Nedbank Lesotho Limited

(Registration Number I92/191)
Annual Financial Statements
for the year ended 31 December 2024

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General Information

Country of Incorporation and Domicile	Lesotho
Registration Number	I92/191
Nature of Business and Principal Activities	The bank carries out commercial banking business. The bank recorded profit after tax for the year of M120.07 million, an increase of 53% over previous year's profit after tax of M78.45 million.
Directors	Mr. Papa Sekyiamah (Chairman) Mr. Nkau Matete (Managing Director) Mr. Sebehela Selepe Mr. Ashley Sutton-Pryce Mr. Gavin Payne Mr. Tsiu Khathibe Mr. Thulo Mokete Ms Limpho Maema (Appointed 7 July 2024) Ms. Mosa Seephephe (Appointed 7 July 2024) Ms. Patricia Maqetuka (Appointed 1 April 2024)
Shareholders	Nedbank Group Limited Nedgroup Investments Africa Limited
Registered Office	115-117 Griffith Hill Kingsway Street Maseru 100
Business Address	115-117 Griffith Hill Kingsway Street Maseru 100
Postal Address	P.O Box 1001 Maseru 100
Auditors	Moores Rowland Chartered Accountants (Lesotho) Sentinel Park United Nations Road Maseru 100
Bank Secretary	Ms. Lindelwa Xingwana 115-117 Griffith Hill Kingsway Street Maseru 100

Directors' Responsibilities and Approval

The directors are required by the Companies Act no 18 of 2011 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements satisfy the international financial reporting standards with regards to form and content and present fairly the statement of financial position, results of operations and business of the bank, and explain the transactions and financial position of the business of the bank at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the bank and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial controls established by the bank and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal controls aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the bank and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the bank is on identifying, assessing, managing and monitoring all known forms of risk across the bank. While operational risk cannot be fully eliminated, the bank endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal controls provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial controls can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources, the directors have no reason to believe that the bank will not be a going concern in the foreseeable future. The annual financial statements support the viability of the bank.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their unqualified audit report is presented on pages 8 to 9.

The annual financial statements set out on pages 10 to 65 which have been prepared on the going concern basis, were approved by the directors and were signed on 20 March 2025 on their behalf by:

Sebehela Selepe **Chairperson of the Audit Committee**	Nkau Matete **Managing Director**

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 December 2024.

The audit committee is an independent statutory committee appointed by the board of directors. Further duties are delegated to the audit committee by the directors of the bank. This report includes both these sets of duties and responsibilities.

1. Audit Committee Members and Attendance

The audit committee is independent and consists of four non-executive directors. It meets at least four times per year as per the charter.

During the year under review a total of six meetings were held, four ordinary meetings and two special meetings. Attendance for ordinary meetings was per the table below.

Name of member	Designation	Designation	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Mr. Sebehela Selepe	Chairperson	Independent non-executive	Present	Present	Present	Present
Mr. Tsiu Khathibe	Member	Independent non-executive	Present	Present	Present	Present
Mr. Ashley Sutton-Pryce	Member	Independent non-executive	Present	Present	Present	Present
Ms. Limpho Maema	Member	Independent non-executive	N/A	N/A	Present	Present

The committee is satisfied that the members thereof have the required knowledge and experience as set out in the audit committee charter.

2. Role and responsibilities

The audit committee performs the duties laid upon it by the audit committee charter and section 10 of the Central Bank of Lesotho (CBL) guidelines on corporate governance for banks.

The audit committee is satisfied that it complied with its legal, regulatory or other responsibilities.

2.1 External auditors

The Audit committee has nominated Moores Rowland Chartered Accountants (Lesotho) as the independent auditors and Mr Chabeli Makoala as the designated partner, who is a chartered registered auditor, for appointment for FY2024 audit. Certain specified account balances and other audit procedures have been subcontracted to Ernst & Young, South Africa.

The committee satisfied itself through enquiry that the external auditor is independent as defined by the Companies Act no 18 of 2011 and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided by section 97 of the Companies Act no 18 of 2011 that internal governance processes within the firm support and demonstrate the claim to independence.

The audit committee in consultation with executive management, approved the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

Report of the Audit Committee

4. Financial statements

Following the review of the financial statements, the Audit committee recommend Board approval thereof.

On behalf of the Audit committee

Sebehela Selepe
Chairperson of the Audit Committee
19 March 2025

Nedbank Lesotho Limited

(Registration Number I92/191)
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Directors' Report

The directors present their report for the year ended 31 December 2024.

1. Incorporation

The Bank was incorporated on the 8th September 1992 and was re-registered as per the Companies Act no 18 of 2011 on the 01st August 2014.

The Bank is domiciled in Lesotho where it is incorporated as a public company under the Companies Act no 18 of 2011 and issued a banking licence under the Financial Institutions Act No.3 of 2012. The address of the registered office is set out on page 2.

2. Review of activities

Main business and operations
The bank carries out commercial banking business. The bank recorded profit after tax for the year of M120.07 million, an increase of 53% over previous year's profit after tax of M78.45 million driven by a surge in NII and a decline in impairments, coupled with an improvement in NIR performance.

There have been no material changes to the nature of the Bank's business from the prior year.

3. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Events after reporting date

All events subsequent to the date of the annual financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

Except for dividends declaration on paragraph 6 below, the directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the bank.

5. Authorised and issued share capital

No changes were approved or made to the authorised or issued share capital of the bank during the year under review.

	2024 M'000	2023 M'000
Authorised		
Ordinary shares	30 000	30 000
Issued		
Ordinary shares (20 000 000 at M1.00 each)	20 000	20 000
Split as follows:		
Majority Shareholder (Nedbank Group Limited)	19 999.99	19 999.99
Minority Shareholder (Nedgroup Investments Africa Limited)	0.01	0.01

Directors' Report

6. Dividend

Depending on the perceived need to retain funds for expansion or operating purposes, the board of directors may approve the payments of dividends. A dividend of M68.61 million was declared after year end for FY2024, reflecting a 53% growth from M44.83 million dividends declared and paid for FY2023.

7. Directors

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

Mr. Papa Sekyiamah (Chairman)
Mr. Nkau Matete (Managing Director)
Mr. Sebehela Selepe
Mr. Ashley Sutton-Pryce
Mr. Gavin Payne
Mr. Tsiu Khathibe
Mr. Thulo Mokete
Ms Limpho Maema (Appointed 7 July 2024)
Ms. Mosa Seephephe (Appointed 7 July 2024)
Ms. Patricia Maqetuka (Appointed 1 April 2024)

8. Holding Company

The bank's holding company is Nedbank Group Limited which holds 99.99995% (2023: 99.99995%) of the bank's equity. Nedbank Group Limited is incorporated in the Republic of South Africa. Nedgroup Investments Africa Limited, incorporated in Mauritius, holds the remaining 0.00005% in Nedbank Lesotho.

9. Shareholders

There have been no changes in ownership during the current financial year.

The shareholders and their interests at the end of the year are:

Nedbank Group Limited	99.99995%
Nedgroup Investments Africa Limited	0.00005%

10. Independent Auditors

Moores Rowland Chartered Accountants(Lesotho) were appointed as the bank's auditors at the board meeting held on Thursday, 28 March 2024. Certain specified account balances and other audit procedures have been subcontracted to Ernst & Young South Africa.

Moores Rowland

Chartered Accountants (Lesotho)

Office address:
Sentinel Park
United Nations Road
Maseru

Telephone (266) 22 313929
Email mrl@mooresrowland.co.ls
Web Mooresrowlandlesotho.com
Int.web Praxity.com

Mail
P O Box 1252
Maseru 100
Lesotho

Independent Auditor's Report

To the Shareholders of Nedbank Lesotho Limited

Opinion

We have audited the financial statements of Nedbank Lesotho Limited ("the Bank") set out on pages 10 to 65, which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB®) and in the manner required by the Lesotho Companies Act, 2011.

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 Code of Ethics for Professional Accountants (IESBA Code), and in accordance with other ethical requirements that are relevant to our audit of the financial statements in Lesotho. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Nedbank Lesotho Limited Annual Financial Statements for the year ended 31 December 2024", which includes the Directors' Responsibilities and Approval, Report of the Audit Committee and Directors' Report, which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon.

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 the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements inaccordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB®), and in the manner required by the Lesotho Companies Act, 2011 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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

- 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 overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Moores Rowland

Moores Rowland (Lesotho)
Per: C Makoala
Registered Auditor (LIA)
Sentinel Park
United Nations Road
Maseru

Lesotho

Date: 20th March 2025

Statement of Financial Position

Figures in M `000	Notes	2024	2023
Assets			
Cash and cash equivalents	11	3 548 032	3 513 825
Non-Pledged trading assets	8	94 999	142 013
Derivative assets	10	187	-
Loans and advances	9	1 730 169	1 577 607
Deferred tax assets	6	27 301	26 098
Other assets	5	341 484	658 557
Property, plant and equipment	3	66 945	61 692
Right-of-use assets	17	10 530	8 033
Intangible assets	4	14 984	8 774
Total assets		**5 834 631**	**5 996 599**
Equity and liabilities			
Equity			
Ordinary share capital	12	20 000	20 000
Reserves	13	55 702	55 702
Retained income		701 316	632 683
Total equity attributable to owners of the parent		777 018	708 385
Non-controlling interests		-	-
Total equity		**777 018**	**708 385**
Liabilities			
Current liabilities			
Current tax liabilities	7	9 694	1 400
Deposits from banks	15	1 213 231	1 874 019
Deposits from customers	15	3 402 651	3 167 618
Derivative liabilities	16	113	-
Deferred income	18	15 351	14 046
Other liabilities	14	405 328	222 083
Lease liabilities	17	11 245	9 048
Total current liabilities		**5 057 613**	**5 288 214**
Total equity and liabilities		**5 834 631**	**5 996 599**

Statement of Profit or Loss and Other Comprehensive Income

Figures in M `000	Notes	2024	2023
Interest revenue	20	556 320	429 096
Interest expense	21	(243 307)	(166 294)
Net interest income		**313 013**	**262 802**
Non-interest revenue	22	129 095	115 137
Credit impairment charges	23	(4 703)	(17 578)
Staff costs		(114 799)	(100 036)
Depreciation and amortisation		(15 758)	(16 255)
Other operating expenses	24	(150 803)	(141 277)
Profit from operating activities		**156 045**	**102 793**
Profit before tax		**156 045**	**102 793**
Income tax expense	25	(35 971)	(24 340)
Profit for the year		**120 074**	**78 453**
Other comprehensive income net of tax			
Gains on property revaluation		-	1 123
Losses on remeasurements of defined benefit plans	19	(6 610)	(6 820)
Total other comprehensive income net of tax		**(6 610)**	**(5 697)**
Total comprehensive income		**113 464**	**72 756**
Comprehensive income attributable to:			
Comprehensive income, attributable to owners of parent		113 464	72 756
Comprehensive income, attributable to non-controlling interests		-	-
		113 464	**72 756**

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Statement of Changes in Equity

Figures in M `000	Issued capital	Revaluation surplus	Other non-distributable reserve	Retained income	Total
Balance at 1 January 2023	20 000	34 579	20 000	580 698	655 277
Changes in equity					
Profit for the year	-	-	-	78 453	78 453
Re-measurement of defined benefit liability	-	-	-	(6 820)	(6 820)
Dividend recognised as distributions to shareholders	-	-	-	(19 648)	(19 648)
Revaluation of Bank properties	-	1 123	-	-	1 123
Balance at 31 December 2023	**20 000**	**35 702**	**20 000**	**632 683**	**708 385**
Balance at 1 January 2024	20 000	35 702	20 000	632 683	708 385
Changes in equity					
Profit for the year	-	-	-	120 074	120 074
Re-measurement of defined benefit liability	-		-	(6 610)	(6 610)
Dividend recognised as distributions to shareholders	-	-	-	(44 831)	(44 831)
Balance at 31 December 2024	**20 000**	**35 702**	**20 000**	**701 316**	**777 018**
Notes	**12**	**13**	**13**		

Statement of Cash Flows

Figures in M `000	Notes	2024	2023
Net cash flows (used in) / from operations	28	**(177 201)**	**1 555 674**
Interest paid		(242 573)	(166 294)
Interest received	20	556 320	429 096
Income taxes paid	7	(28 880)	(19 528)
Net cash flows from operating activities		**107 666**	**1 798 948**
Cash flows used in investing activities			
Purchase of property, plant and equipment	3	(16 238)	(5 433)
Purchase of intangible assets	4	(4 218)	(8 774)
Cash flows used in investing activities		**(20 456)**	**(14 207)**
Cash flows used in financing activities			
Repayment of lease liabilities	17	(7 437)	(8 609)
Dividend paid		(44 831)	(19 648)
Interest paid on lease liabilities	17	(734)	-
Cash flows used in financing activities		**(53 002)**	**(28 257)**
Net increase in cash and cash equivalents		**34 207**	**1 756 484**
Cash and cash equivalents at beginning of the year		3 513 825	1 757 341
Cash and cash equivalents at end of the year	**11**	**3 548 032**	**3 513 825**

Accounting Policies

1. General information

Nedbank Lesotho Limited is a public limited company incorporated and domiciled in Lesotho. The bank registered office is:

115-117 Griffith Hill
Kingsway Street
Maseru

The financial statements for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the directors on 20 March 2025.

2. Basis of preparation and summary of material accounting policies

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act No 18 of 2011.

These financial statements are presented in Maloti which is the bank's functional currency.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as in IAS 36.

Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2024 is set out below in relation to the following notes:

- Note 3 – Land and buildings are recognised at the fair value based on external valuations
- Note 6 – Deferred tax
- Note 17 – Estimation of incremental borrowing rate for IFRS 16 leases as articulated under "leases as leasee" on page 17
- Note 19 – Key assumptions by actuaries in determining the bank's obligation to the pension fund.
- Note 26 – Recognition and measurement of contingencies, key assumptions about the likelihood and magnitude of an outflow of resources
- Note 29 – Assumptions on ECL and collateral valuation
- Note 30 – Determination of the fair value of financial instruments with significant unobservable inputs

Accounting Policies

Basis of preparation and summary of material accounting policies continued...

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Property, plant and equipment

Definition

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one period (financial year).

Recognition

Property, plant and equipment is recognised as an asset when:

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

Initial measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost.

The cost of an item of property, plant and equipment includes:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Subsequent measurement - Cost model

After initial recognition, property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses. Land and buildings are recognised at the revalued amount, which is based on external valuations obtained every three years on a rotation basis for all properties. The bank has elected to adjust the carrying amount of land and buildings on revaluation. Revaluation increases are credited directly to other comprehensive income and presented in equity under the heading 'Revaluation surplus'. However, revaluation increases are recognised in profit or loss to the extent that they reverse a revaluation decrease of the same asset previously recognised in profit or loss. Revaluation decreases are recognised in profit or loss. However, decreases are debited directly to equity to the extent of any credit balance existing in the revaluation surplus in respect of the same asset.

Subsequent expenditure

Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure enhances the value or previous capacity of those assets. Repairs and maintenance not deemed to enhance the economic benefit or service potential of items of property, plant and equipment are expensed as incurred.

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Depreciation

Depreciation of an asset commences when it is available for use, and ceases at the earlier of the date that the asset is classified as held for sale, or the date that the asset is derecognised.

Basis of preparation and summary of material accounting policies continued...

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The depreciable amount of an asset is determined after deducting its residual value.

Residual values, useful lives and depreciation methods are reviewed at each financial year end. Where there are significant changes in the expected pattern of economic consumption of the benefits embodied in the asset, the relevant changes will be made to the residual values and depreciation rates, and the change will be accounted for as a change in accounting estimate.

The measurement base, useful life or depreciation rate as well as the depreciation method for all major classes of assets are as follows:

Asset class	**Useful life / depreciation rate**	**Depreciation method**
Standard Computer Equipment and Software	3 years	Straight line
Specialised Computer Equipment and Software	10 years	Straight line
Auto Teller Machine	5 years	Straight line
Motor Vehicle	6 years	Straight line
Furniture and Fittings	10 years	Straight line
Plant and Equipment	5 years	Straight line
Mechanised Equipment	5 years	Straight line
Freehold Property	50 years	Straight line
Leasehold Property	5 years	Straight line

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount. The resulting impairment loss is recognised immediately in profit or loss, except where the decrease reverses a previously recognised revaluation increase for the same asset. That being the case, the decrease is recognised in other comprehensive income to that extent and reduces the amount accumulated in equity under revaluation surplus. Future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

Where the estimated impairment loss exceeds the carrying amount of the asset to which it relates, the resulting liability is only recognised if it is required by another standard.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up are included in profit or loss when the compensation becomes receivable.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised when the asset is disposed of or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised.

Basis of preparation and summary of material accounting policies continued...

2.2 Leases as lessee

The Bank assesses whether a contract is or contains a lease, at inception of a contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the “incremental borrowing rate”.

The ‘incremental borrowing rate’ is determined as follows:
- the bank’s cost of funds
- Adjust the cost of funds with the liquidity premium used in the JIBAR Spread on Nedbank SA NCDs (Quoted on Bloomberg)
- Adjust the cost of funds with Credit Default Swaps spreads based on the country’s NGR rating

Lease payments included in the measurement of the lease liability include fixed rental payments. Any variable lease payments not included in the fixed rentals of the lease liability are classified as operating expenses

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The bank re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- the lease term has changed; or
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised borrowing rate.

The Bank made such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The bank applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Accounting Policies

Basis of preparation and summary of material accounting policies continued...

2.3 Intangible assets

Definition
An intangible asset is an identifiable non-monetary asset without physical substance. The asset is determined to be identifiable if it either is separable, or arises from contractual or other legal rights.

Recognition
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.

Initial measurement
Intangible assets are initially measured at cost.

Separately acquired assets are initially measured at their purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any directly attributable cost of preparing the asset for its intended use.
Internally generated intangible assets are recognised initially at cost, being the sum of expenditure from the date the recognition criteria for an intangible asset are met, bearing in mind the following additional criteria:
- During the research phase, no intangible asset is recognised. Expenditure on research is recognised as an expense when it is incurred.
- During the development phase, an intangible asset will be recognised only if the following can be demonstrated:
  - it is technically feasible to complete the intangible asset so that it will be available for use or sale;
  - there is an intention to complete the intangible asset and use or sell it;
  - there is an ability to use or sell the intangible asset;
  - it is possible to demonstrate how the asset will generate probable future economic benefits;
  - there are available financial, technical and other resources to complete the development of the intangible asset as well as to use or sell the intangible asset;
  - the expenditure attributable to the intangible asset during the development phase can be reliably measured.

Research or development expenditure related to an in-process research or development project acquired separately or in a business combination and recognised as an intangible asset and is incurred after the acquisition of that project is also accounted for in this way.

Expenditure on an intangible asset is recognised as an expense when it is incurred unless it is part of the cost of an intangible asset that meets the recognition criteria or if the item is acquired in a business combination and cannot be recognised as an intangible asset it is recognised as part of goodwill at the acquisition date. Expenditure on an intangible item that was initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

Subsequent measurement - Cost model
After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation

The intangible assets amortisation is allocated on a systematic basis over its useful life. Where an intangible asset has a residual value, the depreciable amount is determined after deducting its residual value.

Basis of preparation and summary of material accounting policies continued...

The residual values of intangibles assets are assumed zero unless:
- there is a commitment by a third party to purchase the asset at the end of its useful life; or
- there is an active market for the asset and:
  - residual value can be determined by reference to that market; and
  - it is probable that such a market will exist at the end of the asset's useful life.

Residual values as well as the useful lives of all assets are reviewed annually. Changes in residual values are treated as a change in estimate and treated in accordance with the relevant accounting policies.

The classification of useful lives and amortisation methods for the various classes of assets are as follows:

Asset class	Internally generated or other	Useful life classification	Useful life / amortisation rate	Amortisation method
Computer software	other	finite	10	Straight line

Impairments
The bank tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of intangible assets is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount. The resulting impairment loss is recognised immediately in profit or loss, except where the decrease reverses a previously recognised revaluation increase for the same asset in which case the decrease is recognised in other comprehensive income to that extent and reduces the amount accumulated in equity under revaluation surplus, and future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

Where the estimated impairment loss exceeds the carrying amount of the asset to which it relates, the resulting liability is only recognised if required by another standard.

Retirements and disposals
An asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal is recognised in profit or loss.

2.4 Financial instruments

Classification and recognition
Classification of a financial instrument, or its component parts takes place on initial recognition. Each instrument is classified as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

Financial assets classification
The bank classifies financial assets into the following categories:
- Financial assets subsequently measured at amortised cost
- Financial assets subsequently measured at fair value through other comprehensive income (OCI)
- Financial assets subsequently measured at fair value through profit or loss

The classification depends on the Bank's business model for managing the financial assets and the contractual terms of the cash flows.

Basis of preparation and summary of material accounting policies continued...

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminate or significantly reduces an accounting mismatch that would otherwise arise.

Business models for managing financial assets

i) Held-to-collect business model (measured at amortised cost) where the following are met
- The objective is to collect contractual cash flows over life of loan.
- There is infrequent or insignificant sales incidental to objective of business model.
- Sales consistent with objective if in response to credit deterioration (sale of non-performing loan assets).

ii) Held-to-collect-and-sell business model (measured at FVTOCI) where the following are met:
- Both collecting contractual cash flows and sales are integral to business model.
- There is more frequent and/or significant level of sales, however not trading.

iii) Held for trading purposes (measured at FVTPL) when the following are met:
- The bank holds the financial assets for trading or short-term profit taking purposes.

Financial liabilities classification

The bank classifies financial liabilities into the following categories:
- Financial liabilities subsequently measured at amortised cost
- Financial liabilities subsequently measured at fair value through profit or loss

Financial liabilities subsequently measured at amortised cost
- Financial liabilities that are not held for trading, or designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.
  The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial liabilities subsequently measured at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or designated as at FVTPL. A financial liability is classified as held for trading if:
- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking.

Basis of preparation and summary of material accounting policies continued...

Recognition of financial assets and financial liabilities

The Bank initially recognises loans and advances and deposits on the date they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

Initial measurement

Financial assets

When a financial asset is recognised initially, it is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Financial liabilities

Financial liabilities are recognised initially at fair value less transaction costs that are incremental and directly attributable to the issue of the financial liability, such as fees and commissions. The exception applies to financial liabilities that are subsequently measured at FVTPL.

Subsequent measurement

Financial assets

Debt instruments

Subsequent measurement of debt instruments depends on the bank's business model for managing the asset and cash flow characteristics of the asset. Debt instruments are subsequently measured at:

- Amortised cost: assets held only for collection of principal and interest payments
  - Interest income is included in finance income using the effective interest rate method.
  - Any gain or loss on derecognition is recognised in profit or loss and presented in other gains / (losses) together with foreign exchange gains and losses.
  - Impairment losses are presented as a separate line item in the statement of profit or loss.
- Fair value through OCI: assets held only for collection of principal and interest payments and for selling the financial assets
  - Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss.
  - When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains / (losses).
  - Interest income from these financial assets is included in finance income using the effective interest rate method.
  - Foreign exchange gains and losses are presented in other gains / (losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
  - The company's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.
  - The company elected to classify irrevocably its non-listed equity investments under this category.
- Fair value through profit or loss: assets that do not meet the criteria for amortised cost or fair value through OCI
  - A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains / (losses) in the period in which it arises.
  - The company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in OCI.
  - This category includes derivative instruments and listed equity investments which the company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Accounting Policies

Basis of preparation and summary of material accounting policies continued...

Equity instruments

All equity investments are subsequently measured at fair value.

- Fair value through OCI: elected to present fair value gains and losses on equity investments in OCI
  - There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.
  - Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.
  - Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.
- Fair value through profit or loss: assets that do not meet the criteria for amortised cost or fair value through OCI
  - Changes in the fair value are recognised in other gains / (losses) in the statement of profit or loss as applicable.

Financial liabilities

- Fair value through profit or loss: financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss
  - Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.
  - This category also includes derivative financial instruments entered into by the bank that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.
  - Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.
  - Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.
  - Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The company has not designated any financial liability as at fair value through profit or loss.
- Amortised cost: deposits and borrowings
  - After initial recognition, interest-bearing deposits and borrowings are subsequently measured at amortised cost using the effective interest rate method.
  - Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.
  - Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.
  - The effective interest rate amortisation is included as finance costs in the statement of profit or loss.
  - This category generally applies to interest-bearing deposits and borrowings.

Amortised cost measurement

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Basis of preparation and summary of material accounting policies continued...

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

Basis of preparation and summary of material accounting policies continued...

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the bank or the counterparty.

Derecognition

Financial Assets
The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any interest recognized in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all risks or rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions because the Bank retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of the financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to serve the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria.

Financial Liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Designation at Fair Value Through Profit or Loss
The Bank has designated financial assets and financial liabilities as fair value through profit and loss in either of the following circumstances:
- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise

Accounting Policies

Basis of preparation and summary of material accounting policies continued...

Impairment of financial assets

The Bank recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward -looking information.

The Bank primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. For certain revolving facilities (e.g. overdraft), the date when the facility was first entered into could be a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment.

Despite the foregoing, the Bank assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term;
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Bank considers a financial asset to have low credit risk when the asset has an rating of ‘performing’. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Bank becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Bank considers the changes in the risk that the specified debtor will default on the contract.

Definition of default

The Bank will consider financial assets to be in default when:

- The borrower is unlikely to pay its credit obligation to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held); or
- The borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

Basis of preparation and summary of material accounting policies continued...

This definition is largely consistent with the definition that will be used for regulatory purposes. In assessing whether a borrower is in default, the Bank will consider indicators that are:
- Qualitative e.g., breaches of covenant
- Quantitative e.g., overdue status and non-payment of another obligation of the same issuer to the Bank; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

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 that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event; or
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Measurement and Recognition of Expected Credit Losses

The measurement of expected credit losses is a function of the probability of default (PD), loss given default (LGD) and the exposure at default (EAD

PD are estimates at a certain date, which are calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposure. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposure and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models considers the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by physical property, loan to value (LTV) ratios are key parameters in determining LGD.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is the gross carrying amount at default. For lending commitments and financial guarantees, the EAD of a financial asset is the gross carrying amount at default, as well as potential future amounts that can be drawn or repaid under the contract which is estimated based on historical observation and forward-looking forecasts.

If the Bank has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Bank measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

Basis of preparation and summary of material accounting policies continued...

Classification of financial assets in three different stages, which determine the ECL quantification approach:
- Stage 1: Financial assets without objective evidence of impairment, for which the credit risk at reporting date has not significantly increased since initial recognition.
- Stage 2: Financial assets without objective evidence of impairment, for which the credit risk at reporting date has significantly increased since initial recognition.
- Stage 3: Financial assets with objective evidence of impairment.

Financial assets in stage 1 are subject to a 12-month ECL, i.e. ECL on possible default events in the next 12 months from the reporting date, whereas financial assets in stage 2 are subject to a (higher) lifetime ECL, i.e. ECLs on any possible default event between the reporting date and the end of the lifetime of the financial asset.

Financial assets in stage 3 are also subject to a lifetime ECL. However, ECL is based on the difference between the gross carrying amount of the asset and the present value of estimated future cash flows, including expected realisations of any security held, discounted at the original effective interest rate of the financial asset, as the asset is already in default.

Renegotiated or Modified financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follows:
- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of the impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Write Off Policy

The Bank writes off a loan, either partially or in full, and any related allowance for impairment losses, when Bank Credit determines that there is no realistic prospect of recovery. The bank may write off financial assets that are still subject to enforcement activity when there is no reasonable expectation of recovery.

2.4.1 Loans and Advances

Loans and advances to banks are classified as financial assets at amortised cost.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. When the Bank chooses to designate the loans and advances as measured at fair value through profit or loss, they are measured at fair value with face value changes recognised immediately in profit or loss.

2.4.2 Deposits

Deposits are the Bank's sources of debt funding.

Accounting Policies

Basis of preparation and summary of material accounting policies continued...

Deposits are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at FVTPL.

2.4.3 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Central Bank and highly liquid financial assets with original maturities of 3 months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

2.4.4 Non-Pledged trading assets

The ‘non-pledged trading assets’ caption in the statement of financial position include debt investment securities (treasury bills and bonds) measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

2.4.5 Other financial assets

Other financial assets are recognised initially at the fair value, including transaction costs except where the asset will subsequently be measured at fair value. This consists of debits outstanding or debit transactions that were still to be cleared to the bank's cash and cash equivalents accounts and are normally short-term in nature.

2.4.6 Derivative assets and liabilities

In the normal course of business, the Bank enters into a variety of derivative transactions for trading purposes. Derivative financial instruments are entered into for trading purposes.Derivative instruments used by the Bank in trading activities currently consists of forwards based on foreign exchange rates.

Derivatives are initially recognised at fair value. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

2.4.7 Other financial liabilities

Other financial liabilities are recognised initially at fair value less transaction costs that are incremental and directly attributable to the issue of the financial liability, such as fees and commissions. Subsequent to initial recognition, other financial liabilities are measured at amortized costs. Other financial liabilities consist of credits outstanding or credit transactions yet to be allocated to their respective general ledger accounts as at year end, and are normally short-term in nature.

2.4.8 Share Capital and Equity

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability of the bank in which they are declared and approved by shareholders. Incremental costs directly attributed to the issue of ordinary shares are recognised as a deduction from equity, net of tax effects.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the bank’s shareholders and CBL.

2.5 Impairment of Non-Financial Assets

The bank assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the bank estimates the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, the bank also:

- Tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

Basis of preparation and summary of material accounting policies continued...

- If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

- The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

- If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

- An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

- The bank assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

- A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

2.6 Taxation

Taxation expense, recognised in the statement of profit and loss and other comprehensive income, comprises both current and deferred taxation. Income or direct taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it too is recognised in equity.

Current taxation

Current taxation, recognised in the statement of profit and loss and other comprehensive income, is the expected tax payable on the taxable income for the year, using taxation rates enacted or substantively enacted as at the balance sheet date, and any adjustment to taxation payable (prior period tax paid) in respect of previous years.

Deferred taxation

Deferred taxation is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they reverse.

Deferred taxation is recognised in profit or loss for the period, except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is accounted for as acquisition. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Accounting Policies

Basis of preparation and summary of material accounting policies continued...

Deferred taxation is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will not reverse in the foreseeable future.

2.7 Provisions and contingencies

A provision is recognised when:
- there is a a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received when the obligation is settled. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions are not recognised for future operating losses.

The present obligation under an onerous contract is recognised and measured as a provision.

2.8 Employee benefits

Short-term employee benefits
The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans
Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.
Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the bank’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Accounting Policies

Basis of preparation and summary of material accounting policies continued...

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

Actuarial gains or losses within the corridor are not recognised.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the bank is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In profit or loss, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

2.9 Foreign Currency Transactions

Transactions in foreign currencies are translated into Maloti at the date of the transaction by applying the spot exchange rate ruling at the transaction date to the foreign currency amounts.

Exchange differences that arise on the settlement or translation of monetary items are recognised in profit or loss in the period that they arise.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into Maloti using the foreign exchange rates ruling at the dates when the fair values were determined.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are converted into Maloti at the spot exchange rate ruling at the date of the transaction and are not subsequently retranslated.

Exchange differences on non-monetary items are recognised consistently with the gains and losses that arise on such items. For example, exchange differences relating to an item for which gains, and losses are recognised directly in equity are recognised in equity. Conversely, exchange differences for non-monetary items for which gains, and losses are recognised in profit or loss are recognised in profit or loss.

Basis of preparation and summary of material accounting policies continued...

2.10 Interest

Interest income and expense are recognised in profit or loss using the nominal interest rate method. The effective interest rate will be used being the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank will estimate future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Interest income and expense presented in the statement of profit or loss and other comprehensive income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

2.11 Non-interest revenue

The Bank recognizes revenue to depict the transfer of goods or services to clients at an amount that the entity expects to be entitled to in exchange for those goods or services. Revenue is recognized based on the satisfaction of performance obligations, which may occur over time or at a point in time. The Bank follows this five-step process: identify the contract with a client; identify the separate performance obligations in the contract; determine the transaction price; allocate the transaction price to the separate performance obligations; and recognize revenue when (or as) each performance obligation is satisfied.

Fees and commission

The Bank earns fees and commissions from a range of services it provides to clients and these are accounted for as follows: Income earned on the execution of a significant act is recognised when the significant act has been performed.

Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service.

Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income.

Gains from securities dealings

Net trading and dealing income includes gains and losses arising from changes in the fair value of foreign currency dealings.

2.12 Financial Guarantees and Commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. ‘Loan commitments’ are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are included within other liabilities.

ECL on financial guarantees and loan commitments is measured as the present value of expected payments to reimburse the holder less any amount that the Bank expects to recover.

Notes to the Annual Financial Statements
Figures in M `000

3. Property, plant and equipment

3.1 Balances at year end and movements for the year

	Property	Motor vehicles	Furniture, fittings and equipment	Capital Work in Progress	Total
Reconciliation for the year ended 31 December 2024					
Balance at 1 January 2024					
At cost or revaluation	49 909	2 234	135 836	2 188	**190 167**
Accumulated depreciation	(8 700)	(1 652)	(118 123)	-	**(128 475)**
Carrying amount	**41 209**	**582**	**17 713**	**2 188**	**61 692**
Movements for the year ended 31 December 2024					
Acquisition of PPE	2 276	684	12 078	1 201	**16 238**
Depreciation	(680)	(185)	(7 111)	-	**(7 976)**
Increase (decrease) through transfers from work in progress	-	-	310	(1 924)	**(1 614)**
Increase (decrease) through other changes*	(590)	-	(434)	-	**(1 024)**
Disposals	(11)	-	(361)	-	**(372)**
Property, plant and equipment at the end of the year	**42 204**	**1 081**	**22 195**	**1 465**	**66 945**
Closing balance at 31 December 2024					
At cost	58 139	2 302	100 871	1 465	**162 777**
Accumulated depreciation	(15 935)	(1 221)	(78 676)	-	**(95 832)**
Carrying amount	**42 204**	**1 081**	**22 195**	**1 465**	**66 945**

*The decrease was due to transfer of fittings (M589k) that were included in buildings to fittings, and the transfer of M1 023k computer software from equipment (PPE) to Intangibles..

Figures in M `000

Property, plant and equipment continued...

	Property	Motor vehicles	Furniture, fittings and equipment	Capital Work in Progress	Total
Reconciliation for the year ended 31 December 2023					
Balance at 1 January 2023					
At cost or revaluation	48 412	2 234	126 150	4 081	**180 877**
Accumulated depreciation	(7 909)	(1 471)	(108 100)	-	**(117 480)**
Carrying amount	**40 503**	**763**	**18 050**	**4 081**	**63 397**
Movements for the year ended 31 December 2023					
Acquisition of PPE	-	-	3 581	1 852	**5 433**
Depreciation	(791)	(181)	(8 134)	-	**(9 106)**
Revaluation increase (decrease)	1 497	-	-	-	**1 497**
Increase (decrease) through transfers from work in progress	-	-	3 746	(3 746)	**-**
Increase (decrease) through other changes	-	-	470	-	**470**
Property, plant and equipment at the end of the year	**41 209**	**582**	**17 713**	**2 188**	**61 692**
Closing balance at 31 December 2023					
At cost	49 909	2 234	135 836	2 188	**190 167**
Accumulated depreciation	(8 700)	(1 652)	(118 123)	-	**(128 475)**
Carrying amount	**41 209**	**582**	**17 713**	**2 188**	**61 692**

3.2 Depreciation and impairment losses

Depreciation and impairment losses have been included under the following expenditures:

	2024	2023
Depreciation		
Property	680	791
Motor vehicles	185	181
Furniture, fittings & equipment	7 111	8 134
	7 976	**9 106**

Notes to the Annual Financial Statements

Figures in M `000

4. Intangible assets

4.1 Reconciliation of changes in intangible assets

	Computer software	Intangible assets under development	Total
Reconciliation for the year ended 31 December 2024			
Balance at 1 January 2024			
At cost	633	8 774	**9 407**
Accumulated amortisation	(633)	-	**(633)**
Carrying amount	**-**	**8 774**	**8 774**
Movements for the year ended 31 December 2024			
Acquisitions through internal development	-	4 218	**4 218**
Amortisation	(646)	-	**(646)**
Increase (decrease) through transfers*	-	1 615	**1 615**
Increase (decrease) through other changes**	1 023	-	**1 023**
Intangible assets at the end of the year	**377**	**14 607**	**14 984**
Closing balance at 31 December 2024			
At cost	27 659	14 607	**42 266**
Accumulated amortisation	(27 282)	-	**(27 282)**
Carrying amount	**377**	**14 607**	**14 984**
Reconciliation for the year ended 31 December 2023			
Balance at 1 January 2023			
At cost	2 993	-	**2 993**
Accumulated amortisation	(2 523)	-	**(2 523)**
Carrying amount	**470**	**-**	**470**
Movements for the year ended 31 December 2023			
Acquisitions through internal development	-	8 774	**8 774**
Increase (decrease) through transfers	(470)	-	**(470)**
Intangible assets at the end of the year	**-**	**8 774**	**8 774**
Closing balance at 31 December 2023			
At cost	633	8 774	**9 407**
Accumulated amortisation	(633)	-	**(633)**
Carrying amount	**-**	**8 774**	**8 774**

*The increase was due to transfer of costs from PPE working in progress to Intangibles under development.
**The increase was due to transfer of computer software cost (M27 026k) less accumulated depreciation (M26 003k) from PPE to intangibles.

4.2 Amortisation and impairment losses

	2024	2023
Amortisation		
Computer software	646	-

Notes to the Annual Financial Statements

Figures in M `000 | **2024** | **2023**

5. Other assets

Other assets comprise:

	2024	2023
Sundry debtors	12 259	2 044
Prepaid expenses	1 278	935
Remittances in transit*	327 947	655 578
Total other assets	**341 484**	**658 557**

* Remittances in transit consists of debits outstanding or debit transactions that were still to be cleared to the bank's cash and cash equivalents accounts.

6. Deferred tax

6.1 The analysis of deferred tax assets is as follows:

	2024	2023
Opening balance at 1 January	26 098	30 002
Charge or Release for the year	1 203	(3 530)
Deferred tax on property revaluation gain	-	(374)
Closing Balance	27 301	26 098
Net deferred tax assets	**27 301**	**26 098**

Notes to the Annual Financial Statements
Figures in M `000

Deferred tax continued...

6.2 Reconciliation of deferred tax movements

	Property, plant and equipment	Provision for leave pay	Provision for bonus	Provision for employee share scheme	Provision for audit fees	Provision for Retirement bonus	Provision for bad debts	Provision for operational losses	Total
Opening balance at 1 January 2024	(4 587)	1 216	1 375	1 516	808	410	25 052	307	**26 098**
(Charged) / credited to profit or loss	1 257	42	1 125	(501)	107	(18)	(536)	(273)	**1 203**
Closing balance at 31 December 2024	**(3 330)**	**1 258**	**2 500**	**1 015**	**915**	**393**	**24 516**	**34**	**27 301**
Opening balance at 1 January 2023	(3 827)	1 021	675	1 436	297	476	29 791	133	**30 002**
(Charged) / credited to profit or loss	(386)	195	700	80	511	(66)	(4 739)	174	**(3 530)**
(Charged) / credited to other comprehensive income	(374)	-	-	-	-	-	-	-	**(374)**
Closing balance at 31 December 2023	**(4 587)**	**1 216**	**1 375**	**1 516**	**808**	**410**	**25 052**	**307**	**26 098**

Deferred tax asset balance as at year end is made largely of temporary differences from expected credit losses/provisions for bad debts, and the amount is recoverable upon write-off of non-performing loans.

Notes to the Annual Financial Statements

Figures in M `000	2024	2023

7. Current tax assets and liabilities

Current tax assets and liabilities movement

Opening balance at 1 January	**(1 400)**	**(118)**
Instalments paid during the year	20 129	13 281
Withholding tax	8 751	6 247
Current year charge	(37 174)	(20 810)
Net tax (payable)/ receivable	**(9 694)**	**(1 400)**

Net current tax liability from all items being set off	(9 694)	(1 400)
Total current tax liability per the statement of financial position	**(9 694)**	**(1 400)**

8. Non-Pledged trading assets

Non-Pledged trading assets incorporates the following balances:

Government bonds	87 523	86 348
Treasury bills	7 476	55 665
	94 999	**142 013**

9. Loans and Advances

9.1 Loans and Advances comprise the following balances

Business loans	214 058	146 935
Commercial and residential mortgages	692 706	767 411
Card debtors	21 065	20 623
Instalment sale and finance leases	243 966	181 244
Personal loans	426 638	316 814
Overdrafts	235 039	248 698
Gross loans and advances to customers	**1 833 472**	**1 681 725**
Credit impairments	(103 303)	(104 118)
Net Loans and advances to customers	**1 730 169**	**1 577 607**

9.2 Movements in impairment of loans and advances are as follows:

At the beginning of the year	104 118	125 229
Impairment raised	18 182	24 781
Written off during the year	(18 997)	(45 892)
At the end of the year	**103 303**	**104 118**

Comprising:		
Stage 1 ECL allowance	24 977	20 788
Stage 2 ECL allowance	15 188	12 383
Stage 3 ECL allowance	63 138	70 947
	103 303	**104 118**

Notes to the Annual Financial Statements

Figures in M `000	2024	2023

Loans and Advances continued...

9.3 Loans Sector Analysis

An analysis of the statement of financial position by economic sector and credit risk concentrations are presented in the table below in M'000:

Individuals	969 778	758 973
Financial services, insurance and real estate	52 128	56 688
Manufacturing	20 766	20 997
Building and property development	178 206	157 033
Transport, storage and communication	93 157	63 723
Retailers, catering and accommodation	172 384	198 052
Wholesale and trade	5 566	8 975
Mining and quarrying	122 793	74 321
Agriculture, forestry and fishing	10 135	14 852
Government and public sector	16 981	57 697
Other services	191 578	270 414
	1 833 472	**1 681 725**

10. Derivatives assets

Derivatives assets comprise the following balances

Exchange rate derivative - Forwards	187	-

11. Cash and cash equivalents

Cash and cash equivalents included in current assets:

Cash		
Bank notes and coins	136 103	141 423
Balance with the Central Bank of Lesotho	164 148	37 608
Balance with Group	1 580 254	1 545 163
Balance with other banks	1 654 669	1 732 384
Foreign banks(correspondent banks)	14 418	58 798
Impairments	(1 560)	(1 551)
	3 548 032	**3 513 825**

Movements in impairments of cash and cash equivalents

Amounts in M'000	Subject to 12 Months ECL	Credit Impairment	Total
Opening balance at 1 January	(1 551)	-	(1 551)
Net-re-measurement increase or decrease in allowances	(9)	-	(9)
Balance 31 December 2024	**(1 560)**	-	**(1 560)**

Notes to the Annual Financial Statements

Figures in M `000	2024	2023

12. Issued capital

Authorised and issued share capital

Authorised		
30 million ordinary shares of M1 each	30 000	30 000
Issued		
Issued and fully paid 20 million ordinary shares of M1 each	20 000	20 000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and to vote at meetings of the Bank.

13. Reserves

Classification of reserves

Statutory Reserves*	**20 000**	**20 000**

*It is the requirement in terms of section 22 of the Financial Institutions Act number 3 of 2012

Revaluation Reserves:		
Balance at 1 January	35 702	34 580
Revaluation of Bank properties	-	1 122
Closing balance	**35 702**	**35 702**
Total distributable reserves	-	-
Total non distributable reserves	55 702	55 702
Total reserves	**55 702**	**55 702**
Attributable to Non-controlling Interest	-	-
Attributable to Ordinary Shareholders	**55 702**	**55 702**

14. Other liabilities

Other liabilities comprise:

Provision for leave pay	5 030	4 863
Provision for bonus	14 996	11 605
Credit items in transit*	288 233	137 233
Sundry creditors	81 979	55 996
Major provisions	13 412	10 649
Provision for off-balance sheet items	107	96
Post retirement benefit	1 571	1 641
Total trade and other payables	**405 328**	**222 083**

* Credit items in transit relates to credits outstanding or credit transactions yet to be allocated to their respective general ledger accounts as at year end.

Notes to the Annual Financial Statements

Figures in M `000	2024	2023
15. Deposits		
15.1 Deposits comprise:		
Deposits from banks	1 213 231	1 874 019
	1 213 231	**1 874 019**
Deposits from customers		
Current Accounts	1 372 382	1 100 167
Savings Accounts	280 006	252 975
Call Accounts	773 419	905 851
Term Deposits	975 589	908 007
Card creditors	1 255	618
	3 402 651	**3 167 618**
15.2 Sector Analysis		
Individuals	646 204	574 571
Business	2 756 447	2 593 046
	3 402 651	**3 167 618**
16. Derivative liabilities		
Derivative liabilities comprise:		
Exchange rate derivative - Forwards	113	-
17. Lease liabilities and Right of Use Assets		
17.1 Lease liabilities comprise:		
Office space and ATM sites	11 245	9 048
Reconciliation of carrying amount of lease liabilities:		
Opening Balane	9 048	11 533
Interest expense	734	558
Additions	-	70
Lease Modifications	9 634	5 496
Lease Payments	(8 171)	(8 609)
Closing Balance	**11 245**	**9 048**
Lease liabilities: current vs non-current:		
Current	7 266	6 925
Non-current	3 979	2 123
	11 245	**9 048**
Lease liabilities Maturity:		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	7 266	6 925
One to five years	4 520	2 438
	11 786	**9 363**
Lease liabilities carrying amounts	**11 245**	**9 048**

Notes to the Annual Financial Statements

Figures in M `000	2024	2023

Lease liabilities and Right of Use Assets continued...

17.2 Right-of-use assets comprise:

Buildings	10 530	8 033

Reconciliation of changes in right of use assets

Balance at 1 January	**8 033**	**9 616**
Net Movements*	9 633	5 566
Depreciation	(7 136)	(7 149)
Closing balance	**10 530**	**8 033**

*Net movement represents new lease additions for parking (M421k) and disaster recovery site (M1 488k), inclduding lease modifications (lease term extensions) for six ATM sites, three Branches and one office site.

17.3 Amounts recognised in the statement of profit or loss and other comprehensive income

Depreciation		
Buildings	7 136	7 149
Interest Expense		
Lease liability interest expense	734	558

18. Deferred income

Deferred income movement:

Balance at 1 January	**14 046**	**16 824**
2019 Write Back	(692)	(1 190)
2020 Write Back	(800)	(1 092)
2021 Write Back	(1 429)	(1 898)
2022 Write Back	(1 042)	(1 187)
2023 Write Back	(1 090)	-
Current/prior year deferred income	6 358	2 589
Closing Balance	**15 351**	**14 046**

19. Retirement benefit assets and obligations

Defined benefit plan - Retirement benefit obligation

The bank sponsors defined benefit plan for qualifying employees. The defined benefit plans are administered by a separate fund that is legally separate from the bank. The trustees of the pension fund as required by law to act in the interest of the fund and of all relevant stakeholders in the plan. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

The Bank makes contributions to a defined benefit pension fund that entitles a retired employee to receive an annual pension payment equivalent to 1/60 of final salary for each year of service that the employee provided. The defined benefit pension plan is administered by an independent and legally separate entity. The Board of Trustees is composed of employee and employer representatives who are required to act in the best interests of the plan participants.

Notes to the Annual Financial Statements
Figures in M `000

Retirement benefit assets and obligations continued...

The amounts recognised in other comprehensive income are determined as follows:

Reconciliation of net defined benefit liability		
Current Service Cost	(2 298)	(1 109)
Net Interest on Net Defined Benefit Liability	334	349
Past Service Cost		-
Expense / (Income) / recognised in Profit and Loss	**(1 964)**	**(760)**
Company Contribution	8 574	7 580
Re-measurements Recognised in Other Comprehensive Income	**6 610**	**6 820**
Current year (Gain)/Loss	1 046	10 349
Change in Paragraph 65 Limits	5 564	(3 529)
Re-measurement recognised in Other Comprehensive Income	**6 610**	**6 820**
Defined benefit fund asset/(liability) at year end		
Present value of defined benefit obligations (wholly funded)	117 043	107 661
Fair value of assets	(162 083)	(143 257)
Net actuarial gains not recognised	45 040	35 596
Past service cost not yet recognised	-	-
Unrecognised assets	-	-
Fair value of any reimbursement right recognised	-	-
Net liability / (asset)	**-**	**-**

In terms of the IAS19 requirement, an asset should not be recognised in the company balance sheet unless the company has control of the asset, the asset arises due to past events (e.g.excess contributions) and the company has beneficial use of the asset (e.g. via a contribution holiday or cash refund. A liability must always be recognised.

Key assumptions used

Assumptions used on last valuation on:		
Discount rates used	9.90%	10.90%
Salary Inflation	5.30%	6.30%
General Inflation	4.30%	5.30%

The discount rate used to place a value on future benefit payments is consistent with the IAS19 requirement that a long-term government bond yield be used. This rate is the annualised yield on the R2032 government bond, which was 9.9% as at 31 December 2024. The rate of 10.9% (relating to the R2032 government bond) was used last year.

The inflation rate has been set as follows - The base inflation rate has been set by determining the difference in annualised yield between the R2032 government bond and the I2033 government inflation linked gilts – 9.9% and 4.90% as at 31 December 2024, resulting in a rate of 4.80%.

In order to set salary increase assumptions, the assumed inflation rate of 4.30% per annum has been increased by 1.0% to 5.30% per annum

Notes to the Annual Financial Statements

Figures in M `000	2024	2023

Retirement benefit assets and obligations continued...

Sensitivity information

	2024	2023
1% increase in inflation		
Increase in defined benefit obligation (amount)	129 741	120 247
Increase in defined benefit obligation (percentage)	10.30%	11.70%
1% decrease in inflation		
Decrease in defined benefit obligation (amount)	107 520	97 476
Decrease in defined benefit obligation (percentage)	-8.10%	-9.50%
1% increase in discount rate		
Increase in defined benefit obligation (amount)	107 478	97 081
Increase in defined benefit obligation (percentage)	-8.20%	-9.80%
1% decrease in discount rate		
Decrease in defined benefit obligation (amount)	129 741	119 855
Decrease in defined benefit obligation (percentage)	10.80%	11.30%

20. Interest income

20.1 Interest income comprises:

	2024	2023
Cash and cash equivalents	311 577	214 899
Treasury bills and government bonds	13 949	16 788
Loans and advances	230 794	197 409
Total interest income	**556 320**	**429 096**

20.2 Sources of interest income

	2024	2023
Financial instruments at amortised cost	556 320	429 096

21. Interest expense

21.1 Interest expense comprise:

	2024	2023
Current and demand accounts	172 361	110 271
Savings accounts	6 924	5 935
Term deposits	63 288	49 530
Lease liability interest	734	558
Total interest expense	**243 307**	**166 294**

21.2 Sources of interest expense

	2024	2023
Financial instruments at amortised cost	**243 307**	**166 294**

22. Non-interest revenue

Non-interest revenue comprises:

	2024	2023
Fees and Commission Income	118 585	107 750
Gains from Securities Dealings	10 510	7 387
Total non-interest revenue	**129 095**	**115 137**

Notes to the Annual Financial Statements

Figures in M `000	2024	2023

23. Impairments of loans and advances

Impairment of loans and advances comprise:

	2024	2023
IFRS 9 Credit Impairments Stages 1 and 2	6 900	1 164
IFRS 9 Impairment Exp Stage3	11 289	23 807
Recoveries on loans and advances	(13 486)	(7 393)
Total impairment of loans and advances	**4 703**	**17 578**

24. Other operating expenses

Other operating expenses comprise:

	2024	2023
Audit fees	3 677	3 284
Communication and travel	4 903	4 390
Computer processing	15 520	12 388
Directors' fees	1 606	1 280
Insurance	1 668	1 702
Management fees(Intergroup project fees included)	76 192	71 006
Marketing and Public Relations	3 943	2 987
Occupation and accommodation	13 038	12 932
Other operating expenses	23 100	22 364
Other professional fees	8 308	8 395
Printing and stationery	3 075	549
Profit & Loss PPE Disposal	(4 227)	-
Total other operating expenses	**150 803**	**141 277**

25. Income tax expense

25.1 Income tax recognised in profit or loss:

	2024	2023
Current tax		
Current year	37 174	20 810
Deferred tax		
Deferred tax	(1 203)	3 530
Total income tax expense	**35 971**	**24 340**

25.2 The income tax for the year can be reconciled to accounting profit as follows:

	2024	2023
Profit before tax from operations	156 045	102 793
Income tax calculated at 25.0%	25.00%	25.00%
Tax effect of:		
Permanent differences	(1.95%)	(1.32%)
Effective tax rate	**23.05%**	**23.68%**

Notes to the Annual Financial Statements

Figures in M `000	2024	2023

26. Contingent liabilities, undrawn facilities and commitments

26.1 Contingent liabilities and undrawn facilities

	2024	2023
Guarantees	13 015	9 383
Committed undrawn facilities	140 660	131 000
Letters of Credit	21 667	-
	175 342	**140 383**

26.2 Commitments

Capital expenditure approved by directors:

	2024	2023
Contracted but not provided for	277	34

27. Related parties

Related parties disclosure

The ultimate controlling parent is Nedbank Group Limited (incorporated in South Africa) with a shareholding of 99.99995%, with the balance of 0.00005% held by Nedgroup Investments Africa Limited(incorporated in Mauratius).
Key management personnel as at 31 December 2024 comprised of the following individuals:

Name	Role
Nkau Matete	Managing Director
Mosa Seephephe	Chief Financial Officer
Ramojapoho Moshoeshoe	Chief Risk Officer
Lindelwa Xingwana	Head of Legal and Company Secretary
Mokhachane Mopeli	Chief Commercial Officer
Tiisetso Molatseli	Head of Compliance and Governance
Kereheletsoe Lehloenya	Head of Human Resources
Sekonyela Matamane	Head of Marketing
Makatleho Ntsapi	Head of Credit
Mamohlominyane Masupha	Head of Internal Audit

Key management personnel also comprise of Nedbank Lesotho Limited board of directors (listed on page 2), including any entities which provide key mangement personnel services to the bank. Close family members of the key management personnel are also considered as related parties.Close members of family are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the bank. They may include the individual's domestic partner and children, the children of the individual's domestic partner, and dependants of the individual or the individual's domestic partner.

A number of banking transactions are entered into with related parties in the normal course of business. The volumes of related-party transactions, outstanding balances at year-end and related expense and income for the year are as follows:

Notes to the Annual Financial Statements

Figures in M `000	2024	2023

Related parties continued...

27.1 Key management personnel

27.1.1 Loans and advances to key management pernonnel:

	2024	2023
Loans outstanding as at 01 January	19 497	18 824
Net Movement	(762)	673
Loans outstanding as at 31 December	**18 735**	**19 497**

Interest income earned from loans to key management personnel was M1.0 million (2023: M1.3 million). Interest rates on loans and advances to key management personnel are market linked at a range of 5% to 21.00% (2023: 5% to 21.25%).

Loans include mortgage loans, instalment sale, personal loans, overdrafts and credit cards. The mortgage loans and instalment sale are secured by the underlying assets, and all other loans are unsecured. Impairment allowance has been recognised in line with the general approach under IFRS 9, applying ECL models which were used to compute impairments for loans granted to third parties. No specific impairment has been recognised in respect of loans granted to key management personnel in the current or prior year.

27.1.2 Deposits and current accounts from key management personnel:

	2024	2023
Deposits outstanding at beginning of the year	**254**	**2 036**
Net deposits movement during the year	2 178	(1 782)
Deposits outstanding at end of the year	**2 432**	**254**

Deposits include current and savings accounts. Interest paid to key management personnel on deposits for the year amounted to M32.2k (2023: M19.6k)

27.1.3 Key management compensation

	2024	2023
Salaries and other short-term employee benefits	22 393	21 352
Post-employment benefits, including defined contributions	1 404	1 373
	23 797	**22 725**

The remuneration of executive directors and key management is determined by the board having regard to the performance of the Bank, individuals and market trends.

Notes to the Annual Financial Statements

Figures in M `000	2024	2023

Related parties continued...

27.2 Other related party transactions

27.2.1 Balances as at the end of the period

	2024	2023
Balances due to the bank:		
Nedbank South Africa	1 460 000	1 393 392
Nedbank Namibia Limited	439	42 699
Nedbank Eswatini Limited	76	76
Nedbank London	119 739	108 996
	1 580 254	**1 545 163**
Balances owed by the bank:		
Nedbank South Africa	84 699	136 992
Nedbank Eswatini Limited	520	252
Nedbank London	186	186
	85 405	**137 430**

The above liabilities and assets are unsecured, carry variable interest rates and have variable repayments all made at arm's length.

27.2.2 Income and expenses transactions with the related parties

	2024	2023
Distribution		
Dividends paid to immediate holding company	(44 831)	(19 648)
Income		
Interest Income from group banks	169 545	122 417
Expenses		
Interest Expense	(5 001)	(9 030)
Management and Project fees paid to Nedbank Group	(76 175)	(71 006)
Net(expense/income)	**88 369**	**42 381**
Capitalized project fees paid to Nedbank Group	**3 187**	**7 630**

27.3 Directors' remuneration

The Bank's policy on remuneration of executive and non-executive directors is fair and reasonable and takes into account what is offered by the market and competition, in line with the unique circumstances of the Bank and complexities of the business.

The total remuneration paid to non-executive directors for the year ended 31st December 2024 amounted to M1.61m (2023: M1.28m).

Notes to the Annual Financial Statements

Figures in M `000	2024	2023
28. Cash flows from operating activities		
Profit for the year	**120 074**	**78 453**
Adjustments for:		
Income tax expense	35 971	24 340
Interest income	(556 320)	(429 096)
Interest expense	243 307	166 294
Depreciation and amortisation expense	15 758	16 255
Losses on remeasurements of defined benefit plans	(6 610)	(6 820)
Lease liability interest	-	558
Adjustment for impairments	18 182	24 780
Profit or loss on PPE disposal	(4 227)	-
Change in operating assets and liabilities:		
Adjustments for decrease in Non-pledged trading assets	47 014	163 682
Adjustments for increase in loans and advances	(170 744)	(225 144)
Adjustments for decrease / (increase) in other assets	321 673	(470 393)
Adjustments for (decrease) / increase in deposits	(425 755)	2 153 257
Adjustments for increase in other liabilities	183 245	62 286
Adjustments for increase / (decrease) in deferred income	1 305	(2 778)
Adjustments for increase / (decrease) in derivative assets and liabilities	(74)	-
Net cash flows from operations	**(177 201)**	**1 555 674**

29. Financial risk management

This note presents information about the Bank's exposure to financial risks and the Bank's management of capital.

Risk	Definition	Key Considerations
Credit Risk	Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk (including borrowers and trading counterparties), concentration risk and country risk.	i) Credit quality analysis ii) Collateral held and other credit enhancements iii) Offsetting financial assets and financial liabilities) Concentration of credit risk iv) Impaired loans and advances
Liquidity Risk	Liquidity risk is the risk that the Bank will not have enough cash to meet its financial obligations on time	i) Exposure to liquidity risk ii) Maturity analysis for financial liabilities and financial assets
Market risk	Market risk is defined as the risk of a change in the actual or effective market value or earnings of a portfolio of financial instruments caused by adverse moves in market variables such as equity, bond and commodity prices, foreign exchange rates, interest rates, credit spreads, recovery rates, correlations and implied volatilities in the market variables. Market risk covers both the impact of these risk factors on the market value of traded instruments as well as the impact on the bank's net interest margin because of interest rate risk on banking book assets and liabilities.	i) Banking book interest rate risk ii) Foreign Exchange Risk

29.1 Credit risk

Loans and Advances inherently exposes the bank to credit risk, being the risk that the bank will incur financial loss if counterparties fail to make payments as they fall due.

Notes to the Annual Financial Statements
Figures in M `000

Financial risk management continued...

29.1.1 Risk management

In order to mitigate the risk of financial loss from defaults, the bank only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained in all cases. Each counterparty is analysed individually for credit worthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the credit worthiness of counterparties is continuously monitored.

In determining the amount of expected credit losses, the bank has taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate or are employed. This information has been obtained from the counterparties themselves, as well as from economic reports, financial analyst reports and various external sources of actual and forecast data and is applied to estimate a probability of default occurring as well as estimating the loss upon default.

Credit quality analysis

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for loans and advances and off-balance sheet exposures by credit rating grade:

Notes to the Annual Financial Statements
Figures in M `000

Financial risk management continued...

Maximum exposure to credit risk:	**2024**				**2023**			
M'000	**Total**	**Loans and Advances subject to Stage 1 12-month ECL**	**Loans and Advances subject to Stage 2 lifetime ECL**	**Loans and Advances subject to Stage 3 lifetime ECL (credit impaired)**	**Total**	**Loans and Advances subject to Stage 1 12-month ECL**	**Loans and Advances subject to Stage 2 lifetime ECL**	**Loans and Advances subject to Stage 3 lifetime ECL (credit impaired)**
Loans and advances:								
Commercial mortgage loans	**307 724**	291 905	13 114	2 705	**425 838**	421 719	767	3 352
Residential mortgage loans	**384 982**	363 032	4 842	17 108	**341 574**	325 964	3 502	12 108
Instalment credit	**243 966**	239 679	3 494	793	**181 244**	174 037	4 257	2 950
Micro and personal loans	**426 639**	376 022	18 188	32 429	**316 815**	292 043	3 490	21 282
Business loans	**214 058**	206 383	4 174	3 501	**146 933**	105 259	15 339	26 335
Overdrafts	**235 038**	151 610	69 398	14 030	**248 699**	123 963	102 252	22 484
Credit card balances	**21 065**	17 475	1 210	2 380	**20 622**	16 053	1 938	2 631
Gross loans and advances	**1 833 472**	**1 646 106**	**114 420**	**72 946**	**1 681 725**	**1 459 038**	**131 545**	**91 142**
Allowance for impairments	**(103 303)**	(24 977)	(15 188)	(63 138)	**(104 118)**	(20 788)	(12 383)	(70 947)
Net loans and advances	**1 730 169**	**1 621 129**	**99 232**	**9 808**	**1 577 607**	**1 438 250**	**119 162**	**20 195**
Cash & cash Equivalents:								
Gross exposure	**3 549 592**	3 549 592	-	-	**3 515 376**	**3 515 376**	**-**	**-**
Impairment allowance	**(1 560)**	(1 560)	**-**	**-**	**(1 551)**	(1 551)	**-**	**-**
Net cash and cash equivalent exposure	**3 548 032**	**3 548 032**	**-**	**-**	**3 513 825**	**3 513 825**	**-**	**-**

Notes to the Annual Financial Statements
Figures in M `000

Financial risk management continued...

Maximum exposure to credit risk:	2024				2023			
M'000	Total	Loans and Advances subject to Stage 1 12-month ECL	Loans and Advances subject to Stage 2 lifetime ECL	Loans and Advances subject to Stage 3 lifetime ECL (credit impaired)	Total	Loans and Advances subject to Stage 1 12-month ECL	Loans and Advances subject to Stage 2 lifetime ECL	Loans and Advances subject to Stage 3 lifetime ECL (credit impaired)
Non-Pledged trading assets:								
Gross exposure	**94 999**	94 999	-	-	**142 013**	**142 013**	**-**	**-**
Impairment allowance	**-**	-	**-**	**-**	**-**	-	**-**	**-**
Net Non-pledged trading assets exposure	**94 999**	**94 999**	**-**	**-**	**142 013**	**142 013**	**-**	**-**
Off-balance sheet exposures:								
Lending commitments	**140 660**	140 660	-	-	**131 000**	131 000	-	-
Financial guarantees	**13 015**	13 015	-	-	**9 383**	9 383	-	-
Letters of Credit	**21 667**	21 667	-	-	**-**	-	-	-
	175 342	**175 342**	**-**	**-**	**140 383**	**140 383**	**-**	**-**
Allowance for impairments	(107)	(107)			**(96)**	(96)		
Net off-balance sheet exposure	**175 235**	**175 235**	**-**	**-**	**140 287**	**140 287**	**-**	**-**
Movement in impairment charge on financial instruments:								
At the beginning of the year	**105 765**	**22 435**	**12 383**	**70 947**	**126 688**	**19 185**	**14 469**	**93 034**
Net impairments movement	**18 202**	4 209	2 805	11 188	**24 971**	3 250	(2 086)	23 807
Written off during the year	**(18 997)**			(18 997)	**(45 894)**			**(45 894)**
At the end of the year	**104 970**	**26 644**	**15 188**	**63 138**	**105 765**	**22 435**	**12 383**	**70 947**

Financial risk management continued...

29.1.2 Collateral held and other credit enhancements

The Bank holds collateral against loans and advances to customers in the form of mortgage interest over property, other registered securities over assets and guarantees. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The main types of collateral are as follows:

- For commercial lending, charges over real estate properties, inventory, call and fixed deposits and trade receivables;
- For retail lending, mortgages over residential properties and lien over call and fixed deposits; and
- For non-performing advances, collateral are cash, funds on security realisation accounts, and mortgage bonds.

Collateral Loans and Advances

	2024	2023
M'000		
Retail	436 719	414 303
Wholesale	1 034 218	969 251
	1 470 937	**1 383 554**

Assets obtained by taking possession of collateral

The Bank's policy is to pursue timely realization of collateral in an orderly manner. The Bank does not generally use the non-cash collateral for its own operations. The was no stock of repossessed assets as at end of the year (2023: M260k).

29.1.3 Offsetting financial assets and financial liabilities

There are no financial assets and financial liabilities that are offset in the Bank's statement of financial position or that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position

Financial risk management continued...

29.2 Market risk

29.2.1 Foreign exchange risk

Exposure

The Bank is exposed to currency risk through transactions in foreign currencies. The Bank's transactional exposures give rise to foreign currency gains and losses that are recognised in the statement of profit or loss and other comprehensive income. These exposures comprise the assets and liabilities of the Bank, as follows (in Lesotho Maloti (M'000) terms)

31 December 2024	USD	GBP	EURO	ZAR	Other	Total
Assets	34 576	816	15 076	2 125 478	3 658 685	**5 834 631**
Liabilities and total equity	23 887	235	13 480	55 264	5 741 765	**5 834 631**
Net open position	**10 689**	**581**	**1 596**	**2 070 214**	**(2 083 080)**	**-**

31 December 2023	USD	GBP	EURO	ZAR	Other	Total
Assets	54 284	1 638	8 070	2 254 377	3 678 230	**5 996 599**
Liabilities and total equity	50 991	427	6 953	104 853	5 833 375	**5 996 599**
Net open position	**3 293**	**1 211**	**1 117**	**2 149 524**	**(2 155 145)**	**-**

In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Bank ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

Figures in M `000

Financial risk management continued...

29.2.2 Interest rate risk in the banking book

Management of interest rate risk in the banking book

The bank employs various analytical techniques to measure interest rate sensitivity monthly in the banking book on both an earnings and economic-value basis (where appropriate) for balance sheets with material exposure to interest rate risk. Assets, liabilities and derivative financial instruments are modelled and reported based on their contractual repricing or maturity characteristics.

Static repricing gap

31 December 2024	**Up to 3 months**	**More than 3 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**Non-rate sensitive items**	**Total**
Assets	3 272 677	1 541 440	182 579	-	837 935	**5 834 631**
Liabilities and total equity	3 569 660	949 528	53 350	-	1 262 093	**5 834 631**
Net static gap	**(296 983)**	**591 912**	**129 229**	**-**	**(424 158)**	**-**
31 December 2023						
Assets	4 086 070	795 180	82 579	-	1 032 770	**5 996 599**
Liabilities and total equity	4 377 214	578 631	53 315	-	987 439	**5 996 599**
Net static gap	**(291 144)**	**216 549**	**29 264**	**-**	**45 331**	**-**

Interest rate sensitivity analysis

	2024	**2023**
NII Sensitivity: 100bps parallel shift in interest rates ↓	**(13 047)**	**(9 215)**

At the reporting date, the net interest income sensitivity of the banking book for a 1% parallel reduction in interest rates measured over 12 months is a decrease in net interest income of approximately M13 047k before tax (2023: M9 215k), which is within the board's approved risk limit. The group's net interest income sensitivity exhibits very little convexity and will therefore also result in an increase in pretax net interest income of similar amounts should interest rates increase by 1%.

Notes to the Annual Financial Statements

Figures in M `000	2024	2023

Financial risk management continued...

29.3 Liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. The Central Bank of Lesotho requirement is that the Bank should hold at least 25% of the ratio. For this purpose, net liquid assets are considered as including cash and cash equivalents and non-pledged securities for which there is an active and liquid market less any collateral on borrowings from other banks, other borrowings and commitments maturing within the next month.

The concentration of funding requirements at any one date or from any one source is managed continuously. A substantial proportion of the Bank's deposit base is made up of current accounts and other short term customer deposits.

29.3.1 Liquidity ratios

The liquidity ratios at the reporting date and during the reporting period (based on weekly ratios) were as follows:

	2024	2023
At 31st December	26.77%	26.80%
Average for the period	26.60%	28.66%
Highest for the period	32.29%	35.83%
Lowest for the period	21.86%	24.35%

Figures in M `000

Financial risk management continued...

29.3.2 Liquidity Gap

	Less than 1 month	Between 1 months and 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years	Non-determined	Total contractual cash flows
Year ended 31 December 2024							
Cash and cash equivalents	1 117 113	399 488	1 742 399	290 591	-	(1 560)	**3 548 031**
Non-Pledged trading assets	2 131	4 603	742	87 524	-	-	**95 000**
Derivative assets	-	81	106	-	-	-	**187**
Loans and advances	251 403	51 874	224 743	869 013	362 593	(29 457)	**1 730 169**
Other assets	327 914	-	-	-	-	133 330	**461 244**
Total assets	**1 698 561**	**456 046**	**1 967 990**	**1 247 128**	**362 593**	**102 313**	**5 834 631**
Total equity	-	-	-	-	-	777 298	**777 298**
Deposits from banks	649 257	155 032	354 611	53 283	-	-	**1 212 183**
Deposits from customers	2 616 768	160 002	626 615	220	-	-	**3 403 605**
Derivative liabilities	-	52	61	-	-	-	**113**
Other liabilities	375 153	21 364	5 134	4 383	-	35 398	**441 432**
Total equity and liabilities	**3 641 178**	**336 450**	**986 421**	**57 886**	**-**	**812 696**	**5 834 631**
Net liquidity gap	**(1 942 617)**	**119 596**	**981 569**	**1 189 242**	**362 593**	**(710 383)**	**-**
year ended 31 December 2023							
Cash and cash equivalents	2 067 394	198 347	809 637	440 000	-	(1 552)	**3 513 826**
Non-Pledged trading assets	-	14 592	41 074	86 348	-	-	**142 014**
Loans and advances	261 099	61 059	202 563	753 874	309 593	(10 577)	**1 577 611**
Other assets	655 324	-	-	-	-	107 824	**763 148**
Total contractual assets	**2 983 817**	**273 998**	**1 053 274**	**1 280 222**	**309 593**	**95 695**	**5 996 599**

Notes to the Annual Financial Statements
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Financial risk management continued...

	Less than 1 month	Between 1 months and 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years	Non-determined	Total contractual cash flows
year ended 31 December 2023							
Total equity	-	-	-	-	-	708 402	**708 402**
Deposits from banks	1 675 960	51 570	93 205	53 283	-	-	**1 874 018**
Deposits from customers	2 342 656	321 742	503 045	177	-	-	**3 167 620**
Other liabilities	201 218	8 498	4 299	2 387	-	30 157	**246 559**
Total Equity and liabilities	**4 219 834**	**381 810**	**600 549**	**55 847**	**-**	**738 559**	**5 996 599**
Net liquidity gap	**(1 236 017)**	**(107 812)**	**452 725**	**1 224 375**	**309 593**	**(642 864)**	**-**

30. Classification of financial assets and financial liabilities

30.1 Classification of financial assets

	At fair value through profit or loss	Designated at fair value through profit or loss	Fair value hedging instruments	At amortised cost	At fair value through other comprehensive income	Total carrying value	Fair value*
Year ended 31 December 2024							
Non-Pledged trading assets (Note 8)	-	-	-	94 999	-	**94 999**	94 999
Loans and advances	-	-	-	1 730 169	-	**1 730 169**	1 730 169
Derivative assets (Note 10)	187	-	-	-	-	**187**	187
Other assets excluding non-financial assets (Note 5)	-	-	-	327 947	-	**327 947**	327 947
Cash and cash equivalents (Note 11)	-	-	-	3 548 032	-	**3 548 032**	3 548 032
	-	**-**	**-**	**5 701 147**	**-**	**5 701 334**	**5 701 334**

Figures in M `000

Classification of financial assets and financial liabilities continued...

	At fair value through profit or loss	Designated at fair value through profit or loss	Fair value hedging instruments	At amortised cost	At fair value through other comprehensive income	Total carrying value	Fair value*
year ended 31 December 2023							
Non-Pledged trading assets (Note 8)	-	-	-	142 013	-	**142 013**	142 013
Loans and advances (Note 9)	-	-	-	1 577 607	-	**1 577 607**	1 577 607
Derivative assets (Note 10)	-	-	-	-	-	**-**	-
Other assets excluding non-financial assets (Note 5)	-	-	-	655 578	-	**655 578**	655 578
Cash and cash equivalents (Note 11)	-	-	-	3 513 825	-	**3 513 825**	3 513 825
	-	**-**	**-**	**5 889 023**	**-**	**5 889 023**	**5 889 023**

Carrying value has been used where it closely approximates fair values, Refer to the fair value section under detailed accounting policies for a description on how fair values are determined.The fair value of other financial assets approximates their carrying value due to their short-term nature.

Notes to the Annual Financial Statements
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Classification of financial assets and financial liabilities continued...

30.2 Classification of financial liabilities

	At fair value through profit or loss	Designated at fair value	Fair value - hedging instruments	At amortised cost	Total carrying value	Fair value
Year ended 31 December 2024						
Deposits from banks and customers (Note 15)	-	-	-	4 615 882	**4 615 882**	4 615 882
Derivative Liabilities (Note 16)	113	-	-	-	**113**	113
Other liabilities excluding non-financial liabilities (Note 14)	-	-	-	288 233	**288 233**	288 233
	-	**-**	**-**	**4 904 115**	**4 904 228**	**4 904 228**
year ended 31 December 2023						
Deposits from banks and customers (Note 15)	-	-	-	5 041 637	**5 041 637**	5 041 637
Other liabilities excluding non-financial liabilities (Note 14)	-	-	-	137 233	**137 233**	137 233
	-	**-**	**-**	**5 178 870**	**5 178 870**	**5 178 870**

Carrying value has been used where it closely approximates fair values. Refer to the fair value section under detailed accounting policies for a description on how fair values are determined.The fair value of other financial liabilities approximates their carrying value due to their short-term nature.

Notes to the Annual Financial Statements

Figures in M `000	2024	2023

Classification of financial assets and financial liabilities continued...

30.3 Reconciliation to statement of financial position

	2024	2023
Total financial assets	5 701 334	5 889 023
Total non-financial assets	133 297	107 576
Total assets	**5 834 631**	**5 996 599**
Total financial liabilities	4 904 228	5 178 870
Total equity and non-financial liabilities	930 403	817 729
Total equity and liabilities	**5 834 631**	**5 996 599**

30.4 Fair value hierarchy of financial instruments measured at fair value through profit or loss

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total fair value	Total Carrying amount
Year ended 31 December 2024					
Financial Assets					
Derivative assets (Note 10)	-	187	-	187	187
Total financial assets	**-**	**187**	**-**	**187**	**187**
Year ended 31 December 2024					
Financial Liabilities					
Derivative Liabilities (Note 16)	-	113	-	113	113
Total financial assets	**-**	**113**	**-**	**113**	**113**

	Level 1	Level 2	Level 3	Total fair value	Total Carrying amount
Year ended 31 December 2023					
Financial Assets					
Derivative assets (Note 10)	-	-	-	-	-
Total financial assets	**-**	**-**	**-**	**-**	**-**
Year ended 31 December 2023					
Derivative Liabilities (Note 16)	-	-	-	-	-
Total financial assets	**-**	**-**	**-**	**-**	**-**

The derivative assets and derivative liabilities are the only financial instruments measured at fair value and there have been no transfers between level 1, level 2 and level 3 in the fair value hierarchy.

Fair Value Hierarchy

Level 2
The fair value of derivative assets and derivative liabilities has been categorised under level 2 in the fair value hierarchy based on the inputs to the valuation technique used. The hierachies are explained below.

Notes to the Annual Financial Statements

Figures in M `000 **2024** **2023**

Classification of financial assets and financial liabilities continued...

30.5 Fair value hierarchy of financial instruments not measured at fair value

All assets and liabilities are measured at amortised cost and not at fair value. IFRS 13 however requires the disclosure of the fair value of these instruments and the fair value hierarchy for determining the fair value.

The following table sets out the fair value of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy

	Level 1	Level 2	Level 3	Total fair value	Total Carrying amount
Year ended 31 December 2024					
Financial Assets					
Non-Pledged trading assets (Note 8)	-	-	94 999	94 999	94 999
Loans and advances	-	-	1 730 169	1 730 169	1 730 169
Other assets excluding non-financial assets (Note 5)	-	-	327 947	327 947	327 947
Total financial assets	**-**	**-**	**2 153 115**	**2 153 115**	**2 153 115**
Financial liabilities					
Deposits from banks and customers (Note 15)	-	-	4 615 882	4 615 882	4 615 882
Other liabilities excluding non-financial liabilities (Note 14)	-	-	288 233	288 233	288 233
Total financial liabilities	**-**	**-**	**4 904 115**	**4 904 115**	**4 904 115**
year ended 31 December 2023					
Financial Assets					
Non-Pledged trading assets (Note 8)	-	-	142 013	142 013	142 013
Loans and advances	-	-	1 577 607	1 577 607	1 577 607
Other assets excluding non-financial assets (Note 5)	-	-	655 578	655 578	655 578
Total financial assets	**-**	**-**	**2 375 198**	**2 375 198**	**2 375 198**
Financial liabilities					
Deposits from banks and customers (Note 15)	-	-	5 041 637	5 041 637	5 041 637
Other liabilities excluding non-financial liabilities (Note 14)	-	-	137 233	137 233	137 233
Total financial liabilities	**-**	**-**	**5 178 870**	**5 178 870**	**5 178 870**

Classification of financial assets and financial liabilities continued...

Fair value hierarchy definition

The levels of the hierarchy for the financial assets and financial liabilities that are measured at fair value are defined as follows:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond prices, foreign currency exchange rates and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instruments at the reporting date that would have been determined by market participants acting at arm's length.

Non-Pledged trading assets

These financial assets consist of treasury bills and government bonds. There is currently no observable active market for these instruments, or a reliable proxy to discount the expected future cash flows. The fair value has been calculated using the present Value (PV) method derived from the instrument's rate of return against Future Value (FV) for the time (t).This method is deemed correct in that the rate of return is reflective of the national economic performance. The fair valuation of the investment securities has been determined using unobservable inputs and thus fall under level 3 of the fair value hierarchy.

Investment Security description	Valuation Technique	Significant unobservable input	Inter-relationship between key unobservable inputs
Treasury bills measured at amortised cost	Present Value Method	In arriving at the fair value, the following inputs were used: Treasury bills rate of return and future value of the investment	The estimated fair value would increase (decrease) if:Rate of return increases /(decreases) and Future value increases/ (decrease).
Government bonds measured at amortised cost	Present Value Method	In arriving at the fair value, the following inputs were used: Governemnt bonds rate of return and future value of the investment	The estimated fair value would increase (decrease) if:Rate of return increases /(decreases) and Future value increases/ (decrease).

Loans and advances

These financial assets are net of impairment provisions. The estimated fair value of loans and advances is estimated to approximate the carrying amount due to non-availability of benchmark interest rates to discount the expected future cash flows thereof.

Classification of financial assets and financial liabilities continued...

Management believe that current interest rates are market related and would re-issue the loans at the same interest rate if needed. Discounting the future cash flows for the significant portion of the balance would approximate the carrying amount. It is from this assessment that management believe that the carrying amount of these balances reasonably approximate fair value as discounting the future cash flow using market interest rates would not result in significant differences from the carrying amount.

Cash and cash equivalents

Cash and cash equivalents consists of notes and coins on hand, unrestricted balances in local and foreign banks, liquid financial assets significant portion of these balances with original maturities of 3 months or less. These balances are subject to insignificant risk of change in their fair value. It is the management's assessment that the carrying amount of these balances approximates their fair value at any given time.

Deposits from banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits approximates the carrying amount as interest rates quoted are market related. It is the view of management that the carrying amounts of these assets and liabilities reasonably approximate fair values.

Other financial assets and liabilities

Other financial assets have maturity profiles within 12 months, which means that the effect of discounting the future cash flows of the balance approximate the carrying amount.

A significant portion of the contractual maturity profile of other financial liabilities is within 12 months implying that the effect of discounting is immaterial.

It is the view of management that the carrying amounts of other financial assets and other financial liabilities reasonably approximate fair values.