

# Central Bank of Lesotho



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## Financial Statements

**For the year ended 31 December 2024**

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# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## General Information

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<b>Nature of business and principal activities</b>	Statutory body duly continuing in existence in terms of the Central Bank of Lesotho Act No. 2 of 2000
<b>Registered office</b>	Cnr Airport & Moshoeshoe Roads Maseru 100 Lesotho
<b>Auditors</b>	Moteane Quashie & Associates and SNG Grant Thornton
<b>Secretary</b>	Mr. N. Rantsane (Adv.)
<b>Lawyer</b>	Webber & Newdigate N.T. Ntaote Chambers

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

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# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Corporate Governance Report

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

### Report for the year

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

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

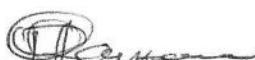
The Board is collectively responsible for the execution of the mandate of the Bank as stated in the Central Bank of Lesotho Act. No. 2 of 2000 (the Act). The Board sets the Bank's strategy, oversees its execution and provides leadership for the successful delivery of the statutory mandate and for the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

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

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

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

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



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Adv. N. Rantsane  
Secretary to the Board

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Audit Committee Report

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### Introduction

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

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

### Governance issues

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

### Activities covered in 2024

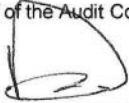
The Committee considered and transmitted to the Board the following items:

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

### Conclusion

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

On behalf of the Audit Committee



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Mrs. R. Tlali  
Chairperson of the Audit Committee

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Directors' Responsibilities and Approval

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

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

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

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

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

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



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Dr. E.M Letete  
Governor



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Mr. M. Letsoela  
Director

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Directors' Report

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

### 1. Review of financial results and activities

#### Nature of business

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

#### Financial results

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

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

31 December 2024

M' '000  
(172,622)

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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. P.L Mohapi	June, 2022	First Deputy Governor	
Vacant	Vacant	Second Deputy Governor	
Mrs. K. Thabane (Adv)	June, 2018	Non-Executive Director	Term Expired Monday, 16 June 2024
Mr. M. Letsoela	June, 2019	Non-Executive Director	
Prof. R. Thamae	September, 2020	Non-Executive Director	
Mrs. R. Tlali	February, 2021	Non-Executive Director	
Mr. O. 'Nte	February, 2021	Non-Executive Director	
Dr M. Kulelile	June, 2024	Non Executive Director	Appointed Tuesday, 18 June 2024

#### Changes in responsibilities

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

### 5. Secretary

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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Directors' Report (continued)

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### 6. Events after the reporting period

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

### 7. Auditors

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

### 8. Financial Reporting Framework

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

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 2024

## Directors' Report (continued)

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### 8.3 Profits and General Reserves (continued)

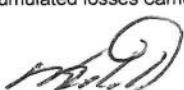
(5) "No deduction authorized under subsections (2), (3) and (4) shall be required to be made nor shall any payment be made under subsection (5) if, in the judgement of the Board, the assets of the Bank are, or after the deduction or payment, will be, less than the sum of its liabilities and minimum paid-up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

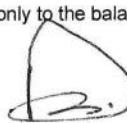
(8) "If in any financial year there are accumulated losses carried forward from previous years and which losses have not yet been replenished by the Government in the manner indicated in subsection (8), the final profit of that year shall be allocated in priority to the cancellation of such accumulated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



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Dr. E.M Letete  
Governor  
26 March 2025



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Mrs. R.Tlali  
Director  
26 March 2025

**Independent auditors' report**

**To the shareholder of the Central Bank of Lesotho**

**Report on the audit of the financial statements**

*Opinion*

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

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

*Basis for opinion*

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

*Emphasis of matter*

*Basis of preparation*

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

*Other Information*

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

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Moteane, Quashie & Associates Chartered Accountants and Management Consultants Plot 582 Hooilo, 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](http://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-grantthornton.co.za](http://www.sng-grantthornton.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 Bank's directors are responsible for the preparation and presentation of the financial statements in accordance with the Bank's accounting policies and the requirements of the Central Bank of Lesotho Act No.2 of 2000, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

*Auditor's responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

MoteaneQuashie & As

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

SizweNtsalubaGobodo Grant Thornton Inc.

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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Statement of Financial Position as at 31 December 2024

		2024	2023
	Note(s)	M' '000	M' '000
<b>Assets</b>			
Cash and cash equivalents	2	9,192,601	5,143,180
Deposit floaters & fixed deposits	3	894,704	783,887
Investment in Swift	4	473	474
Treasury notes and bonds	5	5,594,940	5,371,483
Treasury bills at amortised cost	6	508,525	623,331
IMF subscription account	7	1,673,596	1,725,295
IMF holding of Special Drawing Rights (SDR)	8	2,394,719	2,206,877
Currency inventory	10	92,511	58,821
Loans and advances	11	192,506	165,766
Other assets	12	35,221	32,945
Property and equipment	13	874,836	860,999
Intangible assets	14	17,319	32,777
Tax receivable	23	12,921	-
Deferred tax	28	11,828	25,798
<b>Total Assets</b>		<b>21,496,700</b>	<b>17,031,633</b>
<b>Equity and Liabilities</b>			
<b>Liabilities</b>			
Notes and coins issued	15	2,183,450	2,399,728
Deposits	16	949,829	371,970
Lesotho Government deposits	17	6,709,698	2,499,333
Government project accounts	18	368,307	265,540
IMF Maloti currency holding	19	1,366,558	1,911,423
IMF Special Drawing Rights allocation	20	2,392,387	2,461,688
IMF Rapid Credit Facility	22	279,572	288,208
Taxation payable	23	-	80,481
Dividends due to Government of Lesotho	24	172,622	151,276
Trade and other payables	25	80,560	126,787
Long-term employee benefit obligation	26	139,581	116,368
<b>Total Liabilities</b>		<b>14,642,564</b>	<b>10,672,802</b>
<b>Equity</b>			
Share capital	29	100,000	100,000
General reserve		393,085	358,560
Rand compensation reserve		1,306,208	1,198,854
SDR revaluation reserve		108,247	109,630
Foreign exchange revaluation reserve		4,694,937	4,473,380
Property revaluation reserve		17,358	16,274
Bond revaluation reserve		78,281	46,247
Loss allowance for debt investments at FVTOCI		156,020	55,886
<b>Total Equity</b>		<b>6,854,136</b>	<b>6,358,831</b>
<b>Total Equity and Liabilities</b>		<b>21,496,700</b>	<b>17,031,633</b>

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2024 M' '000	2023 M' '000
Interest income	30	1,014,954	854,572
Interest expense	31	(108,403)	(112,727)
<b>Net interest income</b>		<b>906,551</b>	<b>741,845</b>
Other income	32	110,965	111,514
<b>Total income</b>		<b>1,017,516</b>	<b>853,359</b>
Expected credit (losses)/gains on financial assets		(104,871)	(43)
Operating costs and expenses	33	(623,938)	(548,948)
<b>Operating profit</b>		<b>288,707</b>	<b>304,368</b>
Actuarial (losses)/gains on long term employee benefits	26	(5,442)	3,376
<b>Profit/loss before taxation</b>		<b>283,265</b>	<b>307,744</b>
Tax expense	34	(76,118)	(126,213)
<b>Profit for the year</b>		<b>207,147</b>	<b>181,531</b>

### Other comprehensive income:

#### Net change in fair value of debt financial assets measured at fair value through other comprehensive income (FVOCI)

Net change in expected credit loss (ECL)	100,134	(6,491)
Net change in fair value	32,034	81,689
<b>Net movement</b>	<b>132,168</b>	<b>75,198</b>

#### Property revaluation

Increase/(decrease) in property revaluations	1,447	(167,131)
Tax effect	(363)	(56,588)
<b>Net movement</b>	<b>1,084</b>	<b>(223,719)</b>

#### Rand compensation

Increase in reserve	107,354	109,606
Tax effect	-	-
<b>Net movement</b>	<b>107,354</b>	<b>109,606</b>
Other comprehensive income/(losses) for the period net of taxation	240,606	(38,915)
<b>Total comprehensive income for the year</b>	<b>447,753</b>	<b>142,616</b>

## Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

### Statement of Changes in Equity

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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Statement of Changes in Equity

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### 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 2024

### Statement of Cash Flows

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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Accounting Policies

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### 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 shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

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

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

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

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

Item	Depreciation method	Rates
CBL buildings	Straight line	1%
CBL and Lehakoe land		Nil
Lehakoe buildings	Straight line	1%
Residential land and buildings	Straight line	1%
Housing furniture	Straight line	5%
Office furniture	Straight line	5%
Motor vehicles	Straight line	20%
Office equipment	Straight line	10%
IT equipment	Straight line	20%
Lehakoe furniture	Straight line	5%
Sports/ Music equipment	Straight line	10%
Housing equipment	Straight line	10%
Security equipment	Straight line	10%

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Accounting Policies

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### 1.1 Property and equipment (continued)

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Property and equipment is derecognised when economic benefits arising from them are no longer expected.

### 1.2 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

Intangible assets are 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.

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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 2024

## Accounting Policies

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### 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.

Long-term employee benefits include:

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

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

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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Accounting Policies

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### 1.5 Employee benefits (continued)

#### (d) Accrual for leave pay

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

### 1.6 Provisions

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

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

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

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

### 1.7 Revenue

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

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

### 1.8 Translation of foreign currencies

#### (a) Functional and presentation

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

#### (b) Transactions and balances

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

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

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

### 1.9 Impairment of non-financial assets

The carrying amounts of the Bank's non financial 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.

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Accounting Policies

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

### 1.10 Loans and advances

Claims on staff represent aggregate advances to staff.

### 1.11 Currency inventory

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

### 1.12 Dividend distribution

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

### 1.13 Notes and coins

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

### 1.14 IMF holding of Special Drawing Rights and IMF subscription account

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

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

### 1.15 IMF funded PRGF advances

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

### 1.16 General reserve

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

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

### 1.17 Rand compensation reserve

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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Accounting Policies

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### 1.18 Foreign exchange revaluation reserve account

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

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

### 1.19 SDR revaluation reserve

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

### 1.20 Property revaluation reserve

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

### 1.21 Bond revaluation reserve

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

### 1.22 Financial risk management

#### (a) Market risk

##### (i) Foreign exchange risk

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

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

##### (ii) Interest rate risk

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

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

##### (iii) Price risk

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

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

#### (b) Credit risk

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

#### (c) Liquidity risk

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

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Refer to the Risk Management statements on pages 47 to 61.

### 1.23 IMF currency holding account

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

### 1.24 Critical accounting estimates and judgements

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

#### *Critical accounting estimates and assumptions*

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

##### *(a) Employee benefits*

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

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

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

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

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

##### *(b) Fair values*

The following bases are used in determining fair value:

###### *i) Balances due to and from banks*

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

###### *(c) Impairment of fair value through other comprehensive income and amortised cost financial assets*

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

### 1.25 Financial instruments

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

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

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

# Central Bank of Lesotho

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## Accounting Policies

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### 1.25 Financial instruments (continued)

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

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

#### 1.25.1 Financial assets

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

Specifically:

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

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

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

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

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

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

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

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

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

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

#### Financial assets at FVTPL

Financial assets at FVTPL are:

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

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

#### Foreign exchange gains and losses

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

# Central Bank of Lesotho

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## Accounting Policies

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### 1.25 Financial instruments (continued)

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

#### Impairment of financial assets

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

- Loans and advances;
- Debt investment securities;
- Deposits at other institutions;
- Loan commitments issued;

No impairment loss is recognised on equity investments.

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.

#### 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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Accounting Policies

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### 1.25 Financial instruments (continued)

- 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.

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.

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Accounting Policies

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### 1.25 Financial instruments (continued)

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

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

#### Write-off

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

#### 1.25.2 Financial liabilities and equity

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

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

#### Equity instruments

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

#### Other financial liabilities

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

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

#### Derecognition of financial liabilities

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

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 2024

## Accounting Policies

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### 1.26 Standards and interpretations not yet effective

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

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

### 1.27 Related Parties

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

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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

	2024 M' '000	2023 M' '000
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### 2. Cash and cash equivalents

Cash and cash equivalents consist of:

<b>Cash and balances with banks</b>		
Cash on hand	2,380	3,706
Bank balances	302,529	373,328
Short-term deposits	41,006	17,257
<b>Total cash and balances with banks</b>	<b>345,915</b>	<b>394,291</b>
<b>Current and call accounts</b>		
Foreign banks	743,260	307,743
South African banks	4,397,603	1,884,635
<b>Total current and call accounts</b>	<b>5,140,863</b>	<b>2,192,378</b>
<b>Fixed deposits</b>		
Foreign banks	1,677,480	1,525,312
Interest accrued	33,981	32,101
South African banks	2,000,000	1,000,000
Expected credit loss for cash and cash equivalents	(5,638)	(902)
<b>Total fixed deposits (with maturity shorter than 3 months)</b>	<b>3,705,823</b>	<b>2,556,511</b>
<b>Total cash and cash equivalents</b>	<b>9,192,601</b>	<b>5,143,180</b>

### 3. Deposit floaters & fixed deposits

South African banks	400,000	600,000
Foreign banks	494,704	183,887
	<b>894,704</b>	<b>783,887</b>

### 4. Investment in Swift

Investment in Swift shares	473	474
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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.

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## Notes to the Financial Statements

	2024 M' '000	2023 M' '000
<b>5. Treasury notes and bonds</b>		
<b>2024</b>		
US bonds at fair value	2,117,472	969,112
ZAR bonds at fair value	-	2,440,888
US bonds accrued interest	16,502	8,916
ZAR bonds accrued interest	-	42,050
	<b>2,133,974</b>	<b>3,460,966</b>
	<b>5,594,940</b>	
<b>2023</b>		
US bonds at fair value	1,874,585	1,019,249
ZAR bonds at fair value	-	2,405,939
US bonds accrued interest	15,747	8,193
ZAR bonds accrued interest	-	47,770
	<b>1,890,332</b>	<b>3,481,151</b>
	<b>5,371,483</b>	
<b>6. Treasury bills at amortised cost</b>		
<b>Treasury bills</b>		
Treasury bills at amortised cost	508,525	623,331
The Treasury bills are debt securities issued by the South African Government and United States Treasury Department for a term of one year and are treated as securities at amortised cost. All treasury bills are subject to interest rate risk ranging from 5.09%-5.57%.		
<b>7. IMF subscription account</b>		
Balance at beginning of year	1,725,295	1,589,772
Exchange revaluation	(51,699)	135,523
<b>Balance at end of year</b>	<b>1,673,596</b>	<b>1,725,295</b>
A member's subscription to IMF resources is equal to its quota and determines the maximum amount of financial resources the member is obliged to provide to the IMF. A member must pay its subscription in full. A country must pay 25% of its quota in widely accepted foreign currencies or SDRs, and the remaining 75% in its own currency.		
The quota also defines a member's voting power in IMF decisions. The Kingdom of Lesotho has been a member of the IMF since 25th July 1968. As fiscal agent of the GOL, the Bank is authorized to carry out all operations and transactions with IMF.		
The Lesotho Government's Quota in the International Monetary Fund (IMF) is SDR 69,800,000 in 2024. The local currency equivalent of the subscription account in the statement of financial position is converted at the rate of 0.04170660000 (2023: SDR 69,800,000 at 0.040470500000).		
<b>8. IMF holding of Special Drawing Rights (SDR)</b>		
Balance at beginning of year	2,206,877	1,594,810
Net transactions - (decrease) / increase in rights	162,596	523,572
Exchange revaluation	25,246	88,495
<b>Balance at end of year</b>	<b>2,394,719</b>	<b>2,206,877</b>
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.		

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

	2024 M' '000	2023 M' '000
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### 8. IMF holding of Special Drawing Rights (SDR) (continued)

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

### 9. IMF funded PRGF advances

Balance at beginning of year	38,810	
Paid during the year	(41,156)	
Exchange revaluation	2,346	
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>

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

### 10. Currency inventory

Balance at beginning of year	58,821	44,991
Currency issued	(23,085)	(20,495)
Currency addition	56,775	34,325
<b>Balance at end of year</b>	<b>92,511</b>	<b>58,821</b>

### 11. Loans and advances

Housing loans	60,755	59,131
Car loans	32,242	31,067
Furniture loans	50	479
Personal loans and comprehensive insurance	99,459	75,089
<b>192,506</b>	<b>165,766</b>	

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

### 12. Other assets

Other prepayments	24,778	20,075
Other receivables	5,511	8,976
Commemorative coins	4,932	3,894
<b>35,221</b>	<b>32,945</b>	

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

**Notes to the Financial Statements**

**13. Property and equipment**

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

## Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

### Notes to the Financial Statements

#### 13. Property and equipment (continued)

##### Reconciliation of property and equipment - 2024

	Opening balance M'000	Additions M'000	Cost of disposals M'000	Accumulated depreciation on disposal M'000	Other changes, movements *	Depreciation M'000	Revaluation excess M'000	Total M'000
CBL buildings	433,470	21,726	-	-	-	(10,144)	1,373	446,425
CBL and Lehakoe land	10,225	-	-	-	-	-	-	10,225
Lehakoe buildings	95,617	-	-	-	-	(2,263)	183	93,537
Residential land and buildings	21,282	-	-	-	-	(236)	(109)	20,937
Housing furniture	53	-	(185)	172	-	(15)	-	25
Office furniture	11,020	2,736	(1,062)	968	(2,323)	(858)	-	10,481
Motor vehicles	2,909	5,742	(8,889)	8,475	-	(1,716)	-	6,521
Office equipment	25,605	66	(57,520)	55,540	(15)	(6,053)	-	17,623
Office computers	23,519	6,483	(12,507)	12,190	(2,897)	(7,550)	-	19,238
Lehakoe furniture	624	-	(160)	148	-	-	-	-
Sports/music equipment	2,672	5,789	(14,020)	13,596	(1,716)	(150)	-	462
Housing equipment	19	-	(350)	339	-	(651)	-	5,670
Security equipment	6,803	2,838	(27,710)	26,803	(3,088)	(8)	-	-
Work in progress	227,181	25,674	-	-	(13,385)	(1,444)	-	4,202
	<b>860,999</b>	<b>71,054</b>	<b>(122,403)</b>	<b>118,231</b>	<b>(23,404)</b>	<b>(31,088)</b>	<b>1,447</b>	<b>874,836</b>

**Central Bank of Lesotho**  
Financial Statements for the year ended 31 December 2024

**Notes to the Financial Statements**

**13. Property and equipment (continued)**

**Reconciliation of property and equipment - 2023**

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

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

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

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

	Cost Analysis M'000	Revalued Amount M'000
CBL building	636,643	446,425
LRCC building	22,000	93,537
Residential building	1,312	20,937

**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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

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### 13. Property and equipment (continued)

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

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

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

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

### 14. Intangible assets

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

#### Reconciliation of intangible assets - 2024

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

#### Reconciliation of intangible assets - 2023

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

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

### 15. Notes and coins issued

Notes	2,146,905	2,365,535
Coins	36,545	34,193
	<b>2,183,450</b>	<b>2,399,728</b>

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.

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

	2024 M' '000	2023 M' '000
<b>16. Deposits</b>		
<b>Deposits from Banks &amp; Large Financial Cooperatives - Non-interest bearing</b>		
Banks	938,882	365,849
Large financial cooperatives	1,077	1,077
<b>Other Deposits - Non-interest bearing</b>		
International institutions	806	787
Parastatals and others	9,064	4,257
	<b>949,829</b>	<b>371,970</b>

### 17. Lesotho Government deposits

<b>Government deposits</b>		
Government deposits	6,709,698	2,499,333

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

### 18. Government project accounts

<b>Government project accounts</b>		
Government project accounts	368,307	265,540

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

### 19. IMF Maloti currency holding

<b>Securities account</b>	238,469	748,217
General resources account	1,128,089	1,163,206
	<b>1,366,558</b>	<b>1,911,423</b>

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

### 20. IMF Special Drawing Rights allocation

<b>Balance at beginning of year</b>	2,461,688	2,272,562
Exchange revaluation	(69,301)	189,126
<b>Balance at end of year</b>	<b>2,392,387</b>	<b>2,461,688</b>

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

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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

	2024 M' '000	2023 M' '000
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### 21. IMF PRGF facility

Balance at beginning of year	38,810	
Paid during the year	(41,157)	
Exchange revaluation	2,347	
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>

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

The facility was settled on 30 September 2023.

### 22. IMF Rapid Credit Facility

Balance at beginning of year	288,208	265,569
Exchange revaluation	(8,636)	22,639
<b>Balance at end of year</b>	<b>279,572</b>	<b>288,208</b>

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

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

### 23. Taxation receivable/ (payable)

Balance at beginning of year	(80,481)	1,081
Paid during the year	166,823	14,374
Current year charge	(73,422)	(95,936)
<b>Balance at end of year</b>	<b>12,920</b>	<b>(80,481)</b>

### 24. Dividends due to Government of Lesotho

Balance at beginning of year	151,276	28,449
Paid during the year	(151,276)	(28,449)
Profit appropriation for the current year	172,622	151,276
<b>Balance at end of year</b>	<b>172,622</b>	<b>151,276</b>

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.

#### Profit after tax appropriates as follows:

Profit/(loss) after tax & after actuarial (loss)/gain on long term employee benefits	207,146	181,532
Profit after tax net of gain on foreign exchange activities	207,146	181,532
Transfer to General Reserve	(34,524)	(30,256)
<b>Balance at end of year</b>	<b>172,622</b>	<b>151,276</b>

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

	2024 M' '000	2023 M' '000
<b>25. Trade and other payables</b>		
Various accruals	37,876	85,294
Divisional cheque accounts	104	1,047
Other	39,331	37,475
Accrued leave pay	3,249	2,971
	<b>80,560</b>	<b>126,787</b>

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.

## 26. Long term employee benefit obligation

### Provision for severance pay

Opening obligation	27,450	24,807
Interest cost	3,667	3,114
Current service cost	3,528	3,200
Actuarial (gain)/ loss on employee benefits	1,227	(817)
Benefits paid	(2,686)	(2,854)
	<b>33,186</b>	<b>27,450</b>

### Provision for gratuity

Opening obligation	88,918	83,498
Interest cost	11,800	9,896
Current service cost	17,483	14,027
Actuarial (gain)/ loss on employee benefits	4,149	4,043
Benefits paid	(15,956)	(22,546)
	<b>106,394</b>	<b>88,918</b>
	<b>139,580</b>	<b>116,368</b>

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

### Key assumptions

Discount rates	11.82 %	13.16 %
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### Sensitivity analysis 2024

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

### Sensitivity analysis 2023

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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

	2024 M' '000	2023 M' '000
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### 27. Post-employment retirement fund benefits

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

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

#### Financial position of the scheme

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

The plan assets were invested in the following assets as at 31 December 2022 per the actuarial valuation:

#### Investment

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

#### Assumptions

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

#### Assumption

Discount rate	12.30 %	12.30 %
Price inflation	7.30 %	7.30 %
Salary increases	8.30 %	8.30 %
Pension increases	- %	- %
Pre-retirement real rate	3.69 %	3.69 %
Post-retirement real rate	12.30 %	12.30 %
Pre-retirement mortality	125%*SA56/62	125%*SA56/62
Post-retirement mortality	a(55)	a(55)
Commutation	25.00 %	25.00 %

Discount rate is considered to be the only significant assumption.

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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

	2024 M' '000	2023 M' '000
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### 28. Deferred tax

#### Deferred tax asset

Deferred tax asset	11,828	25,798
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The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement, therefore they have been offset in the statement of financial position as follows:

Deferred tax asset	11,828	25,798
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#### Reconciliation of deferred tax asset

At beginning of year	25,798	83,979
Movement in profit or loss	(2,696)	(30,278)
Movement in equity	(11,274)	(27,903)
	<b>11,828</b>	<b>25,798</b>

#### Reconciliation of deferred tax asset

Accelerated capital allowance for tax purposes	(3,830)	(2,841)
Liabilities for health care benefits accrued	26,932	56,543
Bond/unit trust revaluation reserve	(10,912)	28,684
Property revaluation reserve	(362)	(56,588)
	<b>11,828</b>	<b>25,798</b>

#### Recognition of deferred tax asset

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

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

### 29. Share capital

<b>Authorised</b>		
Authorised capital	100,000	100,000
<b>Issued</b>		
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

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

	2024 M' '000	2023 M' '000
<b>30. Interest income</b>		
<b>Interest income</b>		
Foreign currency deposits	605,101	458,833
Interest treasury bills and SDR holdings	125,678	125,541
Debt instrument at fair value through other comprehensive income and profit or loss	284,175	270,198
<b>Total interest income</b>	<b>1,014,954</b>	<b>854,572</b>
<b>Interest income reconciliation</b>		
Total Interest income	1,014,954	854,572
Less Accrued interest Cash and cash equivalents	(33,981)	(32,100)
Less Accrued interest US bonds	(25,418)	(23,940)
Less: Accrued interest ZAR bonds	(42,050)	(47,770)
Add: Prior year interest Cash and cash equivalents	32,100	19,493
Add: Prior year interest US bonds	23,940	13,213
Add: Prior year interest ZAR bonds	47,770	68,412
<b>Interest income actually received</b>	<b>1,017,315</b>	<b>851,880</b>
<b>31. Interest expense</b>		
Interest on non-financial Public Enterprises	103	90
IMF SDR allocation account	108,300	112,637
<b>Total interest expense</b>	<b>108,403</b>	<b>112,727</b>
Since the implementation of Reserves Management System, the Bank has adopted the effective interest methodology on its securities.		
<b>32. Other income</b>		
Other rental income	324	-
Profit on sale of bonds	25,478	4,983
Interest on staff loans (amortised cost)	3,287	2,774
Lehakoe income	28,089	21,625
Other income	8,358	5,319
Gain on instruments at fair value through profit or loss	47,210	76,813
Loss/profit on sale of fixed assets	(1,781)	-
<b>110,965</b>	<b>111,514</b>	

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.

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

	2024 M' '000	2023 M' '000
<b>33. Operating costs and expense per nature</b>		
Administration and other expenses	170,420	130,155
Auditors remuneration	2,560	2,697
Currency printing and minting	23,086	20,213
Computer software amortisation	17,066	12,684
Depreciation	31,088	34,549
Property and equipment maintenance expenses	31,115	43,059
Loss on sale of other instruments	2,464	18,489
Loss on fair valuation of treasury notes and bonds	37,725	17,823
<b>Personnel costs:</b>		
Staff welfare expenses	43,863	31,725
Non-executive directors' fees	2,149	1,737
Executive directors' salaries	8,367	7,443
Key management (heads of departments)	20,629	17,267
Staff salaries and expenses	187,678	164,047
Pension fund contributions	9,250	8,168
Gratuity and severance pay (interest and service cost)	36,478	38,892
	<b>623,938</b>	<b>548,948</b>

### 34. Tax expense

#### Major components of the tax expense

##### Current and deferred

Local income tax - current period	76,118	126,213
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#### Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Statutory tax rate	25.00 %	25.00 %
<b>Permanent differences:</b>		
Donations	0.33 %	0.25 %
Entertainment	0.13 %	0.06 %
Training expenses additional	(0.79)%	0.67 %
Other	2.20 %	15.03 %
<b>Effective tax rate</b>	<b>26.87 %</b>	<b>41.01 %</b>

Accounting profit	288,707	304,369
Add: Permanent differences disallowed for tax purposes	11,688	8,216
Add: Temporary differences disallowed for tax purposes	(6,706)	71,156
<b>Taxable profit</b>		
	<b>293,689</b>	<b>383,741</b>

Taxation @ 25% (2023: 25%)	73,422	95,935
Deferred tax expense	2,696	30,278
	<b>76,118</b>	<b>126,213</b>

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.

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

	2024 M' '000	2023 M' '000
<b>36. Related parties</b>		
<b>Gross advances made during the period:</b>		
Heads of Departments		
Car loans	91	1,929
Personal loans	4,349	5,190
Comprehensive insurance	41	82
<b>Balances due at end of December:</b>		
Heads of Departments		
Car loans	5,075	5,285
Furniture loans	8	41
Housing loans	865	1,475
Personal loans	8,978	6,913
Comprehensive insurance	35	67
<b>Interest charged for the period:</b>		
Heads of Departments		
Car loans	156	116
Furniture loans	2	1
Housing loans	39	38
Personal loans	177	122
Comprehensive insurance	2	1
The loans issued to Executive Directors (Governors) and other key management (Heads of Departments) personnel during the year are repayable monthly and have interest rates of 3% per annum.		
The Bank, requires and accordingly has the following as collateral:		
-Terminal benefits to the tune of M32,242,495.82 for car, furniture and personal loans.		
-Title deeds, insurance cover and registered mortgages in relation to housing loans.		
Further, all long term loans are covered by insurance policies to ensure recoveries in instances of death of employees.		
Mortgages amounting to M60,754,659 (2023: M59,130,748) were registered with the Bank's attorneys and life cover policies ceded to the Bank.		
During the year terminal benefits amounting to M3,262,390 (2023: M2,674,326) were paid to key management staff while accrued benefits payable upon termination amount to M13,178,864.		
Annual remuneration to Executive Directors and key management includes basic salaries, car allowances, housing allowances and utilities allowances, medical aid and group life assurance.		
Executive Director's remuneration	8,367	7,443
Key management remuneration	20,629	17,267
	<b>28,996</b>	<b>24,710</b>
<b>Non - Executive Directors emoluments</b>		
Directors fees	2,149	1,737
The Bank is wholly owned by the Government of Lesotho. These are related parties with the Government as the Bank also acts as a Banker to the Government.		
Government deposits	6,709,698	2,499,333
Dividends due to Government of Lesotho	172,622	151,276
Government projects accounts	368,307	265,540
	<b>7,250,627</b>	<b>2,916,149</b>

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

### 37. Financial assets by category

The financial assets have been categorised as follows:

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
	<b>14,857,124</b>	<b>3,460,966</b>	<b>2,133,974</b>	<b>20,452,064</b>

2023

	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	5,143,180	-	-	5,143,180
Deposit floaters	783,887	-	-	783,887
Investment in Swift	474	-	-	474
Treasury notes and bonds	-	3,481,151	1,890,332	5,371,483
Treasury bills at amortised cost	623,331	-	-	623,331
IMF subscription account	1,725,295	-	-	1,725,295
IMF holding of Special Drawing Rights (SDR)	2,206,877	-	-	2,206,877
Loans and advances	165,766	-	-	165,766
	<b>10,648,810</b>	<b>3,481,151</b>	<b>1,890,332</b>	<b>16,020,293</b>

### Gains and losses per financial instrument category 2024

Interest income  
Interest treasury bills and SDR holdings  
Gain on instruments at FVTPL

Subtotal

Amortised cost	FV through P/L	FV through OCI	Total
M' '000	M' '000	M' '000	M' '000
605,101	-	284,175	889,276
-	125,678	-	125,678
-	47,210	-	47,210
<b>605,101</b>	<b>172,888</b>	<b>284,175</b>	<b>1,062,164</b>
<b>605,101</b>	<b>172,888</b>	<b>284,175</b>	<b>1,062,164</b>

### Gains and losses per financial instrument category 2023

Interest income  
Interest treasury bills and SDR holdings  
Gain on instruments at FVTPL

Subtotal

Amortised cost	FV through P/L	FV through OCI	Total
M' '000	M' '000	M' '000	M' '000
458,833	-	270,198	729,031
-	125,541	-	125,541
-	76,813	-	76,813
<b>458,833</b>	<b>202,354</b>	<b>270,198</b>	<b>931,385</b>
<b>458,833</b>	<b>202,354</b>	<b>270,198</b>	<b>931,385</b>

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

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### 38. Financial liabilities by category

The financial liabilities have been categorised as follows:

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 projects accounts	368,307	368,307
IMF Rapid Credit Facility	279,572	279,572
Trade and other payables	80,560	80,560
Dividends due to Government of Lesotho	172,622	172,622
	<b>14,502,983</b>	<b>14,502,983</b>

2023

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

2024

Gains and losses per financial instrument category

Interest expense

Amortised cost  
M' '000  
(108,403)

2023

Gains and losses per financial instrument category

Interest expense

Amortised cost  
M' '000  
(112,727)

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

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### 39. Financial instruments and risk management

#### Financial risk management

##### General risk management

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

##### Management structures

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

##### Risk elements

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

###### Operational risk

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

###### Human resource risk

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

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

###### 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 discusses 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

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

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### 39. Financial instruments and risk management (continued)

#### Currency 2024

##### Currency risk

##### 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

#### Currency 2023

##### Cash and balances with banks

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

##### Treasury notes and bonds

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

##### Treasury bills

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

##### 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 2024

## Notes to the Financial Statements

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

#### Implementation of ECL model

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

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

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 2024

## Notes to the Financial Statements

### 39. 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.

2024

	Carrying amount M' '000	Maximum exposure M' '000	Held in Denomination	Type of collateral held	Credit rating
<b>Cash</b>					
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
	<b>296,036</b>	<b>296,036</b>			
<b>Current and call accounts</b>					
ABSA Maloti Repatriation	12,617	12,617	ZAR	none	BB-
ABSA Credit Card	1,071	1,071	ZAR	none	BB-
B.I.S	140	140	GBP	none	Supranational
B.I.S	7	7	USD	none	Supranational
B.I.S	20	20	EUR	none	Supranational
Bank of England	45,908	45,908	GBP	none	AA-
Bank of N.Y	754	754	USD	none	A
Bank of N.Y (RAMP)	649	649	USD	none	A
Crown Agents	181	181	GBP	none	BB
Crown Agents	146	146	USD	none	BB
Deutsche Bankers trust	22,385	22,385	USD	none	A
Deutsche Bundesbank	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
	<b>7,842,917</b>	<b>7,842,917</b>			
<b>Fixed deposits</b>					
ABSA	405,223	405,223	ZAR	none	BB-
African Import-Export Bank	381,259	381,259	USD	none	BBB+
BIS	188,979	188,979	USD	none	Supranational
Deutsche Bank AG Frankfurt	379,214	379,214	ZAR	none	A-
ICBC ASIA	498,356	498,356	USD	none	A+
Investec	405,065	405,065	ZAR	none	BB-
NedBank	201,132	201,132	ZAR	none	Ba2/P-2
Standard Chartered Bank	286,003	286,003	USD	none	A+
Standard Bank PLC	87,655	87,655	USD	none	BBB+
Standard Bank PLC	503,547	503,547	ZAR	none	BBB+
World Bank RAMP	54,703	54,703	USD	none	Supranational
Rand Merchant Investment Bank	455,503	455,503	ZAR	none	BB-
Standard Bank South Africa	452,101	452,101	ZAR	none	BB-
	<b>4,298,740</b>	<b>4,298,740</b>			
<b>Treasury bills</b>					
ZAR T Bills	288,034	288,034	ZAR	none	BB-
US T Bills	220,491	220,491	USD	none	AA+
	<b>508,525</b>	<b>508,525</b>			

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

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### 39. Financial instruments and risk management (continued)

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+
	<b>5,594,941</b>	<b>5,594,941</b>			
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
	<b>192,506</b>	<b>192,506</b>			
<b>2023</b>					
Cash	Carrying amount M' '000	Maximum exposure M' '000	Held in Denomination	Type of collateral held	Credit rating
ZAR	374,770	374,770	ZAR	none	n/a
USD	3,453	3,453	USD	none	n/a
GBP	44	44	GBP	none	n/a
EUR	209	209	EUR	none	n/a
	<b>378,476</b>	<b>378,476</b>			

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

### 39. Financial instruments and risk management (continued)

Current and call accounts	Carrying amount M' '000	Maximum exposure M' '000	Held in Denomination	Type of collateral held	Credit rating
ABSA	50	50	ZAR	none	Ba2/P-2
ABSA Maloti Repatriation	16,752	16,752	ZAR	none	Ba2/P-2
ABSA Credit Card	1,630	1,630	ZAR	none	Ba2/P-2
B.I.S	7	7	GBP	none	Supranational
B.I.S	129	129	USD	none	Supranational
B.I.S	20	20	EUR	none	Supranational
Bank of England	42,951	42,951	GBP	none	Aa3/P-1
Bank of N.Y	41,634	41,634	USD	none	A1/P-1
Bank of N.Y Mellon	52,500	52,500	ZAR	none	A1/P-1
Bank of N.Y (RAMP)	13,369	13,369	USD	none	A1/P-1
Crown Agents	203	203	GBP	none	B BB
Crown Agents	4,296	4,296	USD	none	B BB
Deutsche Bankers trust	121,053	121,053	USD	none	Baa1/P-1
Deutsche Bundesbank	21,323	21,323	EUR	none	Aaa
Federal Reserve Bank of N.Y	148,558	148,558	USD	none	AA+
First Rand	106	106	ZAR	none	Baa3/P-3
International Monetary Fund Holdings	2,206,880	2,206,880	SDR	none	Supranational
Investec Bank	104	104	ZAR	none	Baa3/P-3
NedBank	33	33	ZAR	none	Baa2/P-2
Special Rand Deposit	263,966	263,966	ZAR	none	Baa3/P-3
Standard Bank	94	94	ZAR	none	Baa3/P-3
Standard Chartered Botswana	86	86	BWP	none	A2
Standard Chartered London	5,047	5,047	GBP	none	A1/P-1
South African Reserve Bank	1,595,404	1,595,404	ZAR	none	Baa3/P-3
	<b>4,536,195</b>	<b>4,536,195</b>			
Fixed deposits	Carrying amount M' '000	Maximum exposure M' '000	Held in Denomination	Type of collateral held	Credit rating
ABSA	201,587	201,587	ZAR	none	Ba2/P-2
African Import-Export Bank	372,334	372,334	USD	none	Baa1/P-2
BIS	186,052	186,052	ZAR	none	Supranational
ICBC ASIA	470,652	470,652	USD	none	A1/P-1
Investec	405,387	405,387	ZAR	none	Ba2/P-2
Standard Bank PLC	81,052	81,052	USD	none	Baa3/P-3
Standard Bank PLC	508,100	508,100	ZAR	none	Baa3/P-3
Sumitomo Mitsui USD	469,080	469,080	USD	none	A-
Rand Merchant Investment Bank	251,762	251,762	ZAR	none	BB-
Standard Bank South Africa	251,804	251,804	ZAR	none	BB-
	<b>3,197,810</b>	<b>3,197,810</b>			
Treasury bills	Carrying amount M' '000	Maximum exposure M' '000	Held in Denomination	Type of collateral held	Credit rating
ZAR T Bills	409,051	409,051	ZAR	none	Ba2/P-2
RAMP T Bills	214,280	214,280	ZAR	none	BB-
	<b>623,331</b>	<b>623,331</b>			
Treasury notes and bonds	Carrying amount M' '000	Maximum exposure M' '000	Held in Denomination	Type of collateral held	Credit rating
South Africa	2,453,709	2,453,709	ZAR	none	Ba2/P-3
United States-RAMP	15,746	15,746	USD	none	Aaa
United States-Internally Managed	2,902,028	2,902,028	USD	none	Aaa
	<b>5,371,483</b>	<b>5,371,483</b>			

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

### 39. Financial instruments and risk management (continued)

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

All financial assets were fully performing at year end.

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

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

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

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

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

P-2 - Issuers (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.

### 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
<b>FVOCI instruments</b>	<b>978,028</b>	<b>2,482,938</b>	-	<b>3,460,966</b>
	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
<b>Instruments at amortised cost</b>	<b>14,856,652</b>	-	-	<b>14,856,652</b>
<b>Balance as at 31 December 2024</b>	<b>15,834,680</b>	<b>2,482,938</b>	-	<b>18,317,618</b>

### Credit quality per class of financial assets - 2023

	Stage 1 M' '000	Stage 2 M' '000	Stage 3 M' '000	Total M' '000
Treasury notes and bonds	1,019,249	2,405,939	-	3,425,188
Accrued interest	8,193	47,770	-	55,963
<b>FVOCI instruments</b>	<b>1,027,442</b>	<b>2,453,709</b>	-	<b>3,481,151</b>
	Stage 1 M' '000	Stage 2 M' '000	Stage 3 M' '000	Total M' '000
Cash and cash equivalents	5,143,180	-	-	5,143,180
Deposit floaters	783,887	-	-	783,887
Treasury bills at amortised cost	623,331	-	-	623,331
IMF subscription account	1,725,295	-	-	1,725,295
IMF holding of Special Drawing Rights (SDR)	2,206,877	-	-	2,206,877
Loans and advances	165,765	-	-	165,765
<b>Instruments at amortised cost</b>	<b>10,648,335</b>	-	-	<b>10,648,335</b>
<b>Balance as at 31 December 2023</b>	<b>11,675,777</b>	<b>2,453,709</b>	-	<b>14,129,486</b>

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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

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### 39. Financial instruments and risk management (continued)

#### Loans and advances

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

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

Car loans - Registration documents are held under the custody of the Bank until fully paid.

Housing loans - The Bank holds mortgage bonds until the loans are settled.

Car loans vehicles can be sold enabling the Bank to recover the outstanding amount in the event of default.

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

#### Expected credit loss per class of financial assets

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

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

#### Reconciliation of the expected credit loss allowance

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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

### 39. Financial instruments and risk management (continued)

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

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

### Sensitivity analysis for the year ended 31 December 2024

The following tables 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 2024 and 2023 financial years.

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

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

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

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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

### 39. Financial instruments and risk management (continued)

#### 31 December 2024

##### 5% increase in exchange rate for currency and foreign investment risk

###### Currency composition

	Portfolio level M' '000	Portfolio level in %	Level change	Exchange Rate
ZAR	9,884,802	52.10 %	-	1.00
USD	5,824,472	30.70 %	277,356	19.80
EUR	695,884	3.67 %	33,138	20.58
GBP	54,093	0.29 %	2,576	24.82
BWP	272	- %	13	1.42
SDR	2,514,452	13.25 %	119,736	25.18
	<b>18,973,975</b>	<b>100 %</b>		

#### 31 December 2023

##### 5% increase in exchange rate for currency and foreign investment risk

###### Currency composition

	Portfolio level M' '000	Portfolio level in %	Level change	Exchange Rate
ZAR	6,786,812	46.89 %	-	1.00
USD	5,295,901	36.59 %	252,186	19.31
EUR	22,629	0.16 %	1,078	21.37
GBP	50,663	0.35 %	2,413	24.57
BWP	91	- %	5	1.44
SDR	2,317,224	16.01 %	110,344	25.91
	<b>14,473,320</b>	<b>100 %</b>		

%Change 1.08%

#### 31 December 2024

##### 5% decrease in exchange rate for currency and foreign investment risk

###### Currency composition

	Portfolio level M' '000	Portfolio level in %	Level change	Exchange Rate
ZAR	9,884,802	54.59 %	-	1.00
USD	5,269,761	29.10 %	(277,355)	17.92
EUR	629,609	3.48 %	(33,137)	18.62
GBP	48,941	0.27 %	(2,576)	22.45
BWP	246	- %	(13)	1.29
SDR	2,274,981	12.56 %	(119,736)	22.78
	<b>18,108,340</b>	<b>100 %</b>		

#### 31 December 2023

##### 5% decrease in exchange rate for currency and foreign investment risk

###### Currency composition

	Portfolio level M' '000	Portfolio level in %	Level change	Exchange Rate
ZAR	6,786,812	49.39 %	-	1.00
USD	4,791,529	34.87 %	(252,186)	17.47
EUR	20,474	0.15 %	(1,078)	19.34
GBP	45,838	0.33 %	(2,413)	22.23
BWP	82	- %	(4)	1.30
SDR	2,096,536	15.26 %	(110,344)	23.44
	<b>13,741,271</b>	<b>100 %</b>		

%Change -2.11%.

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

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### 39. Financial instruments and risk management (continued)

#### Interest rate risk

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

31 December 2024

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

31 December 2023

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

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 %	- %	- %
Other	3.59 %	3.88 %	- %	- %

31 December 2023

#### Base case yields

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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

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### 39. Financial instruments and risk management (continued)

31 December 2024

#### 100 Basis points increase in yields

	0 to 6 Months year	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 %	5.65 %	5.35 %
EUR	4.46 %	4.29 %	- %	- %
GBP	6.14 %	6.05 %	- %	- %
Other	- %	4.88 %	- %	- %

31 December 2023

#### 100 basis points increase in yields

	0 to 6 Months year	6 months to 1 year	1 year to 5 years	More than 5 years
ZAR	8.86 %	8.91 %	6.00 %	10.96 %
USD	6.46 %	4.32 %	5.85 %	5.09 %
EUR	4.08 %	6.30 %	- %	- %
GBP	5.33 %	5.71 %	- %	- %
Other	- %	4.88 %	- %	- %

31 December 2024

#### 100 basis points decrease in yields

	0 to 6 Months year	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 %	- %	- %
Other	2.59 %	2.88 %	- %	- %

31 December 2023

#### 100 basis points decrease in yields

	0 to 6 Months year	6 months to 1 year	1 year to 5 years	More than 5 years
ZAR	6.86 %	6.91 %	4.00 %	8.96 %
USD	4.46 %	2.32 %	3.85 %	3.09 %
EUR	2.08 %	4.30 %	- %	- %
GBP	3.33 %	3.71 %	- %	- %
Other	2.59 %	2.88 %	- %	- %

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

### 39. Financial instruments and risk management (continued)

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	123,164	30,652	101,853	-	704,883

31 December 2023

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	147,169	60,368	53,369	77,574	-
USD	112,283	21,982	96,617	-	569,362

31 December 2024

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

31 December 2023

Nominal return in 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	143,261	34,457	(10,883)	(10,904)	-
USD	101,458	8,043	(7,566)	-	259,624

31 December 2024

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

31 December 2023

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

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

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

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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

### 39. 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.

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 2024**

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

**31 December 2024**

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

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.

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

### 39. Financial instruments and risk management (continued)

31 December 2023

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	4,896,055	1,334,399	1,831,368	-	-	-	8,061,822
Accrued interest due from banks	-	18,699	13,402	-	-	-	32,101
	<b>4,896,055</b>	<b>1,353,098</b>	<b>1,844,770</b>	-	-	-	<b>8,093,923</b>

31 December 2023

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	2,399,728	-	-	-	-	-	2,399,728
Deposits	371,970	-	-	-	-	-	371,970
Lesotho Government deposits	2,499,333	-	-	-	-	-	2,499,333
IMF accounts	4,661,319	-	-	-	-	-	4,661,319
Government project accounts	265,540	-	-	-	-	-	265,540
Trade and other payables	126,787	-	-	-	-	-	126,787
Dividends due to Government of Lesotho	151,276	-	-	-	-	-	151,276
	<b>10,475,953</b>	-	-	-	-	-	<b>10,475,953</b>
Net liquidity gap	(5,579,898)	1,353,098	1,844,770	-	-	-	(2,382,030)

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

#### 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.

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

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

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### 40. Fair value information

#### Levels of fair value measurements

##### Level 1

#### Recurring fair value measurements

##### Assets

###### Fair value through profit or loss

Treasury notes and bonds	2,133,974	1,890,332
<b>Financial assets at fair value through OCI</b>		
Treasury notes and bonds	3,460,966	3,481,151
<b>Total</b>	<b>5,594,940</b>	<b>5,371,483</b>

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	9,192,601	5,143,181
Deposit floaters	894,704	783,887
Treasury bills	508,525	623,331
IMF subscription account	1,673,596	1,725,295
IMF holding of Special Drawing Rights	2,394,719	2,206,877
Loans and advances	192,506	165,765
<b>Total financial assets at amortised cost</b>	<b>14,856,651</b>	<b>10,648,336</b>
<b>Total</b>	<b>14,856,651</b>	<b>10,648,336</b>

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).

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

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### 40. Fair value information (continued)

#### Level 3

##### Recurring fair value measurements

###### Assets

Financial assets	473	474
Investment in Swift		

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

###### Non-financial assets

Property and equipment	560,899	550,369
<b>Total</b>	<b>561,372</b>	<b>550,843</b>

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

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

###### Valuation processes applied by the Bank

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

###### Inputs into the valuation:

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

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

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

The Bank uses the estimated rental for vacant land.

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	616,988	605,406
10% decrease	504,809	495,332

# Central Bank of Lesotho

Financial Statements for the year ended 31 December 2024

## Notes to the Financial Statements

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### 41. Events after the reporting period

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

### 42. Going concern

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

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