 31 December 2025	100,000	460,307	1,399,791	106,819	3,965,984	17,358	138,754	146,205	-	6,335,218

Central Bank of Lesotho

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Statement of Changes 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** 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.

* **Accumulated 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 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.

(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.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Statement of Cash Flows

	Note(s)	2025 M' '000	2024 M' '000
Cash flows from operating activities			
Cash (utilised in)/generated from operations	33	(160,748)	3,614,379
Interest received	28	1,088,056	1,017,315
Interest paid	29	(74,795)	(108,403)
Tax paid	21	(53,160)	(166,823)
Rand compensation receipts		93,583	107,354
Payments to Government of Lesotho Consolidated Fund	22	(172,622)	(151,276)
(Increase) in Other assets		(26,769)	(2,276)
(Purchase)/sale of Treasury bills at amortised costs		(675,882)	114,806
(Purchase) of Treasury notes and bonds		(559,591)	(196,999)
(Decrease) in Notes and coins	14	(15,156)	(216,277)
(Increase) in loans and advances		(22,473)	(26,741)
(Decrease)/increase in Government project accounts		(66,943)	102,767
(Increase)/decrease in investment in Swift		(73)	1
Net cash from operating activities		(646,573)	4,087,827
Cash flows from investing activities			
Purchase of property and equipment	12	(51,160)	(71,054)
Purchase of intangible assets	13	-	(1,608)
Disposal of property and equipment		326	2,394
Net cash from investing activities		(50,834)	(70,268)
Cash flows from financing activities			
Total cash movement for the year		(697,407)	4,017,559
Cash at the beginning of the year		9,192,601	5,143,180
Effect of exchange rate movement on cash balances		(11,442)	31,862
Total cash and cash equivalents at end of the period	2	8,483,752	9,192,601

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

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 7.

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 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 are 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 the property 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's fixed asset management policy prescribes depreciation rates in accordance with 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 2025

Accounting Policies

1.1 Property and equipment (continued)

The residual value, useful life and depreciation method of each asset is 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 subsequently 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 substantively 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.

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).

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Accounting Policies

1.3 Current and deferred income tax (continued)

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.

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.

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.

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.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Accounting Policies

1.5 Employee benefits (continued)

(c) 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 Interest Income

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.

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.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Accounting Policies

1.9 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets 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 Currency inventory

The cost of new Lesotho bank notes and coins is treated as inventory and comprises printing and minting costs, as well as carriage, insurance, and freight incurred to deliver the currency to the Bank's premises. Currency is issued on a first-in, first-out (FIFO) basis and is expensed to the income statement upon issuance.

1.11 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.

1.12 Notes and coins issued

Notes and coins comprise banknotes and coins issued by the Central Bank of Lesotho for circulation. As legal tender, measured at face value in Maloti, and recognised as a financial liability in the statement of financial position.

1.13 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.

1.14 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.

1.15 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 25% of this amount be treated as a reserve.

1.16 Foreign exchange revaluation reserve account

In terms of Section 54 of the Central Bank of Lesotho Act No. 2 of 2000, 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.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Accounting Policies

1.16. Foreign exchange revaluation reserve account (continued)

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.

1.17 SDR revaluation reserve

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

1.18 Property revaluation reserve

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

1.19 Bond revaluation reserve

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

1.20 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 2025, 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 2.58% (2024: 2.36%) 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 46 to 59.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Accounting Policies

1.21 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 (2024: 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.

1.22 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 9.47% 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 .

The key assumptions used in the valuation are discount rate 9.47%, price inflation rate of 5.00%, salary increase of 6.25%.

(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 cost financial assets

Estimates have been used for the implementation of the ECL model, Refer to Accounting policy 1.23.

d) Climate Change

The Bank is aware of the climate related risks and has assessed its possible impact on the operations of the Bank. It is not expected that the climate related risks will have a material impact or cause any uncertainty on the Bank's operations.

1.23 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.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Accounting Policies

1.23 Financial instruments (continued)

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).

1.23.1 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).

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 FVOCI 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.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Accounting Policies

1.23 Financial instruments (continued)

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 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.

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 Effective 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;

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, unlikelihood to pay indicators and a back-stop if amounts are overdue for 90 days or more.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Accounting Policies

1.23 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;
- 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.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Accounting Policies

1.23 Financial instruments (continued)

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.

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.

1.23.2 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.

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.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Accounting Policies

1.24 Standards and interpretations not yet effective

New standards beginning on or after 1 January 2026. 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 has assessed the impact of these standards and interpretations on the annual financial statements. Except for IFRS 18, which the Bank is still in the process of assessing its impact, the Bank has evaluated the impact of the standards listed below and concluded that they will not have a material impact on the financial statements.

Standard	New and Amended Standard:	Effective date 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
Various Standards	Annual improvement to IFRS Accounting Standards Volume 11, minor changes across multiple standards aimed at clarifying application and improving consistency, including IFRS 1, IAS 7 elements of IFRS 10 and others.	1 January 2026
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 transparency and ensure consistent application of requirements for classifying financial assets and liabilities, while also addressing practical implementation and disclosure uncertainties	1 January 2026

1.25 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 2025

Notes to the Financial Statements

	2025 M' '000	2024 M' '000
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash and balances with banks		
Cash on hand	4,565	2,380
Bank balances	349,991	302,529
Short-term deposits	6,050	41,006
Total cash and balances with banks	360,606	345,915
Current and call accounts		
Foreign banks	915,912	743,260
South African banks	2,132,570	4,397,603
Total current and call accounts	3,048,482	5,140,863
Fixed deposits		
Foreign banks	1,937,024	1,677,480
Interest accrued	32,818	33,981
South African banks	3,120,000	2,000,000
Total fixed deposits (with maturity shorter than 3 months)	5,089,842	3,711,461
Expected credit loss for cash and cash equivalents	(15,178)	(5,638)
Total cash and cash equivalents	8,483,752	9,192,601
3. Deposit floaters & fixed deposits		
South African banks	-	400,000
Foreign banks	-	494,704
	-	894,704
4. Investment in Swift		
Investment in Swift shares	546	473

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.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Notes to the Financial Statements

	2025 M' '000	2024 M' '000	
5. Treasury notes and bonds			
2025	Fair value through profit or loss	Fair value through OCI	Total
US bonds at fair value	1,916,972	1,593,460	3,510,432
ZAR bonds at fair value	-	2,783,880	2,783,880
US bonds accrued interest	15,714	16,967	32,681
ZAR bonds accrued interest	-	46,982	46,982
	1,932,686	4,441,289	6,373,975
2024	Fair value through profit or 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

Treasury notes and bonds represent debt securities measured at fair value. These instruments earn interest based on contractual coupon rates, with interest accruing at rates ranging from 0.13% - 7.63% and 6.50% - 12.25% for US and ZAR bonds respectively.

6. Treasury bills at amortised cost

Treasury bills

Treasury bills at amortised cost	1,184,407	508,525
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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	1,673,596	1,725,295
Exchange revaluation	(86,973)	(51,699)
Balance at end of year	1,586,623	1,673,596

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 2025. The local currency equivalent of the subscription account in the statement of financial position is converted at the rate of 0.043992800 (2024: SDR 69,800,000 at 0.041706600).

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Notes to the Financial Statements

	2025 M' '000	2024 M' '000
8. IMF holding of Special Drawing Rights (SDR)		
Balance at beginning of year	2,394,719	2,206,877
Net transactions - (decrease) / increase in rights	8,592	162,596
Exchange revaluation	(164,540)	25,246
Purchase of SDR	1,176,140	-
Balance at end of year	3,414,911	2,394,719

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 150,231,483 (2024: SDR 99,967,018) allocated by the International Monetary Fund less utilisation is converted at the rate: 0.043992800 (2024:0.041706600).

9. Currency inventory

Balance at beginning of year	92,511	58,821
Currency issued	(14,502)	(23,085)
Currency addition	40,975	56,775
Balance at end of year	118,984	92,511

10. Loans & advances

Housing loans	65,836	60,755
Car loans	31,911	32,242
Furniture loans	-	50
Personal loans and comprehensive insurance	117,233	99,459
	214,980	192,506

The loans issued to staff are paid in monthly instalments and attract interest at a rate of 3% per annum. Refer to related parties note 34 and risk management note 37 for further details.

11. Other assets

Other prepayments	55,009	24,778
Other receivables	2,980	5,511
Commemorative coins	4,002	4,932
	61,991	35,221

Other prepayments relate to licenses that have been paid in advance, assets prepaid but not yet received and other receivables relating to LRCC operating activities.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Notes to the Financial Statements

12. Property and equipment

	2025		2024		Carrying value M' '000	
	Cost or revaluation M' '000	Accumulated depreciation M' '000	Carrying value M' '000	Cost or revaluation M' '000		Accumulated depreciation M' '000
CBL buildings	622,541	(82,408)	540,133	518,212	(71,787)	446,425
CBL and Lehakoe land	10,225	-	10,225	10,225	-	10,225
Lehakoe buildings	130,315	(39,041)	91,274	130,315	(36,778)	93,537
Residential land and buildings	24,321	(3,620)	20,701	24,321	(3,384)	20,937
Housing furniture	456	(444)	12	456	(431)	25
Office furniture	25,821	(16,183)	9,638	25,760	(15,279)	10,481
Motor vehicles	11,886	(6,449)	5,437	11,720	(5,199)	6,521
Office equipment	37,394	(22,515)	14,879	36,074	(18,451)	17,623
Office computers	51,902	(35,825)	16,077	47,706	(28,468)	19,238
Lehakoe furniture	5,485	(5,171)	314	5,485	(5,023)	462
Sports/music equipment	11,568	(1,655)	9,913	6,673	(1,003)	5,670
Housing equipment	53	(4)	49	-	-	-
Security equipment	9,983	(6,221)	3,762	9,797	(5,595)	4,202
Work in progress	175,380	-	175,380	239,490	-	239,490
Total	1,117,330	(219,536)	897,794	1,066,234	(191,398)	874,836

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Notes to the Financial Statements

12. Property and equipment (continued)

Reconciliation of property and equipment - 2025

	Opening balance	Additions	Cost of disposals	Accumulated depreciation on disposal	Transfers	Depreciation	Total
	M' '000	M' '000	M' '000	M' '000	M' '000	M' '000	M' '000
CBL buildings	446,425	15,909	-	-	88,421	(10,622)	540,133
CBL and Lehakoe land	10,225	-	-	-	-	-	10,225
Lehakoe buildings	93,537	-	-	-	-	(2,263)	91,274
Residential land and buildings	20,937	-	-	-	-	(236)	20,701
Housing furniture	25	-	-	-	-	(13)	12
Office furniture	10,481	60	-	-	-	(903)	9,638
Motor vehicles	6,521	663	(648)	648	-	(1,747)	5,437
Office equipment	17,623	1,319	-	-	-	(4,063)	14,879
Office computers	19,238	3,765	-	-	-	(6,926)	16,077
Lehakoe furniture	462	-	-	-	-	(148)	314
Sports/music equipment	5,670	4,894	-	-	-	(651)	9,913
Housing equipment	4,202	53	-	-	-	(4)	49
Security equipment	239,490	186	-	-	-	(626)	3,762
Work in progress	-	24,311	-	-	(88,421)	-	175,380
	874,836	51,160	(648)	648	-	(28,202)	897,794

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Notes to the Financial Statements

12. Property and equipment (continued)

Reconciliation of property and equipment - 2024

	Opening balance	Additions	Cost of disposals	Accumulated depreciation on disposal	Other changes, movements	Depreciation	Revaluation Excess	Total
	M' '000	M' '000	M' '000	M' '000	M' '000	M' '000	M' '000	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

Analysis of carrying amount as at 31 December 2025 had the Bank remained on cost.

	Cost Analysis M'000	Revalued Amount M'000
CBL building	702,468	540,133
LRCC building	105,026	91,274
Residential building	12,223	20,701

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.

Central Bank of Lesotho

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Notes to the Financial Statements

	2025	2024
	M' '000	M' '000

12. Property and equipment (continued)

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.

13. Intangible assets

	2025			2024		
	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	(109,355)	7,034	116,389	(99,070)	17,319

Reconciliation of intangible assets - 2025

	Opening balance M' '000	Additions M' '000	Revaluations M' '000	Amortisation M' '000	Total M' '000
Computer software	17,319	-	-	(10,285)	7,034

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

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.

Central Bank of Lesotho

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Notes to the Financial Statements

	2025 M' '000	2024 M' '000
14. Notes and coins issued		
Notes	2,126,327	2,146,905
Coins	41,967	36,545
	<u>2,168,294</u>	<u>2,183,450</u>

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.

15. Deposits

Deposits from Banks & Large Financial co-operatives - Non-interest bearing

Banks	678,143	938,882
Large financial co-operatives	-	1,077
Other Deposits - Non-interest bearing		
International institutions	144	806
Parastatals and others	14,651	9,064
	<u>692,938</u>	<u>949,829</u>

The license of Large financial co-operatives was not renewed in the current year.

16. Lesotho Government deposits

Government deposits	8,299,541	6,709,698
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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.

17. Government project accounts

Government project accounts	301,364	368,307
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The Bank holds funds on behalf of the Government for the execution of projects it is mandated to oversee.

18. IMF Maloti currency holding

Securities account	226,076	238,469
General resources account	1,068,828	1,128,089
	<u>1,294,904</u>	<u>1,366,558</u>

The No. 1 account is used for IMF transactions and operations, including subscription payments, purchases, repurchases, repayment of borrowings, 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.

19. IMF Special Drawing Rights allocation

Balance at beginning of year	2,392,387	2,461,688
Exchange revaluation	(124,326)	(69,301)
Balance at end of year	<u>2,268,061</u>	<u>2,392,387</u>

Central Bank of Lesotho

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Notes to the Financial Statements

	2025 M' '000	2024 M' '000
19. IMF Special Drawing Rights allocation (continued)		
<p>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 came into effect, authorizing a special one-time allocation of Special Drawing Rights (SDRs) aimed at enhancing global liquidity and strengthening confidence in the international financial system. 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.</p>		
<p>Lesotho's allocation by IMF of SDR99,778,347 is converted at 0.043992800 (2024: SDR99,778,347 is converted at 0.041706600)</p>		
20. IMF Rapid Credit Facility		
Balance at beginning of year	279,572	288,208
Exchange revaluation	(14,529)	(8,636)
Balance at end of year	265,043	279,572
<p>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.</p>		
<p>The value of RCF 11,660,000 (2024: SDR 11,660,000) allocated by the IMF is converted at 0.043992800 (2024:0.041706600).</p>		
21. Taxation receivable/ (payable)		
Balance at beginning of year	12,921	(80,481)
Paid during the year	53,160	166,824
Current year charge	(152,556)	(73,422)
Balance at end of year	(86,475)	12,921
22. Dividend payable		
Balance at beginning of year	172,622	151,276
Paid during the year	(172,622)	(151,276)
Profit appropriation for the current year	336,110	172,622
Balance at end of year	336,110	172,622
<p>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.</p>		
Profit after tax appropriates as follows:		
Profit after tax	403,332	207,146
Profit after tax	403,332	207,146
Transfer to General Reserve	(67,222)	(34,524)
Balance at end of year	336,110	172,622
23. Trade and other payables		
Various accruals	66,796	37,876
Divisional cheque accounts	900	104
Other	53,256	39,331
Accrued leave pay	3,812	3,249
	124,764	80,560

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Notes to the Financial Statements

	2025 M' '000	2024 M' '000
23. Trade and other payables (continued)		
Other accruals relates 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.		
24. Long term employee benefit obligation		
Provision for severance pay		
Opening obligation	33,186	27,450
Interest cost	3,955	3,667
Current service cost	4,193	3,528
Actuarial loss on employee benefits	3,623	1,227
Benefits paid	(3,639)	(2,686)
	41,318	33,186
Provision for gratuity		
Opening obligation	106,394	88,918
Interest cost	12,709	11,800
Current service cost	23,768	17,483
Actuarial loss on employee benefits	8,709	4,149
Benefits paid	(21,497)	(15,956)
	130,083	106,394
	171,401	139,580

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 2025. The valuer has determined the discount rate to be 9.47% p.a., implied inflation assumption to be 5.00% 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 2025 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 9.47%. Severance and gratuity payments are recognised as a reduction of the respective liabilities in the statement of financial position.

Key assumptions

Discount rates used	9.47 %	11.82 %	
Sensitivity Analysis 2025			
	Current Assumption	1% decrease	1% increase
	9.47%	8.47%	10.47%
Bank	175,213	189,352	162,959
Cost/(Saving)	-	14,139	(12,253)
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)

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Notes to the Financial Statements

	2025 M' '000	2024 M' '000
25. Post-employment retirement fund benefits		
In terms of the rules and regulations of the Corporate Bodies Pension Scheme, the Fund Manager is required to perform an actuarial valuation every three years.		
A valuation of the Corporate Bodies Pension Scheme was performed for the year ended 31 December 2025 for statutory reporting purposes, as well as to inform considerations regarding the potential conversion of the Scheme from a defined benefit to a defined contribution scheme.		
Financial position of the scheme		
Value of assets	295,890	210,515
Value of liabilities	(319,727)	(218,291)
Active member liabilities	(188,743)	(103,891)
Pensioner liabilities	(128,243)	(110,775)
Deferred liabilities	(2,741)	(3,625)
(Deficit)	(23,837)	(7,776)
Funding level	92.54 %	96.44 %
Surplus/(deficit) attributable to the contributors	(23,837)	(7,776)

The plan assets were invested across various asset classes as at 31 December 2025. In accordance with the actuarial valuation, 18.50% of the assets were invested in property, while the remainder of the Scheme's assets were allocated to cash, bonds, and other fixed-income investments. The Scheme's actuary confirmed that the Central Bank of Lesotho is not in a deficit position as at the valuation date and therefore no deficit funding contributions are required.

Investment		
Property	44,028	60,341
Lesotho Bank 24 Hour Call Account	18,424	9,757
Stanlib Income Fund	64,303	37,578
Debtors	2,958	-
Postbank Short Term Deposits	19,236	-
FNB Short Term Deposits	11,249	-
Government Bonds	35,000	35,000
Accrued Interest	-	1,127
Creditors	(2,987)	(1,207)
Bank Account	4	304
Stanlib Balanced Fund	103,675	67,615
Total	295,890	210,515

Assumptions

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

Assumption		
Discount rate	9.15 %	12.30 %
Price inflation	4.15 %	7.30 %
Salary increases	5.15 %	8.30 %
Pension increases	-	-
Pre-retirement real rate	3.80 %	3.69 %
Post-retirement real rate	9.15 %	12.30 %
Pre-retirement mortality	125%xSA56/62	125%xSA56/62
Post-retirement mortality	a(55)	a(55)
Commutation	25.00 %	25.00 %

The discount rate is considered to be the only significant actuarial assumption

The actuarial valuation report indicated that the Scheme's assets achieved an average annual return of approximately 8.34% during the valuation period, based on the assumption that cash flows occurred midway through the year. This performance is below the previously assumed discount rate of 12.30% per annum.

Furthermore, the fair value of the Scheme's investments, per the financial statements as at 31 December 2025, amounted to M295,890,000.

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Notes to the Financial Statements

	2025 M' '000	2024 M' '000
26. Deferred tax		
Deferred tax (liability)/asset		
Deferred tax (liability)/asset	(884)	11,828
The deferred tax asset 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:		
Deferred tax (liability)/asset	(884)	11,828
Reconciliation of deferred tax (liability)/asset		
At beginning of year	11,828	25,798
Movement in profit and loss	7,445	(2,696)
Movement in equity - current year	(20,157)	(11,274)
	(884)	11,828
Reconciliation of deferred tax (liability)/asset		
Accelerated capital allowance for tax purposes	3,851	(3,830)
Liabilities for health care benefits accrued	47,302	26,932
Bond revaluation reserve	(46,251)	(10,912)
Property revaluation reserve	(5,786)	(362)
	(884)	11,828

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.

27. Share capital

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.

Central Bank of Lesotho

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Notes to the Financial Statements

	2025 M' '000	2024 M' '000
28. Interest income		
Interest income		
Foreign currency deposits	615,809	605,101
Interest treasury bills and SDR holdings	143,076	125,678
Debt instruments at fair value through other comprehensive income and profit or loss	340,203	284,175
Total interest income	1,099,088	1,014,954
Interest income reconciliation		
Total Interest income	1,099,088	1,014,954
Less Accrued interest cash and cash equivalents	(32,818)	(33,981)
Less Accrued interest US bonds	(32,681)	(25,418)
Less: Accrued interest ZAR bonds	(46,982)	(42,050)
Add: Prior year accrued interest cash and cash equivalents	33,981	32,100
Add: Prior year accrued interest US bonds	25,418	23,940
Add: Prior year accrued interest ZAR bonds	42,050	47,770
Interest income actually received	1,088,056	1,017,315
29. Interest expense		
Interest on non-financial Public Enterprises	92	103
IMF SDR allocation account	74,703	108,300
Total interest expense	74,795	108,403
Since the implementation of the Reserves Management System, the Bank has adopted the effective interest methodology on its securities.		
30. Other income		
Other rental income	576	324
Profit on sale of bonds	104,373	25,478
Interest on loans and advances (amortised cost)	3,586	3,287
Lehakoe income	21,059	28,089
Other income	7,089	8,358
Gain on instruments at fair value through profit or loss	39,245	47,210
Loss/profit on sale of fixed assets	326	(1,781)
	176,254	110,965

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.

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Notes to the Financial Statements

	2025 M' '000	2024 M' '000
31. Operating costs and expense per nature		
Administration and other expenses *	186,840	170,499
Auditors remuneration	3,779	2,560
Currency printing and minting	14,502	23,086
Computer software amortisation	10,285	17,073
Depreciation	28,202	31,099
Property and equipment maintenance expenses	34,086	31,115
Loss on sale of other instruments	1,313	2,464
Loss on fair valuation of treasury notes and bonds	16,429	37,725
Personnel costs:		
Staff welfare expenses	38,247	43,863
Non-executive directors' fees	2,117	2,149
Executive directors' salaries	8,820	8,367
Key management (heads of departments)	22,172	20,629
Staff salaries and expenses	217,635	187,678
Pension fund contributions	10,756	9,250
Gratuity and severance pay (interest and service cost)	44,343	36,381
	639,526	623,938
*License fees constitute the largest portion of administration and other expenses, amounting to M67,477,387 (2024: M54,496,894).		
32. Tax expense		
Major components of the tax expense		
Current		
Local income tax - current period	145,110	76,118
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Statutory tax rate	25.00 %	25.00 %
Permanent differences:		
Donations	0.05 %	0.33 %
Entertainment	0.05 %	0.13 %
Training expenses	(0.32)%	(0.79)%
Depreciation on buildings	1.68 %	2.20 %
Effective tax rate	26.46 %	26.87 %
Operating profit	561,298	288,707
Add: Permanent differences disallowed for tax purposes	10,784	11,688
Add: Temporary differences disallowed for tax purposes	38,142	(6,706)
Taxable profit	610,224	293,689
Taxation @ 25% (2024: 25%)	152,556	73,422
Add: Deferred tax	(7,445)	2,696
	145,111	76,118

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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	2025 M' '000	2024 M' '000
33. Cash (utilised in)/generated from operations		
Profit before taxation	548,442	283,265
Adjusted for:		
Depreciation	28,203	31,089
Computer software amortised	10,285	17,066
Interest income	(1,099,087)	(1,014,954)
Interest expense	74,795	108,403
Movement in Currency inventory	(26,472)	(33,690)
Movement in foreign denominated balances and SDR denominated balances	(730,381)	253,591
Movement in Deposits	1,332,951	4,788,223
Movement in IMF Maloti currency holding	(71,654)	(544,865)
Movement in IMF subscription account	86,973	51,699
Movement in Trade and other payables	44,199	(46,219)
Movement in IMF holding of Special Drawing Rights (SDR)	(1,020,192)	(187,841)
Movement in IMF Special Drawing Rights allocation	(124,327)	(69,301)
Movements in Long-term employee benefit obligation	31,819	23,213
Movement in Deposit floaters	894,704	(110,817)
Expected credit loss for financial instruments at FVOCI	(9,815)	100,135
Expected credit loss for amortised cost financial instruments	9,540	4,736
Profit on sale of bonds	(104,373)	(25,478)
Gain on FVTPL instruments	(39,245)	(47,210)
(Gain)/loss on sale of other instruments	1,313	2,464
Loss on fair valuation of treasury notes and bonds	16,429	37,725
Movement in IMF RCF	(14,529)	(8,636)
(Profit)/loss on disposal of property and equipment	(326)	1,781
	(160,748)	3,614,379

34. Related parties

Gross advances made during the year:

Heads of Departments	Car loans	2,734	91
	Housing loans	1,608	-
	Personal loans	6,261	4,349
	Comprehensive insurance	112	41

Balances due at end of December:

Heads of Departments	Car loans	5,287	5,075
	Furniture loans	-	8
	Housing loans	1,582	865
	Personal loans	12,364	8,978
	Comprehensive insurance	50	35

Interest charged for the period:

Heads of Departments	Car loans	145	156
	Furniture loans	-	2
	Housing loans	26	39
	Personal loans	201	177
	Comprehensive insurance	2	2

The loans to Executive Directors (Governors) and other key management (Heads of Department) 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 M16,885,000 (2024: M32,242,495) for car 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.

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	2025 M' '000	2024 M' '000
34. Related parties (continued)		
Mortgages amounting to M65,835,000 (2024: M60,754,659) were registered with the Bank's attorneys and life cover policies ceded to the Bank.		
During the year terminal benefits amounting to M2,697,000 (2024: M3,262,390) were paid to key management staff while accrued benefits payable upon termination amount to M11,043,740 (2024: 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.		
Executive Director's remuneration	8,820	8,367
Key management remuneration	22,172	20,629
	30,992	28,996
Non - Executive Directors emoluments		
Directors fees	2,117	2,149
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.		
Government deposits	8,299,541	6,709,698
Dividends due to Government of Lesotho	336,110	172,622
Government projects accounts	301,364	368,307
	8,937,015	7,250,627

35. Financial assets by category

The financial assets have been categorised as follows:

2025	Amortised cost	Fair value through OCI	Fair value through profit or loss	Total
	M' '000	M' '000	M' '000	M' '000
Cash and cash equivalents	8,483,752	-	-	8,483,752
Investment in Swift	546	-	-	546
Treasury notes and bonds	-	4,441,289	1,932,686	6,373,975
Treasury bills at amortised cost	1,184,407	-	-	1,184,407
IMF subscription account	1,586,623	-	-	1,586,623
IMF holding of Special Drawing Rights (SDR)	3,414,911	-	-	3,414,911
Loans and advances	214,980	-	-	214,980
	14,885,219	4,441,289	1,932,686	21,259,194
2024	Amortised cost	Fair value through OCI	Fair value through profit or loss	Total
	M' '000	M' '000	M' '000	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

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Notes to the Financial Statements

35. Financial assets by category (continued)

Gains and losses per financial instrument category 2025

	Amortised cost M' '000	FV through P/L M' '000	FV through OCI M' '000	Total M' '000
Interest income	615,809	-	340,203	956,012
Interest treasury bills and SDR holdings	-	143,076	-	143,076
Gain/(losses) on financial instruments	-	39,245	(7,807)	31,438
Subtotal	615,809	182,321	332,396	1,130,526
	615,809	182,321	332,396	1,130,526

Gains and losses per financial instrument category 2024

	Amortised 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/(losses) on financial instruments	-	47,210	(703)	46,507
Subtotal	605,101	172,888	283,472	1,061,461
	605,101	172,888	283,472	1,061,461

36. Financial liabilities by category

The financial liabilities have been categorised as follows:

2025

	At amortised cost M' '000	Total M' '000
Notes and coins issued	2,168,294	2,168,294
Deposits	692,938	692,938
Lesotho Government deposits	8,299,541	8,299,541
IMF Maloti currency holding	1,294,904	1,294,904
IMF Special Drawing Rights allocation	2,268,061	2,268,061
Government project accounts	301,364	301,364
IMF Rapid Credit Facility	265,043	265,043
Trade and other payables	124,765	124,765
Dividends due to Government of Lesotho	336,110	336,110
	15,751,020	15,751,020

2024

	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 project 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

2025

Interest expense per financial instrument category

	Amortised cost M' '000	Total M' '000
Interest expense	(74,795)	(74,795)

2024

Interest expense per financial instrument category

	Amortised cost M' '000	Total M' '000
Interest expense	(108,403)	(108,403)

Central Bank of Lesotho

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37. 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.

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.

Central Bank of Lesotho

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Notes to the Financial Statements

37. Financial instruments and risk management (continued)

Currency 2025

Currency risk

Cash and balances with banks

	Value of Currency '000	Exchange Rate	Maloti Equivalent M' '000
South Africa	5,623,581	1.0000	5,623,581
United States	113,623	16.5369	1,878,969
Botswana	116	1.1868	138
England	1,919	22.2704	42,743
European Union	48,123	19.4402	935,514
IMF	150,231	22.7310	3,414,912

Treasury notes and bonds

	Value of Currency '000	Exchange Rate	Maloti Equivalent M' '000
South Africa	2,830,862	1.0000	2,830,862
United States	214,252	16.5369	3,543,064

Treasury bills

	Value of Currency '000	Exchange Rate	Maloti Equivalent M' '000
United States	21,898	16.5369	362,130
South Africa	822,277	1.0000	822,277

Currency 2024

Cash and balances with banks

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

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.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Notes to the Financial Statements

37. Financial instruments and risk management (continued)

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 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 counterparties 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 are rated BB+. Despite this, the Bank still invests in ZAR bonds 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.

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).

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

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37. Financial instruments and risk management (continued)

Credit risk analysis

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

2025

Cash	Carrying amount M' '000	Maximum exposure M' '000	Held in Denomination	Type of collateral held	Credit rating
ZAR	338,185	338,185	ZAR	none	n/a
USD	4,293	4,293	USD	none	n/a
GBP	45	45	GBP	none	n/a
EUR	228	228	EUR	none	n/a
	342,751	342,751			
Current and call accounts	Carrying amount M' '000	Maximum exposure M' '000	Held in Denomination	Type of collateral held	Credit rating
ABSA Maloti Repatriation	17,546	17,546	ZAR	none	BBB-
ABSA Credit Card	973	973	ZAR	none	BBB-
B.I.S	7	7	GBP	none	Supranational
B.I.S	128	128	USD	none	Supranational
B.I.S	20	20	EUR	none	Supranational
Bank of England	38,379	38,379	GBP	none	AA-
Bank of N.Y	698	698	USD	none	AA-
Bank of N.Y	7,001	7,001	ZAR	none	AA-
Crown Agents	119	119	GBP	none	BB
Crown Agents	128	128	USD	none	BB
Deutsche Bankers trust	20,760	20,760	USD	none	A-
Deutsche Bundersbank	831,000	831,000	EUR	none	AAA
Federal Reserve Bank of N.Y	111,232	111,232	USD	none	AA+
International Monetary Fund Holdings	3,414,912	3,414,912	SDR	none	Supranational
Standard Chartered Botswana	138	138	BWP	none	A-
Standard Chartered London	4,193	4,193	GBP	none	A-
Deutsche Bank AG Euro	6,659	6,659	EUR	none	A
Cash at Bank-USD CBL	1,165	1,165	USD	none	B
Special Rand Deposit & CPD	1,990,837	1,990,837	ZAR	none	BB
SARB SIRESS	123,213	123,213	ZAR	none	BB
	6,569,108	6,569,108			
Fixed deposits	Carrying amount M' '000	Maximum exposure M' '000	Held in Denomination	Type of collateral held	Credit rating
ABSA	504,570	504,570	ZAR	none	BBB-
African Import-Export Bank	331,718	331,718	USD	none	BBB
B.I.S	331,079	331,079	USD	none	Supranational
Deutsche Bank AG Frankfurt	332,258	332,258	USD	none	A
ICBC ASIA	448,709	448,709	USD	none	A+
Investec	585,243	585,243	ZAR	none	BB-
NedBank	402,870	402,870	ZAR	none	BB-
Standard Chartered Bank	171,903	171,903	USD	none	BB-
Standard Bank PLC	80,249	80,249	USD	none	A-
Standard Bank PLC	604,861	604,861	ZAR	none	A-
World Bank RAMP	44,650	44,650	USD	none	AAA
Rand Merchant Investment Bank	496,645	496,645	ZAR	none	BB
Standard Bank South Africa	551,635	551,635	ZAR	none	BB
Bank of International Settlements (B.I.S)	97,607	97,607	EUR	none	Supranational
	4,983,997	4,983,997			

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Notes to the Financial Statements

37. 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	822,277	822,277	ZAR	none	BB
US T Bills	329,659	329,659	USD	none	AA+
US Treasury	32,471	32,471	USD	none	AA+
	1,184,407	1,184,407			

Treasury notes and bonds	Carrying amount M' '000	Maximum exposure M' '000	Held in Denomination	Type of collateral held	Credit rating
South Africa	2,830,862	2,830,862	ZAR	none	BB
United States-RAMP	1,932,669	1,932,669	USD	none	AA+
United States-Internally Managed	1,610,394	1,610,394	USD	none	AA+
	6,373,925	6,373,925			

Loans to staff	Carrying amount M' '000	Maximum exposure M' '000	Held in Denomination	Type of collateral held	Credit rating
Housing loans	65,836	65,836	LSL	Title deeds	n/a
Car loans	31,911	31,911	LSL	Terminal benefits	n/a
Personal loans and comprehensive insurance	117,233	117,233	LSL	Terminal benefits	n/a
	214,980	214,980			

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	USD	none	Supranational
B.I.S	7	7	GBP	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	649	649	USD	none	A
Crown Agents	181	181	GBP	none	BB
Bank of N.Y (RAMP)	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			

Central Bank of Lesotho

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37. 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+
B.I.S	188,979	188,979	USD	none	Supranational
Deutsche Bank AG Frankfurt	379,214	379,214	USD	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	Ba3/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			

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	Terminal benefits	n/a
Furniture loans	50	50	LSL	Terminal benefits	n/a
Personal loans and comprehensive insurance	99,459	99,459	LSL	Terminal benefits	n/a
	192,506	192,506			

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

BBB - An obligator that has adequate capacity to meet its financial commitments, however adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

BB - An obligor rated is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitments.

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 (or 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.

Central Bank of Lesotho

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37. Financial instruments and risk management (continued)

Credit quality per class of financial assets - 2025

	Stage 1 M' '000	Stage 2 M' '000	Stage 3 M' '000	Total M' '000
Treasury notes and bonds	1,593,460	2,783,880	-	4,377,340
Accrued interest	16,967	46,982	-	63,949
FVOCI instruments	1,610,427	2,830,862	-	4,441,289

	Stage 1 M' '000	Stage 2 M' '000	Stage 3 M' '000	Total M' '000
Cash and cash equivalents	8,483,752	-	-	8,483,752
Treasury bills at amortised cost	1,184,407	-	-	1,184,407
IMF subscription account	1,586,623	-	-	1,586,623
IMF holding of Special Drawing Rights (SDR)	3,414,911	-	-	3,414,911
Loans and advances	214,979	-	-	214,979
Instruments at amortised cost	14,884,672	-	-	14,884,672
Balance as at 31 December 2025	16,495,099	2,830,862	-	19,325,961

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

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 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 recognised.

Central Bank of Lesotho

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Notes to the Financial Statements

37. Financial instruments and risk management (continued)

Expected credit loss per class of financial assets

2025	Stage 1 12-month ECL M' '000	Stage 2 Lifetime ECL M' '000	Stage 3 Lifetime ECL M' '000	Total M' '000
FVOCI instruments	-	146,205	-	146,205
Instruments at amortised cost	15,178	-	-	15,178
Balance as at 31 December 2025	15,178	146,205	-	161,383

2024	Stage 1 12-month ECL M' '000	Stage 2 Lifetime ECL M' '000	Stage 3 Lifetime ECL M' '000	Total M' '000
FVOCI instruments	-	156,020	-	156,020
Instruments at amortised cost	5,638	-	-	5,638
Balance as at 31 December 2024	5,638	156,020	-	161,658

Reconciliation of the expected credit loss allowance

2025	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 2025	5,638	156,020	-	161,658
- Instruments at amortised cost	5,638	-	-	5,638
- FVOCI instruments	-	156,020	-	156,020
Net charge for the year	9,540	(9,815)	-	(275)
- Instruments at amortised cost	9,540	-	-	9,540
- FVOCI instruments	-	(9,815)	-	(9,815)
Balance as at 31 December 2025	15,178	146,205	-	161,383

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 1 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

The ECL assessment has been enhanced through the inclusion of forward-looking factors, including macroeconomic forecasts and probability-weighted economic scenarios. The movement in ECL is mainly driven by changes in the probability of default. There were no transfers between impairment stages during the period. No financial instruments were written off, as the Bank does not have a historical practice of writing off financial assets. Furthermore, there were no modifications to contractual cash flows and no changes to estimation methodologies. The financial instruments remain classified within Stage 1 and Stage 2, as applicable.

Sensitivity analysis for the year ended 31 December 2025

The following tables show the sensitivity of both currency and foreign investment risk should the exchange rate move either +5% or -5% and the overall impact on equity. 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 2025 and 2024 financial years.

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Notes to the Financial Statements

37. Financial instruments and risk management (continued)

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.

	31 December 2025		31 December 2024	
	Portfolio level M' '000	Exchange Rate	Portfolio level M' '000	Exchange Rate
South Africa	9,276,719	1.00	9,884,802	1.00
United States	349,773	16.54	294,108	18.86
Botswana	116	1.19	191	1.35
England	1,919	22.27	2,180	23.63
European Union	48,123	19.44	33,810	19.60
IMF	150,231	22.73	99,876	23.98

	31 December 2025			31 December 2024		
	Portfolio level M'000	Portfolio level in %	Exchange Rate	Portfolio level M'000	Portfolio level in %	Exchange Rate
Base case data for currency and foreign investment risk						
Currency composition						
ZAR	9,276,719	47.68 %	1.00	9,884,802	53.31 %	1.00
USD	5,784,163	29.73 %	16.54	5,547,117	29.92 %	18.86
EUR	935,514	4.81 %	19.44	662,746	3.57 %	19.60
GBP	42,743	0.22 %	22.27	51,517	0.28 %	23.63
BWP	138	- %	1.19	259	- %	1.35
SDR	3,414,912	17.55 %	22.73	2,394,716	12.92 %	23.98
	19,454,189	100 %		18,541,157	100 %	

31 December 2025

	5% increase in exchange rate for currency and foreign investment risk		Level change in %	Exchange Rate
	Portfolio level M'000	Portfolio level in %		
Currency composition				
ZAR	9,276,719	46.47 %	-	1.00
USD	6,073,371	30.42 %	289,208	17.36
EUR	982,290	4.92 %	46,776	20.41
GBP	44,880	0.22 %	2,137	23.38
BWP	145	- %	7	1.25
SDR	3,585,657	17.96 %	170,745	23.87
	19,963,062	100 %		

Percentage change in portfolio levels in response to increase in exchange rates is 2.62%.

31 December 2024

	5% increase in exchange rate for currency and foreign investment risk		Level change in %	Exchange Rate
	Portfolio level M'000	Portfolio level in %		
Currency composition				
ZAR	9,884,802	52.10 %	-	1.00
USD	5,824,472	30.70 %	277,355	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 %		

Percentage change in portfolio levels in response to increase in exchange rates is 2.33%.

Central Bank of Lesotho

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37. Financial instruments and risk management (continued)

31 December 2025

5% decrease in exchange rate for currency and foreign investment risk Currency composition	Portfolio level	Portfolio level	Level change	Exchange
	M'000	in %	M'000	Rate
ZAR	9,276,719	48.97 %	-	1.00
USD	5,494,955	29.00 %	(289,208)	15.71
EUR	888,739	4.69 %	(46,775)	18.47
GBP	40,605	0.21 %	(2,138)	21.16
BWP	131	- %	(7)	1.13
SDR	3,244,166	17.12 %	(170,746)	21.59
	18,945,315	100 %		

Percentage change in portfolio levels in response to decrease in exchange rates is -2.62%.

31 December 2024

5% decrease in exchange rate for currency and foreign investment risk Currency composition	Portfolio level	Portfolio level	Level change	Exchange
	M'000	in %	M'000	Rate
ZAR	9,884,802	54.59 %	-	1.00
USD	5,269,761	29.10 %	(277,356)	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 %	(119,735)	22.78
	18,108,340	100 %		

Percentage change in portfolio levels in response to decrease in exchange rates is -2.33%.

Interest rate risk

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

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates +/-1% (2024: +/-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.

31 December 2025

	Cash	0 to 6 Months	6 months to 1	1 year to 5	More than 5	Total
	M' '000	M' '000	year M' '000	years M' '000	years M' '000	M' '000
ZAR	2,477,756	4,397,204	822,277	1,104,114	475,368	9,276,719
USD	138,403	2,435,367	911,168	2,299,126	100	5,784,164
EUR	837,907	97,607	-	-	-	935,514
GBP	42,743	-	-	-	-	42,743
SDR	3,415,050	-	-	-	-	3,415,050
	6,911,859	6,930,178	1,733,445	3,403,240	475,468	19,454,190

31 December 2024

	Cash	0 to 6 Months	6 months to 1	1 year to 5	More than 5	Total
	M' '000	M' '000	year M' '000	years M' '000	years 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
SDR	2,394,976	-	-	-	-	2,394,976
	7,831,527	5,137,392	898,347	3,235,618	1,438,273	18,541,157

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37. Financial instruments and risk management (continued)

31 December 2025

Base case yields

	0 to 6 Months	6 months to 1 year	1 year to 5 years	More than 5 years
ZAR	6.52 %	6.97 %	8.57 %	9.81 %
USD	4.07 %	3.48 %	3.81 %	4.40 %
EUR	2.15 %	2.05 %	- %	- %
GBP	4.12 %	3.69 %	- %	- %
SDR	3.59 %	3.88 %	- %	- %

31 December 2024

Base case yields

	0 to 6 Months	6 months to 1 year	1 year to 5 years	More than 5 years
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 %	- %	- %
SDR	3.59 %	3.88 %	- %	- %

31 December 2025

100 Basis points increase in yields

	0 to 6 Months	6 months to 1 year	1 year to 5 years	More than 5 years
ZAR	7.52 %	7.97 %	9.57 %	10.81 %
USD	5.07 %	4.48 %	4.81 %	5.40 %
EUR	3.15 %	3.05 %	- %	- %
GBP	5.12 %	4.69 %	- %	- %
SDR	- %	4.88 %	- %	- %

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
ZAR	8.28 %	9.74 %	9.24 %	12.23 %
USD	6.12 %	6.02 %	5.56 %	5.35 %
EUR	4.46 %	4.29 %	- %	- %
GBP	6.14 %	6.05 %	- %	- %
SDR	- %	4.88 %	- %	- %

31 December 2025

100 basis points decrease in yields

	0 to 6 Months	6 months to 1 year	1 year to 5 years	More than 5 years
ZAR	5.52 %	5.97 %	7.57 %	8.81 %
USD	3.07 %	2.48 %	2.81 %	3.40 %
EUR	1.15 %	1.05 %	- %	- %
GBP	3.12 %	2.69 %	- %	- %
SDR	2.59 %	2.88 %	- %	- %

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
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 %	- %	- %
SDR	2.59 %	2.88 %	- %	- %

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Notes to the Financial Statements

37. Financial instruments and risk management (continued)

31 December 2025

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	286,698	57,313	94,623	46,634	-
USD	99,119	31,663	87,597	4	-
EUR	2,099	-	-	-	-
	-	-	-	-	705,749

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	Nominal Income
	M' '000	M' '000	M' '000	M' '000	M' '000
ZAR	176,291	25,181	86,095	161,549	-
USD	123,264	30,652	101,853	-	-
EUR	-	-	-	-	-
	-	-	-	-	704,883

31 December 2025

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	317,265	65,535	90,998	41,606	-
USD	115,546	32,985	62,980	9	-
EUR	3,075	-	-	-	-
	-	-	-	-	729,999

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	82,578	127,474	-
USD	141,697	32,440	88,702	-	-
EUR	-	-	-	-	-
	-	-	-	-	701,468

31 December 2025

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	256,130	49,090	98,247	51,661	-
USD	82,693	30,341	112,214	5	-
EUR	1,122	-	-	-	-
	-	-	-	-	681,504

Sensitivity: For a 1 percentage increase in yields, income increases by 3%
For a 1 percentage decrease in yields, income decreases by 3%.

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	89,612	195,623	-
USD	104,830	28,864	114,587	-	-
EUR	-	-	-	-	-
	-	-	-	-	707,881

Sensitivity: For a 1 percentage increase in yields, income decreases by 0.5%
For a 1 percentage decrease in yields, income increases by 0.4%.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Notes to the Financial Statements

37. Financial instruments and risk management (continued)

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.

As at year end the financial liabilities redeemable on demand 's fair value approximates the carrying amounts.

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).

31 December 2025

Financial assets	Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing after 1 year but within 5 years	Maturing after 5 years	Total
	M' '000	M' '000	M' '000	M' '000	M' '000	M' '000	M' '000
Cash and balances with banks	6,959,307	1,616,236	3,290,302	-	-	-	11,865,845
Accrued interest due from Banks	-	18,848	13,970	-	-	-	32,818
	6,959,307	1,635,084	3,304,272	-	-	-	11,898,663

31 December 2025

Financial liabilities	Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing after 1 year but within 5 years	Maturing after 5 years	Total
	M' '000	M' '000	M' '000	M' '000	M' '000	M' '000	M' '000
Notes & coins issued	2,168,294	-	-	-	-	-	2,168,294
Deposits	692,938	-	-	-	-	-	692,938
Lesotho Government Deposits	8,299,541	-	-	-	-	-	8,299,541
IMF Accounts	3,828,008	-	-	-	-	-	3,828,008
Government project accounts	301,364	-	-	-	-	-	301,364
Trade and other payables	124,765	-	-	-	-	-	124,765
Dividends to Government of Lesotho	336,110	-	-	-	-	-	336,110
	15,751,020	-	-	-	-	-	15,751,020
Net liquidity gap	(8,791,713)	1,635,084	3,304,272	-	-	-	(3,852,357)

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Notes to the Financial Statements

37. Financial instruments and risk management (continued)

31 December 2024

Financial assets	Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing after 1 year but within 5 years	Maturing after 5 years	Total
	M' '000	M' '000	M' '000	M' '000	M' '000	M' '000	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

31 December 2024

Financial liabilities	Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing after 1 year but within 5 years	Maturing after 5 years	Total
	M' '000	M' '000	M' '000	M' '000	M' '000	M' '000	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.

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 prices 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.

	2025 M' '000	2024 M' '000
10% increase (in profit or loss)	193,269	213,397
10% decrease (in profit or loss)	(193,269)	(213,397)
10% increase (profit or loss and OCI net of tax)	478,048	419,620
10% decrease (profit or loss and OCI net of tax)	(478,048)	(419,620)

Central Bank of Lesotho

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	2025 M' '000	2024 M' '000
38. 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	1,932,686	2,133,974
Fair value through OCI		
Treasury notes and bonds	4,441,289	3,460,966
	6,373,975	5,594,940
Total	6,373,975	5,594,940

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

Recurring fair value measurements

Assets

Financial assets at amortised cost		
Cash and cash equivalents	8,483,752	9,192,601
Deposit floaters	-	894,704
Treasury bills	1,184,407	508,525
IMF subscription account	1,586,623	1,673,596
IMF holding of Special Drawing Rights	3,414,911	2,394,719
Loans and advances	214,980	192,506
Total financial assets at amortised cost	14,884,673	14,856,651
Total	14,884,673	14,856,651

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

Financial assets		
Investment in swift	546	473
Total	546	473

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.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Notes to the Financial Statements

	2025 M' '000	2024 M' '000
38. Fair value information (continued)		
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.		
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)		
10% increase	717,319	616,988
10% decrease	586,897	504,809
39. Capital commitments		
Already approved but not yet contracted for		
Buildings	2,000	-
Vehicles, furniture and equipment	10,585	-
Total capital expenditure approved, but not yet contracted for	12,585	-

These capital commitments will be funded from internal resources.

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2025

Notes to the Financial Statements

40. Global market recap analysis

Global monetary policy in 2025 was shaped by a broad but uneven easing cycle. Major central banks largely paused or slowed rate cuts as inflation decelerated but remained above targets in some regions. The European Central Bank (ECB) held its deposit rate at 2% through multiple meetings, signalling that policy was "in a good place" while acknowledging persistent uncertainty stemming from global trade tensions and geopolitical risks. Although inflation in the euro area softened to around 1.7–2.2%, the ECB emphasised a careful, data dependent stance given the strengthening euro and tariff-related uncertainties that could weigh on exports and growth.

At the same time, the U.S. Federal Reserve slowed its rate cutting cycle following three reductions in late 2024 and maintained the 3.5–3.75% federal funds rate range through its early 2026 meetings, reflecting concerns about still elevated inflation and a weakening labour market. While growth remained solid through late 2025, political tensions, uncertainty surrounding Fed leadership, and legal challenges over central bank independence created a cautious policy backdrop. Markets continued to expect further easing, but officials stressed a meeting by meeting approach as inflation risks persisted.

Heightened U.S. tariff policy continued to influence global markets. A series of tariff expansions across 2025 raised effective import duties to historically high levels, generating uncertainty for firms and trading partners, despite several modifications and exemptions later in the year. Although these tariffs did not produce the severe economic drag some economists expected, they contributed to persistent inflation pressures and tighter long term planning conditions globally.

In South Africa, the South African Reserve Bank (SARB) kept the repo rate at 6.75%, with a split vote reflecting mounting global uncertainty and mixed domestic conditions. Growth showed signs of improvement, supported by stronger household consumption, a firmer rand, and lower oil prices, while inflation moved closer to the SARB's new 3% objective. Despite these supportive conditions, investment remained fragile, and the Bank maintained a cautious stance, emphasising data dependence and balanced inflation risks.

Portfolio implications
The evolving interest rate environment had mixed effects on the Bank's investment portfolio. As major central banks slowed or paused easing, money market yields remained relatively attractive, though gradually declining as rate expectations adjusted downward through late 2025. Bond portfolios benefited from price gains driven by lower policy rates earlier in the cycle and by investors seeking duration amid expectations of continued easing, particularly as some central banks were projected to remain on hold before cutting further.

However, floating rate instruments began to see reduced expected returns as markets priced in additional cuts for 2026, incentivising investors globally to shift toward longer dated fixed income assets, thereby diminishing the relative yield on shorter term deposits. These shifts aligned with global patterns in which easing cycles tend to compress returns on liquidity focused instruments.

Sensitivity analysis continues to show that a 500 basis point movement in exchange rates would raise (or lower) reserves by $\pm 2.58\%$, while a 100 basis point change in interest rates would reduce (or increase) reserves by approximately -0.33% / $+0.33\%$, with the ZAR sub portfolio contributing nearly 71% of rate related valuation changes. This underscores the persistent importance of exchange rate volatility and South Africa's macro financial environment in influencing reserve dynamics.

41. Going concern

The financial statements of the Central Bank of Lesotho (the Bank) for the year ended 31 December 2025 are prepared on a going concern basis. The 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 (interest) earned from the official international reserves that it has been endowed with the mandate of managing.

With revenue generated from investment of foreign reserves, as shown in the 2026 approved annual budget, the Bank is expected to sustain its operations in the coming year. It is anticipated that the Bank will continue to yield a positive outcome based on the budget estimates, the projected revenue is able to absorb all anticipated costs for the year 2026.

The Bank's revenue is projected to decrease to M952.2 million in 2026, as compared to 2025 actual revenue of M1,099 million. The projected revenue is able to absorb all anticipated costs for the year 2026.

The Bank's operational expenditure budget for 2026 amounts to M869.7 million and its related revenue is M952.2 million resulting in a budgeted surplus of M82.5 million.

This confirms that the Bank will be able to continue with its operations for the year 2026, as all projected operational expenditure, including non-cash expenditure, fall within 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 the Board of Directors do not have knowledge of any matter that may have bearing on the going concern of the Bank.