



## **GOVERNOR'S OPENING REMARKS**

### **Financial Stability Seminar**

#### ***Geo-Political Risk-Implications for Financial Stability***

**LRCC**

**Tuesday 19<sup>th</sup> May 2026**

**His Majesty King Letsie III**

**The Right Honourable Prime Minister**

**Honourable Minister of Finance**

**Their Excellencies Heads of Diplomatic Mission and International Organisations**

**Principal Secretary of the Ministry of Finance**

**First Deputy Governor and Board of Directors of the Central Bank of Lesotho**

**Financial Industry Captains**

**Senior Government Officials Here Present**

**Heads of Parastatals and Private Institutions**

**Senior Management of the Central Bank of Lesotho**

**Members of Academia and Civil Society Organisations**

**Members of the Media**

**Distinguished Guests**

**Sechaba sa Basotho**

**Bo-Mme le Bo-Ntate**

**Good Morning**

It is a pleasure to welcome you to the inaugural Central Bank of Lesotho's Financial Stability Seminar, an event which we are planning to hold annually going forward. This Seminar is convened at a pivotal moment, when we celebrate an important milestone, the release of the tenth issue of our Financial Stability Report. It is indeed a moment of pride for us as the Bank.

## **Ladies and Gentlemen**

We have gathered to take stock of the key risks and vulnerabilities facing our financial system, to reflect on the resilience we have built, and—most importantly—to agree on practical steps to promote stability. I am, therefore, grateful for your presence and continued partnership, which are essential to safeguarding the stability of our financial system and ensuring that the financial sector supports inclusive and sustainable economic development.

Financial stability is not an abstract concept. It is the condition that enables households to save with confidence, businesses to invest and create jobs, and the payments system to function smoothly—especially during periods of stress. In a small, open economy such as ours, shocks originating beyond our borders can quickly spread through trade, commodity prices, capital flows, and investor sentiment. That reality makes disciplined surveillance, timely policy coordination, and candid dialogue with industry indispensable.

## **Ladies and Gentlemen**

The environment in which we meet remains complex. Globally, geopolitical tensions, fragmented trade conditions, commodity-price volatility, and elevated policy uncertainty continue to strain resilience. Domestically, macro-financial pressures have risen as growth has softened and financial buffers have been strained. These dynamics call for vigilance—risks can build quietly, and the costs of delayed action can be significant.

At the same time, there are strong reasons for confidence. Our core financial system remains broadly resilient, supported by robust capital and liquidity buffers and reliable financial market infrastructures. Yet resilience should not lead to complacency. The trends highlighted in the Report—rising credit risk in some portfolios, higher leverage among households and firms, vulnerabilities in parts of the non-bank financial sector, and

growing operational and cyber risks as digital finance expands—require continued attention from both regulators and industry.

### **Ladies and Gentlemen**

This year's Report also gives special attention to two issues of growing significance for Lesotho. The first is the sustained decline in global diamond prices and the channels through which it can affect export earnings, fiscal performance, and credit quality. The second is developments in the residential real estate market—an important exposure for the banking system—where rising prices alongside increasing mortgage stress warrant close monitoring. These focus areas are intended to deepen our collective understanding and support practical, risk-based policy responses.

Today's seminar is therefore an opportunity to engage openly about the risk outlook, test our assumptions, and identify priority actions—whether in strengthening underwriting standards, enhancing risk management and governance, improving data and disclosure, or reinforcing crisis preparedness and coordination across the board. The Central Bank will continue to refine its early-warning and macroprudential frameworks, but the effectiveness of these efforts depends on active collaboration with supervised institutions and other stakeholders.

Let me conclude by thanking the team that prepared the Financial Stability Report, as well as our financial-sector partners, for their ongoing engagement. I encourage all participants to contribute openly to the discussions, with a shared commitment to preserving confidence in our financial system. With those remarks, I have the honour to declare the Central Bank of Lesotho 2026 Financial Stability Seminar officially open.

**Thank you for Your Attention, Ladies and Gentlemen!!!**