



FIRST NATIONAL BANK OF LESOTHO LIMITED
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2025

Contents

BANK INFORMATION 2

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS 3

AUDIT COMMITTEE REPORT 5

DIRECTORS' REPORT 8

INDEPENDENT AUDITORS REPORT 11

STATEMENT OF COMPREHENSIVE INCOME 13

STATEMENT OF FINANCIAL POSITION 14

STATEMENT OF CHANGES IN EQUITY 15

STATEMENT OF CASH FLOWS 16

ACCOUNTING POLICIES 17

NOTES TO THE FINANCIAL STATEMENTS 54

BANK INFORMATION

First National Bank of Lesotho Limited
(Registration Number: I2008/729)

Registered address

Sekhametsi Place
Corner Kingsway and Parliament Road
Maseru
100
Lesotho

Postal address

P.O. Box 11902
Maseru
100
Lesotho

Auditors

New Dawn Chartered Accountants

Attorneys

Bosiu Consultants
Webber Newdigate
Shale Chambers
Association of Lesotho Employers and Business
Ndebele Attorneys
Mei and Mei Attorneys Inc
Da Silva Manyokole Attorneys

Holding Company

The entity's holding company is FirstRand EMA Holdings Limited, and the ultimate holding company is FirstRand Limited, incorporated in the Republic of South Africa.

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF FIRST NATIONAL BANK OF LESOTHO LIMITED

The Directors of First National Bank of Lesotho Limited (“FNBL” or the bank) are responsible for the preparation and fair presentation of the annual financial statements comprising the statement of financial position, statement of comprehensive income, changes in equity and cash flows, and the notes to the annual financial statements as at, and for the year ended 31 December 2025.

These annual financial statements have been prepared in accordance with IFRS[®] Accounting Standards including interpretations issued by the IFRS Interpretations Committee and the requirements of the Financial Institutions Act 2012 of Lesotho and the Companies Act 2011 of Lesotho.

In discharging this responsibility, the Directors rely on management to prepare the annual financial statements and to keep adequate accounting records in accordance with the bank’s system of internal control. As such, the annual financial statements include amounts based on judgments and estimates made by management.

In preparing the annual financial statements, suitable accounting policies in accordance with IFRS Accounting Standards have been applied and reasonable judgements and estimates have been made by management. None of the new or amended IFRS Accounting Standards that became effective for the financial year ended 31 December 2025 impacted the bank’s reported earnings, financial position or reserves, or the accounting policies. The financial statements incorporate full and responsible disclosure in line with the bank’s philosophy on corporate governance.

The Directors are also responsible for the bank’s system of internal controls. To enable the Directors to meet these responsibilities, the Directors set the standards for internal controls to reduce the risk of error or loss in a cost-effective manner. The standards include the appropriate delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. The focus of risk management in the bank is on identifying, assessing, managing and monitoring all known forms of risk across the bank.

Effective risk management requires various points of control. The Directors and management are the risk owners, assisted by enterprise risk management and internal audit. Enterprise risk management is responsible for independent oversight and monitoring of controls and reports to the Risk, Capital and Compliance Committee (RCCC), who oversees the bank’s risk governance structures and processes. Internal audit provides independent assurance on the adequacy and effectiveness of controls and report to the Audit Committee.

Based on the information and explanations given by management and the internal auditors, nothing has come to the attention of the Directors to indicate that the internal controls are inadequate and that the financial records may not be relied on in preparing the annual financial statements and maintaining accountability for the bank's assets and liabilities. Nothing has come to the attention of the Directors to indicate any breakdown in the functioning of internal controls, resulting in a material loss to the bank, during the year and up to the date of this report. Based on the effective internal controls implemented by management, the Directors are satisfied that the annual financial statements fairly present the state of affairs of the bank at the end of the financial year and the net income and cash flows for the year.

The Directors have reviewed the bank's budgets and forecasts and considered the bank's ability to continue as a going concern considering current and anticipated economic conditions. Based on this review, and in the light of the current financial position, the Directors are satisfied that the bank has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

It is the responsibility of the bank's independent external auditors, Russell Bedford (Lesotho), to report on the fair presentation of the financial statements. These financial statements have been audited in terms of section 94 of the Companies Act of 2011.

The independent auditors are responsible for expressing an independent opinion on the fair presentation of these annual financial statements based on their audit of the affairs of the bank in accordance with International Standards on Auditing.

The independent external auditors, Russell Bedford (Lesotho) were given unrestricted access to all financial records and related data, including minutes of the Board of Directors and committees of the Board. The Directors believe that all representations made to the independent auditors during their audit are valid and appropriate. New Dawn Chartered Accountants audit report is presented on pages 11 to 12.

The financial statements were approved by the Board of Directors on 19th March 2026 and are signed on its behalf by:



M. Guni
Chairperson
23 March 2026



D. Mokebe
Chief Executive Officer
23 March 2026

AUDIT COMMITTEE REPORT

The Audit committee is pleased to present this report for the financial year ended 31 December 2025 in line with the recommendations of the King IV report on corporate governance. The Audit Committee is an independent committee appointed by the Board of Directors and performs its functions on behalf of the Board of FNBL.

Terms of reference

The Audit Committee has adopted formal terms of reference as contained in the committee charter that have been approved by the Board of directors. The Committee has conducted its affairs in compliance with these terms of reference and has discharged its responsibilities contained therein.

Members and meeting attendance

The Audit Committee is independent and consists of two independent Non-executive Directors and one Non-executive Director. Meetings are held at least four times per annum, with authority to convene additional meetings as circumstances require. The chairperson of the Board, the Executive Director, external auditors, internal auditors, senior management and other assurance providers attend meetings by invitation only.

Role and responsibilities

The Audit Committee carried out its functions through the Audit Committee meetings and discussions with executive management and internal audit function.

The Audit Committee's role and responsibilities include statutory duties as per the Financial Institutions Act of 2012, the Companies Act of 2011 and further responsibilities assigned to it by the Board. The Audit Committee has executed its duties in terms of the recommendations of King IV.

The Audit Committee is satisfied that it has complied with its legal, regulatory and other responsibilities.

External auditor appointment and independence

The Audit Committee has satisfied itself that the external auditors, Russell Bedford (Lesotho), are independent and were able to conduct their audit functions without any influence from the bank. This conclusion was arrived at after taking into account the following:

- The representations made by the auditors to the Audit Committee;
- The auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefits from the bank;
- The auditors' independence was not impaired by any consultancy, advisory, or other work undertaken by them;
- The auditors' independence was not prejudiced as a result of any previous appointment as an

auditor; and

- The criteria specified for independence were met.

The Audit Committee has carried out their statutory duties, including evaluating the performance of the external auditors, agreeing to the terms of their audit plan, budget and terms of engagement.

The Audit Committee has ensured that the appointment of the external auditors is in compliance with the Companies Act of 2011.

Financial statements and accounting practices

The Audit Committee has reviewed the accounting policies and the financial statements of the bank and is satisfied that they are appropriate and comply with IFRS Accounting Standards and the Companies Act of 2011.

Internal financial controls

The Audit Committee has reviewed the process by which internal audit performs its assessment of the effectiveness of the bank's system of internal controls, including internal financial controls. Nothing has come to the attention of the Committee to indicate any material breakdown in the bank's system of internal financial control.

The Audit Committee is satisfied with the effectiveness of the bank's internal financial controls.

Duties assigned by the Board

In addition to the statutory duties of the Audit Committee, as reported above, the Board of Directors has determined further functions for the Audit Committee to perform. These functions include the following:

- Going Concern

The Audit Committee has reviewed a documented assessment of the going concern assertion of the bank.

- Governance of risk

The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and Information Technology risks as it relates to financial reporting.

- Internal Audit

The Audit Committee is responsible for ensuring that the bank's internal audit function is independent and has the necessary resources, standing and authority within the bank to enable it to discharge its duties.

➤ Evaluation of the expertise and experience of the Chief Financial Officer.

The Audit Committee has satisfied itself that the Chief Financial Officer has appropriate expertise and experience. The Audit Committee has considered and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function, and experience of the members of management responsible for the financial function.

Signed on behalf of the Audit Committee:

A handwritten signature in black ink, appearing to be 'J. Matlosa', is written over a horizontal line.

J. Matlosa

Chairperson, Audit Committee

23 March 2026

DIRECTORS' REPORT

Nature of business

The bank is incorporated in Lesotho and operates as a licensed commercial bank. First National Bank of Lesotho Limited (“bank” or “FNB” or “FNB Lesotho” or “FNBL”) provides full banking services in Retail, Commercial and Corporate segments.

Share Capital

Details of FNBL share capital are presented in note 18 of the financial statements.

Financial results

Full details of the financial results for the period are set out on pages 14 to 92.

Events subsequent to reporting date

The Directors are not aware of any material events that have occurred between the date of the statement of financial position and the date of this report.

Dividends

The Directors recommend that a dividend not be paid in respect of the period under review.

Corporate governance

The Directors of the bank are committed to good corporate governance practices and organisational integrity in the direction, control and stewardship of the bank’s affairs.

Board of Directors

		<u>Appointment into Board</u>	<u>Designation</u>
M. Guni	Chairperson	September 2020	Independent Non-Executive Director
J. Matlosa	Director	August 2021	Independent Non-Executive Director
M. Thabane	Director	August 2021	Independent Non-Executive Director
W. Richard	Director	August 2021	Non-Executive Director
S. Silinda	Director	January 2025	Non-Executive Director
D. Mokebe	Director	June 2020	Executive Director

Board Changes:

The following changes to the Board of Directors took place during the 2025 financial year

Appointment

S. Silinda	Director	January 2025	Non-Executive Director
------------	----------	--------------	------------------------

Audit Committee

J. Matlosa	Director	Chairperson
M. Thabane	Director	Member
W. Richard	Director	Member

Directors Affairs and Governance Committee

M. Guni	Director	Chairperson
J. Matlosa	Director	Member
M. Thabane	Director	Member
W. Richard	Director	Member
S. Silinda	Director	Member

Remuneration Committee

S. Silinda	Director	Chairperson
M. Guni	Director	Member
M. Thabane	Director	Member
J. Matlosa	Director	Member
W. Richard	Director	Member

Risk, Capital and Compliance Committee

W. Richard	Director	Chairperson
J. Matlosa	Director	Member
M. Thabane	Director	Member
M. Guni	Director	Member
S. Silinda	Director	Member

Senior Credit Risk Committee

M. Thabane	Director	Chairperson
M. Guni	Director	Member
J. Matlosa	Director	Member
D. Mokebe	Director	Member
K. Mocheba	Chief Financial Officer	Member
T. Mochekele	Head of Risk	Member
T. Nthebe	Head of Credit	Member

Senior Management

The Senior Management of First National Bank of Lesotho Limited as at the end of the year were as follows:

D. Mokebe	Chief Executive Officer
M. Molaoa	Chief Operating Officer
K. Mocheba	Chief Financial Officer
M. Tsosane	Head of Commercial, Corporate and Investment Banking
N. Khoali	Head of Retail
Vacant	Head of Marketing and Communication
T. Nthebe	Head of Credit
T. Mochekele	Head of Risk
L. Besetsa	Head Internal Auditor
M. Madiba	Head of Human Capital
M. Matsau	Head of Legal and Company Secretary
M. Seoela	Head of Treasury
M. Makepe	Head of Compliance

Independent Auditor's Report

To the Shareholders of First National Bank Lesotho Ltd

Opinion

We have audited the financial statements of First National Bank Lesotho Ltd set out on pages 13 to 54, which comprise the statement of financial position as at 31 December 2025, and the statement of 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 First National Bank Lesotho Ltd as at 31 December 2025, and its financial performance and cash flows for the year then ended in accordance with the basis for the International Financial Reporting Standards and the requirements of Companies Act of Lesotho.

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 First National Bank Lesotho Ltd in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Lesotho. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in 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 "First National Bank Lesotho Ltd Financial Statements for the year ended 31 December 2025", which includes the Directors' Report and the statement of Directors' Responsibilities and Approval 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 Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and the requirements of companies Act of Lesotho, 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 First National Bank Lesotho Ltd'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 First National Bank Lesotho Ltd 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 First National Bank Lesotho Ltd'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 First National Bank Lesotho Ltd'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 First National Bank Lesotho Ltd 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.

Russell Bedford Lesotho

Date: 03/25/2026



Thuso Pitso
Partner
Russell Bedford Lesotho

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

M'000	Notes	31 December 2025	31 December 2024
Interest and similar income	1.1	435 311	402 444
Interest expense and similar charges	1.2	(127 022)	(118 149)
Net interest income before impairment of advances		308 289	284 295
Impairment of advances	9	(23 971)	(13 044)
Net interest income after impairments of advances		284 318	271 250
Non-interest revenue	2	218 817	177 419
Income from operations		503 135	448 669
Operating expenses	3	(436 579)	(401 396)
Net income before indirect tax		66 556	47 273
Indirect tax	4	(26 057)	(23 118)
Profit before direct tax		40 499	24 155
Direct tax	4	(14 216)	(9 095)
Profit for the year		26 283	15 060

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

M' 000	Notes	31 December 2025	31 December 2024
ASSETS			
Cash and cash equivalents	6	359 883	620 257
Investments securities and other investments	7	2 023 350	1 802 132
Advances	8	2 051 700	1 395 024
Accounts receivable	10	53 111	114 060
Amounts due by holding company and fellow subsidiary companies	11	70 807	389 941
Property and equipment	12	144 831	115 354
Deferred income tax asset	13	33 179	34 049
Total assets		4 736 862	4 470 817
EQUITY AND LIABILITIES			
Liabilities			
Creditors, accruals and provisions	14	81 032	59 954
Current tax liability		8 619	1 557
Deposits	15	4 192 792	4 043 713
Employee liabilities	16	18 160	14 317
Lease liabilities	17	75 300	74 081
Amounts due to holding company and fellow subsidiary companies	11	14 187	16 707
Total liabilities		4 390 090	4 210 329
Equity			
Ordinary shares	18	39 124	39 124
Share premium	18	119 109	59 109
Reserves		188 539	162 255
Total equity		346 772	260 488
Total equity and liabilities		4 736 862	4 470 817

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

M'000	Share capital	Share premium**	General risk reserve*	Retained earnings	Reserves attributable to ordinary equity holders	Total equity
Balance as at 1 January 2024	39 124	59 109	23 450	123 745	147 195	245 429
Current year movement			3 180	(3 180)	-	-
Profit and total comprehensive income for the year				15 060	15 060	15 060
Balance as at 31 December 2024	39 124	59 109	26 630	135 625	162 255	260 488
Current year movement		60 000	11 919	(11 919)	-	60 000
Profit and total comprehensive income for the year				26 283	26 283	26 284
Balance as at 31 December 2025	39 124	119 109	38 549	149 990	188 539	346 772

**This reserve is kept as part of the reserve as required by the Financial Institutions Act 2012 and used as part of the general debt provision.*

***Proceeds from the issuance of shares resulted in an increase in the share premium in the current year.*

STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

M' 000	Notes	31 December 2025	31 December 2024
Cash flows from operating activities			
Interest, fees and commission receipts		644 251	563 154
Interest received		425 517	385 744
Fee and commission received		218 734	177 410
Interest payment		(130 310)	(110 295)
Other operating expenses		(422 425)	(393 695)
Taxation paid		(6 285)	(5 978)
Cash flows from operating activities		85 230	53 187
Movements from operating assets and liabilities			
Liquid assets and trading securities		106 105	(387 447)
Advances		(681 561)	(186 453)
Deposits		152 367	567 565
Other assets		60 949	77 430
Creditors		20 898	(45 641)
Employee liabilities		3 312	249
Other liabilities		17 078	17 655
Net cash generated from operating activities		(235 622)	96 546
Cash flows from investing activities			
Acquisition of property and equipment		(68 978)	(46 497)
Proceeds on disposal of property and equipment		82	9
Net cash outflow from investing activities		(68 896)	(46 487)
Cash flows from financing activities			
Proceeds from issuance of shares		60 000	
Lease payments (IFRS 16)	17.1	(15 858)	(15 005)
Increase/ (Decrease) in cash and cash equivalents		(260 375)	35 053
Cash and cash equivalents at the beginning of the year	6	620 256	585 203
Cash and cash equivalents at the end of the year		359 883	620 256

ACCOUNTING POLICIES

1. Introduction and basis of preparation

The bank’s annual financial statements have been prepared in accordance with IFRS® Accounting Standards, including interpretations issued by the IFRS Interpretations Committee, the requirements of the Financial Institutions Act 2012 and the Companies Act of 2011 (Companies Act). These financial statements comprise the statement of financial position (also referred to as the balance sheet) as at 31 December 2025, and the income statements and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2025, and the notes, comprising a summary of material accounting policies and other explanatory notes.

The bank adopts the following material accounting policies in preparing its financial statements, these policies have been consistently applied to all years presented.

Summary of significant accounting policies			
Related party transactions	Related party transactions (Section 3)		
Income, expense and taxation	Income and expenses (Section 4.1)	Taxation (Section 4.2)	
Financial Instruments	Classification and measurement (Section 5.1)	Impairment of financial assets (Section 5.2)	Transfers, modification and derecognition (Section 5.3)
	Offset and collateral (Section 5.4)		
Other assets and liabilities	Classification and measurement of Property and equipment (Section 6.1)	Classification and measurement of Provisions (Section 6.1)	Leases (Section 6.2)
Capital and reserves	Capital and reserves (Section 7)		
Transactions with employees	Employee benefits (Section 8.1)	Share based payment transactions (Section 8.2)	
Critical judgements	Introduction (Section 9.1)	Taxation (Section 9.2)	Impairment of financial assets (Section 9.3)
	Provisions (Section 9.4)		

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

New standards adopted in the current year

Amendments to:

- IFRS 16 – Leases,
- IAS 1 – Presentation of Financial Statements,
- IAS 7 – Statement of Cash Flows and
- IFRS 7 – Financial Instruments:

Disclosures became effective in the current year. None of these amendments to the IFRS Accounting Standards had an impact on FNBL's financial statements as at 31 December 2025.

Use of accounting estimates, assumptions and judgements

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are outlined in accounting policy note 9.

Application of the going concern principle

The directors reviewed the bank's budgets and flow of funds forecasts for the next three years and considered the bank's ability to continue as a going concern. On the basis of this review, and in light of the current financial position and profitable trading history, the directors are satisfied that the bank has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

Presentation of financial statements, function and foreign currency

Presentation	The bank presents its statement of financial position in order of liquidity. Where permitted or required under IFRS Accounting Standards, the bank offsets assets and liabilities or income and expenses and presents the net amount in the statement of financial position or in the statement of comprehensive income.
Materiality	IFRS Accounting Standards are only applicable to material items. Applying the concept of materiality requires judgement, in particular, in relation to matters of presentation and disclosure. Management assesses the relevance of the information to user of the financial statement and considers both qualitative and quantitative factors in determining the materiality threshold for disclosure and presentation purposes.
Functional and presentation currency of the bank	Lesotho Maloti (M).
Level of rounding	All amounts are presented in thousands of Maloti unless otherwise indicated.
Foreign currency transactions of the bank	Translated into the functional currency using the exchange rates prevailing at the date of the transactions.

2. Related party transactions

Related parties of the bank, as defined, include:

Parent company	Fellow subsidiaries	Associates of the bank’s parent and fellow subsidiaries	Post-employment benefits (pension funds)
Groups that have significant influence over the bank’s parent	Key management personnel (KMP)	Close family members of KMP	Entities controlled, jointly controlled or significantly influenced by KMP or their close family members.

The ultimate parent of the bank is FirstRand Limited, incorporated in South Africa. Key management personnel of the bank are the First National Bank of Lesotho Limited Board of directors, and the bank’s prescribed officers, including any entities which provide key management personnel services to the bank. Their close family members include spouse/domestic partner and children, and any other dependents of the individual or their domestic partner.

3. Income, Expenses and Taxation

3.1. Income and expenses

Net interest income (NII) recognised in profit or loss	
<p>Interest income includes:</p> <ul style="list-style-type: none"> ➤ Interest on financial instruments measured at amortised cost. ➤ Interest income is calculated using the effective interest rate which includes fees and transaction costs that form an integral part of generating an involvement with the resulting financial instrument. The original effective interest rate is applied to: <ul style="list-style-type: none"> ○ the gross carrying amount of financial assets which are not credit-impaired; and ○ the amortised cost of financial assets which represents the net carrying amount, from the month after the assets become credit-impaired (refer to section 5.2 of the accounting policies). ➤ Modified advances (derecognition not achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. The interest income on the modified financial asset (refer to accounting policy 5.3) is calculated by applying the original effective interest rate to the asset’s modified gross carrying amount. ➤ Modified advances (derecognition is achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. New fees or costs charged on the new advance which are integral to the new asset recognised are capitalised to the new loan. <p>Interest expense includes:</p> <ul style="list-style-type: none"> ➤ Interest on debt instruments measured at amortised cost ➤ Interest on capitalised leases where the bank is lessee. 	
Non-interest and financial instrument revenue recognised in profit or loss	
<p>Non interest revenue from contracts with customers</p> <p>Under IFRS 15, where a five-step analysis is required to determine the amount and timing of revenue recognition, the bank assesses contracts and determines whether the fees identified in the contract relate to revenue as defined in IFRS 15. The revenue is recognised only if the bank can identify the contract; and the performance obligation (i.e. the different services) and can determine the transaction price which is allocated to the identifiable performance obligations. The revenue is then recognised as and when the performance obligation is satisfied, which may be over time or at a point in time.</p>	
<p>Fee and commission income.</p>	<p>Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers and are recognised in net interest income.</p>

Fee and commission income (continued)	<p>Fee and commission income is earned by the bank by providing customers with a range of services and products, and consists of the following main categories:</p> <ul style="list-style-type: none"> ➤ Banking fee and commission income. ➤ Knowledge-based fee and commission income. ➤ Management, trust and fiduciary fees. ➤ Fee and commission income from service providers. ➤ Other non-banking fee and commission income. <p>Fee and commission income is earned on the execution of a significant performance obligation, which may be over time as the performance obligation is fulfilled (over time) or when the significant performance obligation has been performed (point in time).</p> <p>Fees earned on the execution of a significant act typically include transactional banking fees, such as bank charges, interchange fees, point-of-sale fees, exchange commissions, cash deposit fees and knowledge-based fee and commission income.</p> <p>Where the performance obligation is satisfied over a period of time, the fees are recognised as follows:</p> <ul style="list-style-type: none"> ➤ fees for services rendered are recognised on an accrual basis as the service is rendered and the bank’s performance obligation is satisfied, e.g. annual card fees and related fees; and ➤ commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis. <p>Commitment fees for unutilised funds made available to customers in the past, are recognised as revenue at the end of the contract period. Commitment fees paid upfront for a future facility, where it is not probable that a specific lending arrangement will be entered into by the bank, are recognised as revenue on a straight-line basis over the period for which the funds are promised to be kept available.</p> <p>Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking. This includes fee and commission income earned from providing services on behalf of third-party service providers, in effect acting as an agent,</p>
--	--

Fee and commission income (continued)	this includes commission earned at the point when sale has been executed from the sale of prepaid airtime, data vouchers and electricity paid through FNB channels as well as insurance commission.
Fee and commission expense	Fee and commission expenses are expenses that are incremental and directly attributable to the generation of fee and commission income and are recognised as part of fee and commission income. These include transaction and service fees, which are expensed as the services are received.
Insurance income (non-risk related)	<p>Commission is earned on the sale of insurance products to customers of the bank on behalf of an insurer.</p> <p>Brokerage fees are received for services rendered in the bank's capacity as an insurance broker. Participation agreements arise when the bank provides a service to third party insurance providers by facilitating additional sales of their products for which the bank then earns a commission in the form of a share in the profits of the insurance products sold by third party insurers. Where the bank is acting as an agent, commissions and brokerage earned on the sale of insurance products to customers of the bank on behalf of an insurer are recognised at the point that the significant obligation has been fulfilled. Variable consideration income earned from participation agreements is dependent on the performance of insurance products sold by third party insurers. To the extent that the bank assesses that it is not highly probable that a significant reversal of revenue will not occur, the bank constrains the recognition of revenue recognised from the participation agreements. In this instance, the bank will only recognise the revenue once the uncertainty associated with the variable consideration is resolved, i.e. the point at which the amount of profits earned are concluded upon and communicated to the group by the third parties.</p>
Other non-interest revenue	
<p>The following items are included in other non-interest revenue:</p> <ul style="list-style-type: none"> ➤ impairments and reversal of impairments of investment securities measured at amortised cost; ➤ Speed point rental income; and, ➤ Fees due from holding company and fellow subsidiaries 	
Expenses	
Expenses of the bank, apart from fee and commission expenses included in net fee and commission income, are recognised and measured in terms of the accrual principle and presented as operating expenses in profit or loss.	

3.2. Income tax expense

Income tax includes Lesotho and foreign jurisdiction corporate tax payable and where applicable, includes capital gains tax.

Current income tax	
The current income tax expense is calculated by adjusting the net profit for the year for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date.	
Deferred income tax	
Recognition	On temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.
Typical temporary differences in the bank that deferred tax is provided for	<ul style="list-style-type: none"> ➤ Depreciation of property and equipment; ➤ Provisions; ➤ Impairment losses; and ➤ Tax losses carried forward.
Measurement	Using the liability method under IAS 12 and applying tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
Presentation	<p>In profit or loss unless it relates to items recognised directly in equity or other comprehensive income.</p> <p>In the current year, no transactions are recorded in equity or other comprehensive income which would require tax to be presented in these categories.</p>

Deferred tax assets	<p>The bank recognises deferred income tax assets only if it is probable that future taxable income will be available against which the unused tax losses can be utilised, based on management's review of the bank's budget and forecast information.</p> <p>The bank reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.</p>
----------------------------	---

4. Financial instruments

4.1. Classification and measurement

4.1.1. Initial measurement

All financial instruments are initially measured at fair value including transaction costs, except for those classified as fair value through profit or loss in which case the transaction costs are expensed upfront in profit or loss, usually as part of operating expenses. Any upfront income earned on financial instruments is recognised as is detailed under policy 4.1, depending on the underlying nature of the income.

Immediately after initial recognition, an expected credit loss allowance is recognised for newly originated financial assets measured at amortised cost.

4.1.2. Classification and subsequent measurement of financial assets

Classification and subsequent measurement of financial assets
<p>Management determines the classification of its financial assets at initial recognition, based on:</p> <ul style="list-style-type: none"> ➤ the bank's business model for managing the financial assets; and ➤ the contractual cash flow characteristics of the financial asset.

Business model
<p>The bank distinguishes three main business models for managing financial assets:</p> <ul style="list-style-type: none"> ➤ holding financial assets to collect contractual cash flows; ➤ managing financial assets and liabilities on a fair value basis or selling financial assets; and ➤ a mixed business model of collecting contractual cash flows and selling financial assets.

Business model

The business model assessment is not performed on an instrument by instrument basis, but at a level that reflects how financial assets are managed together to achieve a particular business objective. This assessment is done on a portfolio or sub-portfolio level depending on the intricacies of financial assets being assessed.

The main consideration in determining the different business models across the bank is whether the objectives of the business model are met primarily through holding the financial assets to collect contractual cash flows, through the sale of these financial assets, by managing assets and liabilities on a fair value basis, or through a combination of these activities.

In considering whether the business objective of holding a portfolio of financial assets is achieved primarily through collecting contractual cash flows, amongst other considerations, management monitors the frequency and significance of sales of financial assets out of these portfolios for purposes other than managing credit risk. For the purposes of performing the business model assessment, the bank only considers a transaction a sale if the asset is derecognised for accounting purposes. For example, a repo transaction where a financial asset is sold with the commitment to buy back the asset at a fixed price at a future date is not considered a sale transaction as substantially all the risks and rewards relating to the ownership of the asset have not been transferred and the asset is not derecognised from an accounting perspective.

If sales of financial assets are not infrequent, the significance of these sales are considered by comparing the carrying amount of assets sold during the period and cumulatively to the total carrying amount of assets held in the business model. If sales are either infrequent or insignificant, these sales will not impact the conclusion that the business model for holding financial assets is to collect contractual cash flows.

Determining whether sales are significant or frequent requires management to use their judgement. The significance and frequency of sales is assessed on a case-by-case basis at the business model level. The frequency is assessed on an annual basis and sales of assets that take place once or less per annum is considered to be infrequent. If sales take place more than once per annum it doesn't mean that the business models are not to collect contractual cash flows but rather the reasons for the sales need to be more carefully considered. Management will consider both the volume and amount of sales relative to the total assets in the business model to determine whether it is significant.

A change in business model of the bank only occurs on the rare occasion when the bank genuinely

Business model
changes the way in which it manages a financial asset. Any changes in business model would result in a reclassification of the relevant financial assets from the start of the next reporting period.

Cash flow characteristics
<p>In order for a debt instrument to be measured at amortised cost or fair value through other comprehensive income, the cash flows on the asset have to be solely payments of principal and interest (SPPI), i.e. consistent with those of a basic lending agreement.</p> <p>The SPPI test is applied on a portfolio basis for retail advances, as the cash flow characteristics of these assets are standardised. This includes the consideration of any prepayment penalties that are limited by consumer credit regulation and can therefore be considered reasonable compensation which would not cause these assets to fail the SPPI test.</p> <p>For Business advances, the SPPI test is applied to individual advances at initial recognition, based on the cash flow characteristics of the asset. Business advances that do not pass the SPPI test and that must be measured at fair value through profit or loss include advances with equity participation features, convertible bonds and payments linked to commodity or other prices. If the contract contains prepayment penalties, the amount of the prepayment penalty is compared to the present value of the margin that will be earned if the loan is not prepaid. If the amount of the prepayment penalty is lower than or equal to the margin lost due to prepayment, this is considered reasonable compensation and the loan passes the SPPI test.</p>

Classes of financial assets	Business model considerations	Cash flow characteristics
Amortised cost		
Financial assets are measured at amortised cost using the effective interest method when they are held to collect contractual cash flows which are solely payments of principal and interest, and sales of such assets are not significant or frequent. The majority of these are overdrafts, term loans, instalment sales, property finance and personal loans as well as certain investment securities utilised for liquidity risk management of the bank.		
Retail advances	The bank holds retail advances to collect contractual cash flows. Their business models focus on growing these advances within acceptable credit appetite limits and maintaining strong	<p>The cash flows on retail advances are solely payments of principal and interest.</p> <p>Interest charged to customers compensates the bank for the time value</p>

	<p>collection practices.</p> <p>The products included under this business models include:</p> <ul style="list-style-type: none"> ➤ Property finance (Home loans); ➤ Instalment sales (vehicle and asset finance); ➤ Personal loans and other retail products such as overdrafts. <p>The key risk in these business models is credit risk. This is influenced by the macro environment within which the business operates.</p>	<p>of money, credit risk and administrative costs (including a profit margin).</p> <p>Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.</p>
<p>Business and Corporate advances</p>	<p>The business models of the bank are focused on collecting contractual cash flows on advances and growing these advances within acceptable credit appetite limits. The products included under this business model include:</p> <ul style="list-style-type: none"> ➤ Term loans (trade and working capital finance, specialised finance, and asset-backed finance.) ➤ Commercial property finance; and ➤ Overdrafts. <p>These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return.</p>	<p>The cash flows on these business and corporate advances are solely payments of principal and interest.</p> <p>Interest charged to customers compensates the bank for the time value of money, credit risk and administrative costs (including a profit margin).</p> <p>Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.</p>
<p>Investment securities</p>	<p>The bank holds investment securities with lower credit risk (typically with counterparties such as the government) that are convertible into cash within a short time period as and when required for liquidity risk management purposes.</p>	<p>The cash flows on these investment securities are solely payments of principal and interest</p>

	<p>The types of instruments used for liquidity risk management purposes are generally government bonds and treasury bills.</p> <p>These investment securities are held to collect contractual cash flows but are also available to be pledged as collateral or sold if required for liquidity management purposes. Sales are often in the form of a repurchase agreement transaction. If the accounting requirements for derecognition are not met, the transaction does not constitute a sale for IFRS 9 business model assessment purposes. For accounting purposes, repurchase agreement transactions are treated as a secured funding transaction rather than a sale, and the bank continues to recognise the asset and collect the contractual cash flows.</p> <p>These investment securities are only sold before maturity to meet liquidity needs in a stress scenario, which is consistent with a business model to collect contractual cash flows.</p>	
<p>Cash and cash equivalents</p>	<p>Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash.</p> <p>These assets are held to collect contractual cash flows.</p>	<p>The cash flows on these assets are solely payments of principal and interest.</p>

Accounts receivable	Financial accounts receivable are short-term financial assets which include intercompany accounts that are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.
----------------------------	--	---

4.1.3. Classification and subsequent measurement of financial liabilities and compound instruments

Financial liabilities and compound financial instruments
<p>The bank classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. Tier 2 instruments which have write down or conversion features are classified based on the nature of the instrument and the definitions. Tier 2 and other funding liabilities are presented in separate lines on the statement of financial position of the bank.</p> <p>Compound instruments are those financial instruments that have components of both financial liabilities and equity such as issued convertible bonds. At initial recognition, the instrument and the related transaction costs are split into their separate components and accounted for as a financial liability or equity in terms of the definitions and criteria of IAS 32.</p>
Financial liabilities measured at amortised cost
<p>The following liabilities are measured at amortised cost using the effective interest rate method, unless they have been designated as measured at fair value through profit or loss:</p> <ul style="list-style-type: none"> ➤ Deposits; ➤ Creditors; and ➤ Tier 2 liabilities (Constitutes a Subordinated Loan issued by the FirstRand Group).

4.2. Impairment of financial assets and off-balance sheet exposures subject to impairment

This policy applies to:

- financial assets measured at amortised cost including financial accounts receivable and cash;
- loan commitments; and
- financial guarantees

IFRS 9 establishes a three-stage approach for impairment of financial assets:

- Stage 1 - at initial recognition of a financial asset, the asset is classified as stage 1 and 12-month expected credit losses are recognised, which are credit losses related to default events expected to occur within the next 12 months;
- Stage 2 - if the asset has experienced a significant increase in credit risk since initial recognition, the asset is classified as stage 2 and lifetime expected credit losses are recognised; and
- Stage 3 - non-performing assets are classified as stage 3, with expected credit losses measured and recognised on a lifetime basis.

Expected credit losses
Expected credit losses are calculated by multiplying the exposure at default (EAD) of a financial asset by the probability of default (PD) and the loss given default (LGD) of the asset and by discounting this figure to the reporting date using the original effective interest rate. Impairment losses are recognised in profit or loss. In the section below, the term financial asset also refers to loan commitments and financial guarantees, unless stated otherwise.

Loss allowed on financial assets		
Credit risk has not increased significantly since initial recognition. (Stage 1)	Credit risk has increased significantly (SICR) since initial recognition, but asset is not credit-impaired. (Stage 2)	Asset has become credit-impaired since initial recognition. (Stage 3)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Advances	
Significant increase in credit risk since initial recognition (SICR)	In order to determine whether an advance has experienced a SICR, the PD of the asset calculated at the origination date is compared to that calculated at the reporting date. The origination date is defined to be the most recent date at which the bank had an opportunity to price or re-price the advance based on the outcome of either the original or an up-to-date risk assessment.

<p>Significant increase in credit risk since initial recognition (SICR) (continued)</p>	<p>SICR test thresholds are re-assessed and, if necessary, updated, on at least an annual basis.</p> <p>Any facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a significant increase in credit risk.</p> <p>In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a significant increase in credit risk. One such qualitative consideration is the appearance of business & corporate facilities on a credit watch list.</p> <p>Any up-to-date facility that has undergone a distressed restructure (i.e. a modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a significant increase in credit risk.</p> <p>The SICR test is performed on a monthly basis, as part of the monthly impairment calculation process.</p> <p>The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a significant increase in credit risk are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a significant increase in credit risk has occurred. No minimum period for transition from Stage 2 back to Stage 1 is applied, except for distressed restructured exposures that are advised to remain in Stage 2 for a minimum period of 6 months before re-entering Stage 1 as per best practice.</p>
<p>Low credit risk</p>	<p>The bank does not use the low credit risk assumption.</p>
<p>Credit-impaired financial assets</p>	<p>Advances are considered credit impaired if they meet the definition of default. The bank's definition of default applied for calculating provisions under IFRS 9 has been aligned to the definition applied for regulatory capital calculations across all portfolios, as well as those applied in operational management of credit and for internal risk management purposes.</p> <p>Exposures are considered to be in default when they are more than 90 days past due or, in the case of amortising products, more than 3 unpaid instalments.</p>

<p>Credit-impaired financial assets (continued)</p>	<p>In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay their credit obligations in full without any recourse by the bank to actions such as the realisation of security. Indicators of unlikelihood to pay are determined which include application for bankruptcy or obligor insolvency.</p> <p>Any distressed restructures of accounts which have experienced a significant increase in credit risk since initial recognition are defined as default events.</p> <p>Accounts are considered to no longer be in default if they meet the stringent cure definition, which has been determined at portfolio level based on analysis of re- defined rates.</p>
<p>Write-offs and post-write-off recoveries</p>	<p>Write-off must occur when it is not economical to pursue further recoveries i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised).</p> <ul style="list-style-type: none"> ➤ by implication, in both retail and business, for secured as well as unsecured, write-offs cannot occur if there is evidence of recent payment behaviour. Each credit portfolio has articulated a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account; and ➤ within retail portfolios, write-off definitions have been determined with reference to analysis of the materiality of post write-off recoveries; and ➤ within business portfolios, a judgmental approach to write-off is followed, based on case-by-case assessment by a credit committee. <p>Partial write-offs are not performed within credit portfolios. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur.</p> <p>The requirements of the Central Bank of Lesotho as stipulated in the FIA of 2012 is to write-off all assets which remain non-performing for more 12 months.</p> <p>Subsequent recoveries of amounts previously written off decrease the amount of the impairment of advances in profit or loss.</p>

Other financial assets	
Cash and cash equivalents	<p>All physical cash is classified as Stage 1. Other exposures are classified as Stage 1 unless specific evidence of impairment exists, in which case these assets are classified as Stage 3.</p> <p>ECL for physical cash is zero. ECL for other assets is calculated using the loss rate approach.</p>
Accounts receivable	<p>Up-to-date receivables are classified as Stage 1. Those that are in arrears but not in default are classified as Stage 2. Any accounts receivable in default are classified as Stage 3.</p> <p>ECL for accounts receivable is calculated using the simplified approach.</p>
Investment securities	<p>Impairment parameters for investment securities (PDs, LGDs and EADs) are determined using appropriate models, with the models to be applied determined with reference to the issuer of the security and the nature of the debt instrument. The tests for a significant increase in credit risk and default definitions are then applied and the ECL calculated in the same way as for advances.</p> <p>The significant increase in credit risk thresholds applied for investment securities are the same as those applied within the business credit portfolio to ensure consistency in the way that a significant increase in credit risk is identified for a particular counterparty and for similar exposures. The bank does not use the low credit risk assumption for investment securities, including government bonds.</p>
Intercompany balances	<p>Expected credit losses are calculated using PD, LGD and EAD parameters that are determined through application of expert credit judgement and approved through appropriate governance structures.</p> <p>All intercompany balances are classified as Stage 1, unless there is evidence of impairment, in which case exposures are moved directly to Stage 3.</p>

ACCOUNTING POLICIES continued

4.3. Transfers, modifications and derecognition

Financial instruments are derecognised when:

- the contractual rights or obligations expire or are extinguished, discharged or cancelled, for example an outright sale or settlement;
- they are transferred and the derecognition criteria of IFRS 9 are met; or
- the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met.

Financial assets are transferred when the bank has either transferred the contractual right to receive cash flows from the asset or it has assumed an obligation to pay over all the cash flows from the asset to another entity (i.e. pass through arrangement under IFRS 9).

If the contractual cash flows of a financial asset measured at amortised cost are modified (changed or restructured, including distressed restructures), the bank determines whether this is a substantial modification, following which, results in the derecognition of the existing asset, and the recognition of a new asset, or whether the change is simply a non-substantial modification of the existing terms which does not result in derecognition. A modification of a financial asset is substantial, and thus results in derecognition of the original financial asset, where the modified contractual terms are priced to reflect current conditions on the date of modification and are not merely an attempt to recover outstanding amounts. Where the modification does not result in an accounting derecognition the original asset continues to be recognised.

Derecognition of financial liabilities includes when there is a substantial modification to the terms and conditions of an existing financial liability. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

The following transactions are entered into by the bank in the normal course of business in terms of which it transfers financial assets directly to third parties or structured entities or modifies the contractual terms of the asset and either achieves derecognition or continues to recognise the asset.

Transaction type	Description	Accounting treatment
Modification without derecognition		
Modification of contractual cash flows	Modified contractual terms are not priced to reflect current conditions and are thus not substantial. For retail advances, this includes debt restructuring accounts where the new terms of the contract (such as a lower interest rate) is mandated by law and do not have the same commercial terms as a new product that the bank would be willing to offer a customer with a similar risk profile. The same principle is applied for wholesale advances on a case-by-case basis.	Existing asset is not derecognised. The gross carrying amount of the financial asset is recalculated as the present value of the estimated future cash receipts through the expected life of the renegotiated or modified financial asset, discounted at the financial asset's original effective interest rate. The gain or loss on modification is recognised in profit or loss as part of impairment of advances.
Modifications with derecognition (i.e. substantial modifications)		
Retail advances	The process for modifying a non-distressed advance is substantially the same as the process for raising a new advance, including re-assessing the customer's credit risk, repricing the asset and entering into a new legal agreement.	Existing asset is derecognised and a new asset is recognised at fair value based on the modified contractual terms.

4.4. Offsetting of financial instruments

Where the requirements of IFRS Accounting Standards are met, the bank offsets financial assets and financial liabilities and presents the net amount. Financial assets and financial liabilities subject to master netting arrangements (MNA) or similar agreements are not offset, if the right of set-off under these agreements is only enforceable in the event of default, insolvency and bankruptcy.

The advances and deposits that are offset relate to transactions where the bank has a legally enforceable right to offset the amounts and the bank has the intention to settle the net amount.

5. Other assets and liabilities

5.1. Classification and measurement

Classification	Measurement												
Property and equipment													
Property and equipment of the bank includes: <ul style="list-style-type: none"> ➤ assets utilised by the bank in the normal course of operations to provide services including freehold property and leasehold premises and leasehold improvements (owner occupied properties); ➤ Right-of-use-assets; and ➤ other assets utilised in the normal course of operations including computer and office equipment, motor vehicles and furniture and fittings. 	Historical cost less accumulated depreciation and impairment losses, except for land which is not depreciated. Using the straight line method, depreciation is over the useful life of the asset, except for right-of-use-assets capitalised under leases where the bank is the lessee; in which case, it is depreciated over the shorter period of the life of the lease and its useful life (refer to accounting policy 6.2). <table style="margin-left: 40px; border: none;"> <tr> <td style="padding-left: 20px;">➤ Freehold Property</td> <td style="padding-left: 20px;">Lease contract term</td> </tr> <tr> <td style="padding-left: 20px;">➤ Office equipment</td> <td style="padding-left: 20px;">5-10 years</td> </tr> <tr> <td style="padding-left: 20px;">➤ Sundries</td> <td style="padding-left: 20px;">3-5 years</td> </tr> <tr> <td style="padding-left: 20px;">➤ Computer equipment</td> <td style="padding-left: 20px;">3-5 years</td> </tr> <tr> <td style="padding-left: 20px;">➤ Other equipment</td> <td style="padding-left: 20px;">3-10 years</td> </tr> <tr> <td style="padding-left: 20px;">➤ Right-of-use-asset</td> <td style="padding-left: 20px;">Lease contract term</td> </tr> </table>	➤ Freehold Property	Lease contract term	➤ Office equipment	5-10 years	➤ Sundries	3-5 years	➤ Computer equipment	3-5 years	➤ Other equipment	3-10 years	➤ Right-of-use-asset	Lease contract term
➤ Freehold Property	Lease contract term												
➤ Office equipment	5-10 years												
➤ Sundries	3-5 years												
➤ Computer equipment	3-5 years												
➤ Other equipment	3-10 years												
➤ Right-of-use-asset	Lease contract term												
Provisions													
The bank will only recognise a provision measured in terms of IAS 37 when there is uncertainty around the amount or timing of payment. Where there is no uncertainty the bank will recognise the amount as a creditor or accrual. The bank usually recognises provisions related to litigation and claims.													

Other assets that are subject to depreciation are reviewed for impairment whenever objective evidence of impairment exists. Impairment losses are recognised in profit or loss as part of operating expenses. The assets are impaired if the carrying amount is more than the recoverable amount, which is the higher of the assets' value in use and fair value less cost to sell. The impairment loss is calculated as the difference between the assets' carrying amount and their recoverable amounts.

Other assets are derecognised when they are disposed of. Gains or losses arising on derecognition are determined as the difference between the carrying amount of the asset and the net proceeds received and are recorded in profit or loss as part of non-interest revenue.

5.2. Leases – IFRS 16

The bank leases a variety of properties and equipment. Rental agreements typically include fixed periods over which the item is leased, which are individually negotiated and contain a wide range of different terms and conditions. The bank assesses whether a contract is or contains a lease at inception of a contract.

Qualifying leases are recognised as a right-of-use-asset (ROUA) and a corresponding liability at the date at which the leased asset is made available for use by the bank.

Bank is the lessee		Bank is the lessor
Inception	<p>The bank recognises a ROUA 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 (defined as lease assets with a replacement value of M100 000 or less at the inception of the lease).</p> <p>The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the bank uses its own incremental borrowing rate.</p> <p>The ROUA's are measured at cost comprising of the amount of the initial measurement of the lease liability plus any initial direct costs and restoration costs. Where applicable, any lease payments made at or before the commencement date less any lease incentives received is deducted from the cost. Post initial recognition, ROUA's are treated in line with other property and equipment.</p>	Not applicable for FNBL
Over life of the lease	<p>Each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.</p>	Not applicable for FNBL

Bank is the lessee		Bank is the lessor
	<p>The ROUA is subsequently measured at cost less accumulated depreciation and impairment losses.</p> <p>The asset is depreciated over the lease term on a straight-line basis, where ownership is not transferred at the end of the lease term. If ownership is transferred at the end of the lease term, the asset is depreciated over the shorter of the lease term or useful life.</p> <p>The bank applies IAS 36 to determine whether a ROUA is impaired and accounts for any identified impairment loss.</p>	
Presentation	<p>The lease liability is presented in other liabilities in the consolidated statement of financial position.</p> <p>The ROUA's are not presented as a separate line in the consolidated statement of financial position, but rather disclosed as ROUA in the property, plant and equipment note.</p>	Not applicable for FNBL
Operating leases – bank is the lessee	<p>The bank does not have operating leases where the bank is the lessor.</p> <p>For short-term and low value leases, which the bank has defined as all other leases except for property and vehicles leases, the lease payments are recognised as operating expense, spread on a straight-line basis over the term of the lease.</p>	

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the ROUA. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line operating expenses in the consolidated income statement.

6. Capital and reserves

Ordinary shares are recognised as equity. These instruments do not obligate the bank to make payments to investors. Any incremental costs directly related to the issue of new shares or options, net of any related tax benefit, are deducted from the issue price.

Dividends on ordinary shares are recognised against equity. A corresponding liability is recognised when the dividends have been approved by the company’s shareholders and distribution is no longer at the discretion of the entity.

Other reserves recognised by the bank relate to the general risk reserve which is used as part of the general debt provision as required by the Financial Institutions Act 2012.

7. Transactions with employees

7.1. Employee benefits

The bank operates a defined contribution scheme, the assets of which are held in separate trustee administered funds. Membership of the pension fund is compulsory for all bank employees. The funds are registered in terms of the Pensions Act 2019 and Income Tax Act 1993.

Defined contribution plans	
Contributions are recognised as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.	
Termination benefits	
The bank recognises termination benefits as a liability in the statement of financial position and as an expense, included in staff costs, in profit or loss when it has a present obligation relating to termination. The bank has a present obligation at the earlier of when the bank can no longer withdraw the offer of the termination benefit or when the bank recognises any related restructuring costs.	
Liability for short term employee benefits	
Leave pay	The bank recognises a liability for the employees’ rights to annual leave in respect of past service. The amount recognised by the bank is based on the current salary of employees and the contractual terms between the employee and the bank. The expense is included in staff costs.
Bonuses	The bank recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid, and the amount can be reliably measured. The expense is included in staff costs.

7.2. Share-based payment transactions

The bank operates cash settled share-based compensation plans for employees.

Options granted prior to 2018 under cash settled plans result in a liability being recognised and measured at fair value until settlement. Offerings subsequently made have been hedged with RMB Morgan Stanley for which a lumpsum payment is made on assumption of the liability resulting in the derecognition of the share-based payment obligation and the recognition of a prepaid debtor, which the bank releases to the income statement over the vesting period of the original award granted to the employees. An expense is recognised in profit or loss for employee services received over the vesting period of the plans.

8. Critical accounting estimates, assumptions and judgements

8.1. Introduction

In preparing the financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting estimates, assumptions and judgements made by the bank.

8.2. Taxation

The bank is subject to direct and indirect tax in Lesotho. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The Bank recognises provisions based on objective estimates of the amount initially recorded, where the final tax determination/ tax base is different from these amounts such differences will impact the income tax and deferred tax in the period in which such determination is made. Deferred tax assets are reviewed at each reporting date, the impact of which is reported to the statement of comprehensive income. In determining whether an interpretation and/or application of the various tax rules may result in a dispute of which the outcome may not be favourable to the bank, the bank seeks, where relevant, expert advice to determine whether the unfavourable outcome is probable or possible. Where payment is determined to be possible but not probable the tax exposure is disclosed as a contingent liability.

8.3. Financial instruments

Impairment of financial assets

In determining whether an impairment loss should be recognised, the bank makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.

The objective of the measurement of an impairment loss is to produce a quantitative measure of the bank's credit risk exposure.

The bank adopted the PD/LGD approach for the calculation of ECL for advances. The ECL is based on an average of three macroeconomic scenarios incorporating a base scenario, upside scenario and downside scenario, weighted by the probability of occurrence.

Regression modelling techniques are used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the group of accounts to which the model will be applied. This results in the production of models that are used to predict impairment parameters (PD, LGD and EAD) based on the predictive characteristics identified through the regression process.

Forward looking information

Forward-looking macroeconomic information has been incorporated into expected loss estimates through the application of quantitative modelling and expert-judgement-based adjustments. The quantitative techniques applied estimate the impact of forecasted macroeconomic factors on expected credit losses using regression techniques.

The macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for baseline, downside, upside and stress scenarios. The baseline, downside and upside scenarios are used in the ECL calculations. These scenarios are overseen by the bank's macro forum, which is responsible for oversight and is independent from credit and modelling functions.

To arrive at the macroeconomic forecasts, a bottom-up and top-down process is followed. The bottom-up process is conducted by teams of economists both locally and within the bank's holding company. These economists assess micro and macroeconomic developments to formulate (bottom-up) and adjust (top-down) the macroeconomic forecasts. A number of internal and external economists are then requested to assign a probability to each scenario. The rationale for probabilities assigned by each respondent are noted and explained.

ECL results are calculated as probability-weighted average results across multiple macroeconomic scenarios. The creation of macroeconomic scenarios and the determination of associated probabilities are subjective, with final ECL results dependent on the assumptions applied during the process.

Quantitative techniques applied estimate the impact of forecasted macroeconomic factors on expected credit losses using various techniques dependent on the portfolio within which models will be applied.

Within the Corporate and Investment banking portfolios, macroeconomic stress testing models are applied to estimate the impact of forward-looking information on expected credit losses. These stress testing models are industry-specific, and make use of regression techniques, observed macro-economic correlations and expert judgement, depending on the extent of data available in each industry. The outputs from these models are used to determine the level of stress that a particular industry is expected to experience, and through-the-cycle impairment parameters are scaled accordingly, with scalar factors based on historic S&P default data, to determine the forward-looking impairment parameters.

Within retail and commercial portfolios, forward-looking ECL is modelled using regression-based techniques that determine the relationship between key macroeconomic factors and credit risk parameters (with industry considerations further applied in the case of commercial portfolios) based on historically observed correlations. Modelled correlations and macroeconomic variable weightings are adjusted based on expert judgement to ensure that the relationships between macroeconomic forecasts and risk parameters are intuitive and that ECL is reflective of forward-looking expectations of credit performance.

Where the impact of forward-looking macroeconomic information on ECL is determined based on historical relationships between macro-economic movements and default rates, and it is not expected for these relationships to hold under current macro-economic conditions, judgemental adjustments have been made through post-model adjustments to ensure that relationships between macro-economic forecasts and ECL estimates are intuitive, with ECL increasing where macroeconomic conditions are expected to worsen, and reflecting additional relevant information not catered for in the models.

This approach is followed across all portfolios. For the bank, three macroeconomic scenarios are utilised, namely a base scenario, an upside scenario and a downside scenario.

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

The following scenarios were applied at 31 December 2025

Scenario	Probabilities	Description
Baseline regime	54.7% (2024 – 60%)	<p>Assumes:</p> <ul style="list-style-type: none"> ➤ US trade protection measures weaken global growth, but a full-blown trade war is avoided as compromises are eventually reached between the US and most of its trade partners. Stimulatory monetary as well as fiscal policies in major advanced and developing economies in response to the growth-dampening impact of tariffs buttress real economic activity; and/or ➤ Raw diamond prices remain under pressure until a gradual recovery begins in the outer years of the forecast horizon. In the interim, several mines have lowered their production guidance and cut the number of workers, so depressing exports; and/or ➤ The effective end of AGOA and duty-free access to the US, due to the recent 15% tariff, impacts Lesotho's economy due to its heavy reliance on textile exports to the US. But a low-price elasticity of demand of US consumers towards textiles partly softens the impact of tariffs on the volume of clothing exported. Furthermore, a rise in textile exports to South Africa offsets the drop in exports to the US; and/or ➤ LHWP-II is scheduled for completion in 2030. As such, the economy continues to be supported by construction and increased activity in related sub-sectors; and/or ➤ A harsh El Nino induced drought gives way to more normal rainfall patterns. The agricultural sector gets a much-needed boost. Increased food supply helps to contain food price inflation; and/or ➤ The government increases its capital budget, but execution remains low, and infrastructure projects related to electricity generation, transport and utilities are slow in taking off. The end of US foreign aid directed at infrastructure projects, primarily focused on agriculture and healthcare, places pressure on the capital budget; and/or ➤ Following bumper SACU receipts in 2024, receipts are lower this year and next. This, coupled with increased spending on public sector wages and developmental initiatives result in the budget balance swinging back into deficit; and/or

		<ul style="list-style-type: none"> ➤ While food price inflation moderates somewhat, rising clothing and housing related inflation, along with the current 25bp policy rate differential with the SARB, prevents the central bank from aggressively cutting policy interest rates; and/or ➤ Because there are government delays with implementing growth-enhancing structural reforms, the country remains disproportionately reliant on the LHWP as the key source of GDP growth; and/or ➤ Fitch Ratings maintains its credit rating at B, despite the recent increase in risks. While the economic outlook faces challenges due to US tariffs and cuts in aid, these risks are partly mitigated by the country's membership in the CMA, which provides access to South Africa's extensive credit market, along with relatively moderate debt levels.
Upside Regime	10.1% (2024 – 15%)	<p>Assumes:</p> <ul style="list-style-type: none"> ➤ Global growth shifts to a higher gear following aggressive fiscal stimulus measures in China, substantial monetary policy easing in the US and Europe, and a significant easing in global trade tensions; and/or ➤ US aid funding is restored, tariffs on US goods imports from Lesotho are revoked, and duty-free access to US markets resumes; and/or ➤ The slump in diamond prices proves fleeting, and several new high-grade diamonds are discovered. Exports receive further support from a strong rebound in US GDP growth that benefits textile exporters; and/or ➤ The medical marijuana industry takes off which provides substantial support to the ailing manufacturing sector; and/or ➤ The second phase of the LHWP is completed ahead of schedule, substantially raising water exports and hydroelectric production; and/or ➤ La Nina proves lasting, but rainfall is not excessive so that crops are damaged. The agricultural sector experiences a multi-year upturn; and/or

		<ul style="list-style-type: none"> ➤ As the Southern African region profits from the global upturn, and successful reform drives growth higher in South Africa, supporting Lesotho’s textile exports. SACU revenues rise notably, which, coupled with increased royalties related to the LHWP, manifests in much improved public sector finances; and/or ➤ The government successfully completes several large social and economic infrastructure projects; and/or ➤ Multiplier effects of large infrastructure projects stimulate growth across a variety of industries, which, in turn, give rise to new companies and increased job creation. Slowly the economy begins to become more diversified; and/or ➤ The investment drive broadens out to include private sector fixed investment, which is egged on by pro-business policies and interest rate cuts; and/or ➤ Lesotho’s fiscal and current account positions strengthen, leading to lower debt metrics and an improved credit rating; and/or ➤ Easier financial conditions reflective in low inflation and falling interest rates coupled with jobs growth help kick start a multi-year upswing in household expenditure.
--	--	---

Downside regime	27.1% (2024 – 25%)	<p>Assumes:</p> <ul style="list-style-type: none"> ➤ Global growth slows markedly as tensions in the Middle East/Ukraine escalate and US-induced trade protectionist measures intensify. Global supply chains get disrupted, and inputs used in global manufacturing become more costly; and/or ➤ US 15% reciprocal tariffs on goods imported from Lesotho remain in place, resulting in a shift of imports towards regional textile producers with a lower tariff of 10%, such as Eswatini, Tanzania and Kenya. As a result, textile exports to the US decline notably, driving substantial job losses in Lesotho’s manufacturing sector; and/or ➤ Sentiment towards emerging markets sours and the rand weakens. The SARB tightens monetary policy, and the South African economy falters as interest sensitive sectors as well as exports weaken; and/or ➤ Diamond prices remain depressed for an extended period and several mines are compelled to further lower production guidance. Job losses mount as a result; and/or ➤ La Nina proves temporary, and drought conditions unexpectedly return. The agricultural sector suffers. Coupled with more costly imports, food price inflation accelerates. Rising cost of living fuels social and political tensions; and/or ➤ Mindful of depressing economic activity the Bank of Lesotho is initially slow to raise the policy rate in the face of rising inflation. But as inflation surges, the central bank is compelled to raise the policy rate above that of the SARB; and/or ➤ The LHWPII experiences disruptions, further delaying the increase in water exports. Intermittent electricity outages occur as the drought hampers hydropower generation; and/or
-----------------	--------------------	--

		<ul style="list-style-type: none"> ➤ Government finances worsen notably as GDP contracts. To boot, a downturn in Southern African trade, alongside fiscal stress in South Africa, see SACU transfers to Lesotho fall. This is exacerbated by an increase in social security spending at the cost of capex; and/or ➤ Plagued by political infighting the implementation of key fiscal and economic reforms stalls, and investor confidence sours. Fitch Ratings responds by downgrading by a single notch to B-.
Stress regime	8.1% (2024 – 7.3%)	<ul style="list-style-type: none"> ➤ Ever-deteriorating global geopolitics weigh on global trade, while aggressive US tariff hikes are met with strong retaliatory measures from trade partners, resulting in significant disruptions in global supply chains. Global inflation surges and the world economy enters recession; and/or ➤ South Africa isn't spared and the country experiences a significant downturn. The rand nose-dives and interest rates shoot up; and/or ➤ Raw diamond prices shift even lower, contributing to the closure of several mines. US textile imports permanently shift toward other regional producers which, along with South Africa's economic downturn, cast a devastating blow to the textile sector. Job losses increase in several sectors; and/or ➤ Pressure on tax revenue is amplified by drought conditions worse than that experienced in 2015-2016. This severely damages the agricultural sector, delays finalisation of the LHWPII, and hampers hydropower generation. The anticipated LHWPII induced increase in water exports is delayed by several years; and/or ➤ Electricity outages become more frequent; and/or ➤ Lesotho experiences a multi-year recession and plans to boost social and welfare spending are hampered by the global induced downturn in South Africa which too suffers a contraction in GDP. SACU transfers fall notably, driving a sharp decline in government investment; and/or ➤ Debt metrics worsen significantly, the credit rating is downgraded by at least two notches; and/or

		<ul style="list-style-type: none">➤ Untenable cost of living increases result in social unrest. The coalition government collapses, and policy inaction and political instability prevail; and/or➤ Capital outflows intensify, FX reserves fall, and de-pegging risks escalate. In response, the Bank of Lesotho is left with no alternative but to hike interest rates even more aggressively than the SARB.
--	--	--

Significant macroeconomic factors

The table below sets out the most significant macroeconomic factors used to estimate the FLI on the ECL provisions.

2025

	Baseline expectation			Upside scenario			Downside scenario			Stress scenario		
	2026	2027	2028	2026	2027	2028	2026	2027	2028	2026	2027	2028
GDP growth (%)	0.80	1.70	2.30	4.30	5.50	5.50	-1.20	-0.20	1.50	-2.80	-2.20	0.50
Inflation (Annual average) (%)	4.70	4.10	3.80	3.50	3.00	3.00	8.60	7.10	5.10	12.90	10.20	6.80
Foreign exchange rate	18.00	18.40	18.70	17.50	17.00	16.80	19.80	19.40	19.60	22.70	21.10	20.70

2024

	Baseline expectation			Upside scenario			Downside scenario			Stress scenario		
	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
GDP growth (%)	2.10	2.00	2.50	4.00	5.00	5.00	-1.00	-1.50	-0.50	-2.20	-2.90	-1.80
Inflation (Annual average) (%)	5.40	4.80	4.70	4.00	3.80	3.80	7.00	8.50	7.00	8.00	13.50	11.50
Foreign exchange rate	17.80	18.20	18.90	16.90	17.10	17.40	20.80	20.80	19.5	22.90	23.40	23.70

Judgement	Retail and retail SME	Wholesale and commercial SME
<p>Measurement of the 12-month and lifetime ECL</p>	<p>Parameters are determined on a pooled basis, with exposures pooled on a portfolio level at a minimum. Where appropriate, more granular pooling is applied. The inputs used to determine parameter values include historically observed behaviour as well as demographic information related to individual exposures currently on book.</p> <p>PD parameters are determined through assessment of the influence that various risk drivers have had on historical default rates.</p> <p>EAD parameters are estimated based on product characteristics and historical draw-down and payment behaviour.</p> <p>LGDs are determined by estimating expected future cash flows and are adjusted for forward looking information such as the prime lending rate and GDP. These cash flows include direct costs and proceeds from the sale of collateral. Collateral recovery rates are based on historically observed outcomes.</p> <p>The statistical models applied implicitly assume that risk drivers that influence default risk, payment behaviour and recovery expectations within the historical data will continue to be relevant in the future.</p>	<p>Parameters are determined based on the application of statistical models that produce estimates based on counterparty-specific financial information and transaction characteristics including the nature of available collateral. Due to the specialised nature of these exposures, parameters produced by models are taken through a robust review and challenge process before being applied to calculate expected credit losses, and are required to be signed off by a committee of wholesale credit experts who can motivate adjustments to modelled parameters.</p>

	<p>Parameters are calibrated for the calculation of 12-month and ECL using term structures that consider borrower risk, account age, historical behaviour, transaction characteristics and correlations between parameters.</p> <p>Term structures have been developed over the entire remaining lifetime of an instrument. The remaining lifetime is limited to the contractual term of instruments in the portfolio, with the exception of instruments with an undrawn commitment such as credit cards, where no limit is placed on the length of the remaining lifetime.</p> <p>In such instances the remaining term is determined with reference to the change in client requirements that would trigger a review of the contractual terms, for example an increase in limit.</p> <p>Expected credit losses on open accounts are discounted from the expected date of default to the reporting date using the asset’s original effective interest rate or a reasonable approximation thereof.</p>	
Judgement	Retail and retail SME	Wholesale and commercial SME
Determination of whether the credit risk of financial instruments have increased significantly since initial recognition (SICR)	SICR triggers continue to be based on client behaviour, client-based behaviour scores and judgemental factors.	SICR triggers are determined based on client behaviour, client internal bank rating or risk score, as well as judgmental factors, which includes triggers for industries in distress, which may result in the client being added to the watch list through the bank’s ongoing risk management process. These triggers are determined at a deal and client level and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk.
Sensitivity staging	The move from 12-month expected credit loss to lifetime expected credit loss can result in a substantial increase in ECL. The sensitivity information provided in the table below details the additional ECL charge to the income statement that the bank would need to recognise if 5% of the gross carrying amount of advances suffered a	

<p>SICR and were moved from stage 1 to stage 2 as at 31 December 2025. A 5% increase in advances categorised as stage 2 can be viewed as a reasonably possible alternative based on the current economic conditions.</p>		
31 December 2025		
M'000	5% increase in gross carrying amount of exposure	Increase in ECL due to 5% increase in SICR
Retail	25 614	4 659
Wholesale, commercial and other (including Bank Treasury)	14 373	657
Total increase in stage 2 advances and ECL	39 987	5 316
31 December 2024		
M'000	5% increase in gross carrying amount of exposure	Increase in ECL due to 5% increase in SICR
Retail	19 391	3 678
Wholesale, commercial and other (including Bank Treasury)	15 490	936
Total increase in stage 2 advances and ECL	34 881	4 614

8.4. Provisions

Provisions for litigations
<p>The bank has a policy and process in place to determine when to recognise provisions for potential litigation and claims. The recognition of such provisions is linked to the ranking of legal risk of potential litigation on the bank’s litigation database.</p>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. Analysis of interest income and interest expense

1.1. Interest and similar income

M'000	31 December 2025	31 December 2024
Instruments at amortised cost	435 311	402 444
Advances	254 233	204 146
Overdrafts and cash management accounts	28 627	29 422
Term loans	39 121	26 334
Instalment sales	34 226	30 204
Property finance	33 575	27 054
Personal loans	118 685	91 131
Cash and cash equivalents	20 354	15 205
Investment securities	147 447	162 567
Amounts due by holding company and fellow subsidiaries	7 219	15 487
Other*	6 057	5 040
Interest and similar income	435 311	402 444

*Other includes of M5.7 million (2024: M4.6 million) of unwinding on staff loans

1.2. Interest expense and similar charges

M'000	31 December 2025	31 December 2024
Instruments at amortised cost	(127 022)	(118 149)
Deposits from customers		
Current accounts	(19 272)	(18 365)
Savings deposits	(1 465)	(1 218)
Call deposits	(33 321)	(33 492)
Fixed and notice deposits	(68 515)	(62 825)
Interest on lease liability	(4 449)	(2 249)
Interest expense and similar charges	(127 022)	(118 149)

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

2. Non-interest revenue

M'000	31 December 2025	31 December 2024
Fee and commission income		
Instruments at amortised cost	218 817	177 419
Net fee and commission income		
Income		
Card commissions	26 247	21 307
Cash deposit fee	33 881	33 168
Commissions: bills, drafts and cheques	1 538	1 425
Exchange commissions	6 954	3 791
Bank charges	144 016	115 050
Other non-banking fee and commission income	38 442	32 648
Speed point income	15 033	15 113
Expenses		
Other non-banking fee and commission expenses	(53 726)	(54 415)
Net fee and commission income	212 385	168 087
Amounts due by holding company and fellow subsidiaries	(339)	767
Other non-interest revenue	6 771	8 566
Translation Gains/(Losses)	1 237	125
Forex Gains/(Losses)	1 154	(991)
Trading income	9 723	9 586
Gains and losses from investment activities	(4 787)	439
Unclaimed balances write back	(638)	(575)
Profit/loss on sale of property and equipment	82	9
Fair value income/(Loss)	-	(28)
Other non-interest revenue	6 432	9 332
Total non-interest revenue	218 817	177 419

3. Operating expenses

M'000	31 December 2025	31 December 2024
Auditors remuneration	(1 411)	(2 714)
Audit fees	(1 411)	(2 714)
Staff costs	(173 782)	(140 821)
Salaries, wages and allowances	(131 201)	(104 322)
Contributions to employee benefit funds	(17 441)	(13 571)
Share based payments	(7 699)	(7 506)
Other staff costs	(17 441)	(15 422)
Other operating costs	(261 384)	(257 861)
Depreciation of property and equipment	(39 501)	(31 154)
Insurance	(2 113)	(1 809)
Advertising and marketing	(11 312)	(10 290)
Maintenance	(8 279)	(3 536)
Property	(12 895)	(10 124)
Computer	(10 093)	(10 755)
Non-capitalised lease charges	(6 346)	(4 340)
Short term lease charges	(4 550)	(3 070)
Low value lease charges	(2 556)	(1 270)
Stationery	(2 812)	(1 316)
Telecommunications	(7 017)	(5 688)
Expenses paid to holding company and fellow subsidiaries	(145 158)	(165 441)
Other operating expenditure	(15 858)	(13 409)
Total operating expenses	(436 579)	(401 396)

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

M'000	31 December 2025	31 December 2024
Auditors remuneration	(1 411)	(2 714)
Audit fees	(1 411)	(2 714)
Staff costs	(173 782)	(140 821)
Salaries, wages and allowances	(131 201)	(104 322)
Contributions to employee benefit funds	(17 441)	(13 571)
Share based payments	(7 699)	(7 506)
Other staff costs	(17 441)	(15 422)
Other operating costs	(261 384)	(257 861)
Depreciation of property and equipment	(39 501)	(31 154)
Insurance	(2 113)	(1 809)
Advertising and marketing	(11 312)	(10 290)
Maintenance	(8 279)	(3 536)
Property	(12 895)	(10 124)
Computer	(10 093)	(10 755)
Non-capitalised lease charges	(6 346)	(4 340)
Short term lease charges	(4 550)	(3 070)
Low value lease charges	(2 556)	(1 270)
Stationery	(2 812)	(1 316)
Telecommunications	(7 017)	(5 688)
Expenses paid to holding company and fellow subsidiaries	(145 158)	(165 441)
Other operating expenditure	(15 858)	(13 409)
Total operating expenses	(436 579)	(401 396)

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

4. Direct and indirect tax

M' 000	31 December 2025	31 December 2024
Indirect Taxation	(25 962)	(23 118)
Direct Taxation	(14 212)	(9 095)
Total Tax	(40 175)	(32 213)
Indirect Taxes		
Indirect taxes and levies	(25 962)	(23 118)
Direct Taxation		
Current income tax	(13 343)	(7 341)
Current year	(11 576)	(7 341)
Late Adjustment	(1 767)	
Deferred income tax	(870)	(1 755)
Current year	464	(1 755)
Late Adjustment	(1 333)	
Total Income tax expense	(14 212)	(9 095)

Tax rate reconciliation

%	31 December 2025	31 December 2024
Standard rate of income tax	25	25
Adjustments:		
Other non-deductible amounts*	2	3
Effective rate of tax	27	28

*These are disallowed tax expenses per the Income Tax Act 1993 namely entertainment and sponsorship.

5. Analysis of assets and liabilities

5.1. Analysis of assets

The following table analyses the assets in the statement of financial position per category of financial instrument and, therefore, by measurement basis and according to when the assets are expected to be realised.

M'000	31 December 2025				
	Financial assets measured at amortised cost	Non-financial instruments	Total carrying value	Current	Non-current
Cash and cash equivalents	359 883		359 883	359 883	
Investments securities and other investments	2 023 350		2 023 350	574 616	1 448 734
Advances	2 051 700		2 051 700	237 418	1 814 282
Accounts receivable	49 741	3 370	53 111	46 045	7 066
Amounts due by holding company and fellow subsidiaries	70 807		70 807	70 807	
Property and equipment		144 831	144 831		144 831
Deferred income tax asset		33 180	33 180		33 180
Total assets	4 555 481	181 381	4 736 862	1 288 769	3 448 093

M'000	31 December 2024				
	Financial assets measured at amortised cost	Non-financial instruments	Total carrying value	Current	Non-current
Cash and cash equivalents	620 257		620 257	620 257	
Investments securities and other investments	1 802 132		1 802 132	118 288	1 683 844
Advances	1 395 024		1 395 024	243 313	1 151 711
Accounts receivable	109 674	4 386	114 060	99 294	14 766
Amounts due by holding company and fellow subsidiaries	389 941		389 941	389 941	
Property and equipment		115 354	115 354		115 354
Deferred income tax asset		34 049	34 049		34 049
Total assets	4 317 028	153 790	4 470 817	1 471 093	2 999 724

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

5.2. Analysis of liabilities

The following table analyses the liabilities in the statement of financial position per category of financial instrument and, therefore, by measurement basis and according to when the liabilities are expected to be settled.

M'000	31 December 2025				
	Financial liabilities measured at amortised cost	Non-financial instruments	Total carrying value	Current	Non-current
Creditors, accruals and provisions	75 017	6 015	81 032	81 032	
Current tax liability		6 852	6 852	6 852	
Deposits	4 192 792		4 192 792	4 002 828	189 964
Employee liabilities		18 159	18 159	18 160	
Other liabilities	75 300		75 300	4 993	70 307
Amounts due to holding company and fellow subsidiaries	14 187		14 187	14 187	
Total liabilities	4 357 296	31 027	4 388 323	4 128 052	260 271

M'000	31 December 2024				
	Financial liabilities measured at amortised cost	Non-financial instruments	Total carrying value	Current	Non-current
Creditors, accruals and provisions	51 493	8 461	59 954	59 954	
Current tax liability		1 557	1 557	1 557	
Deposits	4 043 713		4 043 713	3 497 255	546 458
Employee liabilities		14 317	14 317	14 317	
Other liabilities	74 081		74 081	4 677	69 404
Amounts due to holding company and fellow subsidiaries	16 707		16 707	16 707	
Total liabilities	4 185 993	24 336	4 210 329	3 594 468	615 861

6. Cash and cash equivalents

M'000	31 December 2025	31 December 2024
Coins and bank notes	227 033	194 317
Money at call and short notice	87 212	299 730
Balances with central banks	45 638	126 210
Total cash and cash equivalents*	359 883	620 257

* ECL for physical cash is zero. ECL for cash equivalent is calculated using loss rate approach and is immaterial.

Banks are required to deposit a minimum average balance, calculated weekly, with the Central Bank of Lesotho, which is available for use by the bank subject to certain restrictions and limitations levelled by the central bank. These deposits bear no interest.

7. Investment securities and other investments

M'000	31 December 2025	31 December 2024
Treasury bills	155 439	361 944
Government bonds	1 585 305	1 255 026
Fixed deposit	292 760	190 529
Total gross carrying amount of investment securities	2 033 505	1 807 499
Loss allowance on investment securities	(10 154)	(5 367)
Total investment securities	2 023 350	1 802 132

Investment securities are classified as debt instruments at amortised cost.

Analysis of impairment stages of investment securities

M'000	31 December 2025		31 December 2024	
	Carrying Amount	ECL Allowance	Total carrying value	Current
Stage 1	2 033 505	(10 154)	1 807 499	(5 367)
Total investment securities	2 033 505	(10 154)	1 807 499	(5 367)

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

8. Advances

M'000	Note	31 December 2025	31 December 2024
Category analysis			
Overdrafts and cash managed accounts		250 658	240 431
Term loans		241 359	188 981
Instalment sales		277 440	240 499
Property finance		360 539	245 650
Personal loans		1 023 310	576 258
Gross value of advances		2 153 306	1 491 819
Impairment of advances	9.2	(101 606)	(96 795)
Net advances		2 051 700	1 395 024

Reconciliation of the gross carrying amount of advances measured at amortised cost

Basis of preparation of the reconciliation

The reconciliation of the gross carrying amount (GCA) and ECL has been prepared using a year-to-date view. This means that the bank reports exposures based on the impairment stage at the end of the reporting period. The reconciliation distinguishes between the opening balance (back book) and new business as this provides meaningful information to the user in gaining an understanding of the performance of advances overall.

The group transfers opening balances at the value as at 1 January, based on the impairment stage at the end of the reporting period. Any change in exposure and additional ECL raised or released is included in the impairment stage as at the end of the reporting period. Exposures that are in the back book can move directly from stage 3 to stage 1 if the curing requirements have been met in a reporting period.

The opening balances as at 1 January are transferred to the impairment stage at 31st December in the transfers section. The current year movements of the back book are included in changes in exposure and net movement GCA and ECL provided/(released) are reflected separately in the reconciliation. The current year movement in the ECL for stage 2 advances is split between exposure where there has been a change in the measurement basis from 12 months to lifetime expected credit losses (LECLs) and other changes.

The movement on GCA is split between:

- additional amounts advanced on the back book and any settlements, with transfers on the back book reflected separately; and
- new business originated during the financial year, the transfers between stages of the new origination and any settlements.

Current year ECL provided/(released) relates to:

- an increase/(decrease) in the carrying amount of the back book during the current financial year, as well as the increase/(decrease) in the risk associated with the opening balance of the back book; and
- includes interest on stage 3 advances for stage 3 exposures in the back book and new business.

New business is broadly defined as any new product issued to a new or existing customer during the current financial year. All new business is reflected based on the impairment stage at the end of the reporting period. Therefore, exposures in the new business lines can be reported in stage 3 at the end of the reporting date. The decrease in the advance as a result of a write-off is equal to the decrease in the ECL (bad debts written off), as exposures are 100% provided for before being written off.

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

M'000	FNB Lesotho	Retail	Commercial	Wesbank	Corporate
GCA reported as at 31 December 2024	1 491 425	770 003	380 913	240 499	100 010
– Stage 1	(36 103)	(3 262)	(24 016)	(8 825)	-
– Stage 2	36 103	3 262	24 016	8 825	-
– Stage 3	34 691	13 441	11 018	10 232	-
Transfers between stages	12 821	12 161	83	578	- 1
– Transfers to/(from) stage 1	(92 114)	(13 960)	(61 268)	(16 826)	(60)
Transfers into stage 1	14 531	13 584	67	881	(1)
Transfers out of stage 1	(106 645)	(27 544)	(61 335)	(17 707)	(59)
– Transfers to/(from) stage 2	83 052	12 421	58 443	12 129	59
Transfers into stage 2	94 673	18 585	60 594	15 435	59
Transfers out of stage 2	(11 621)	(6 164)	(2 151)	(3 306)	-
– Transfers to/(from) stage 3	21 883	13 700	2 908	5 275	-
Transfers into stage 3	24 501	16 189	2 674	5 638	-
Transfers out of stage 3	(2 618)	(2 489)	234	(363)	-
Current year movement	661 883	488 033	126 371	36 940	3 023
New business	1 157 037	819 685	202 928	134 414	10
Changes in exposure Back book – current year movement	(463 380)	(309 461)	(66 371)	(90 561)	3 013
– Exposures with a change in measurement basis from 12 months to LECL	(3 130)	(235)	(1 657)	(1 295)	57
– Other current year change in exposure/net movement on GCA	(460 250)	(309 226)	(64 714)	(89 266)	2 956
Bad debts written off	(39 612)	(22 191)	(10 186)	(7 235)	-
GCA as at 31 Dec 2025	2 153 306	1 265 550	507 284	277 439	103 034
– Stage 1	1 931 321	1 178 320	400 286	249 750	102 965
– Stage 2	175 559	60 391	94 391	20 708	69
– Stage 3	46 427	26 839	12 607	6 981	-
Core lending advances	2 153 306	1 265 550	507 284	277 439	103 034
Total GCA of advances at 31 December 2025	2 153 306	1 265 550	507 284	277 439	103 034

The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is M34.6million (2024: M32.8 million).

9. Impairment of advances

9.1 Impairment of advances

M'000	31 December 2025	31 December 2024
Increase in loss allowance	(41 908)	(24 917)
Recoveries of bad debts previously written off	17 937	11 873
Impairment of advances recognised during the period	(23 971)	(13 044)

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

9.2 Reconciliation of the loss allowance per segment

M'000	FNB Lesotho	Retail	Commercial	Wesbank	Corporate
ECL reported as at 31 Dec 2024	96 795	54 943	24 337	14 761	2 754
– Stage 1	(1 496)	(455)	(933)	(108)	-
– Stage 2	1 496	455	933	108	-
– Stage 3	32 255	12 620	9 475	10 160	0
Transfers between stages	2 878	2 811	(64)	131	0
– Transfers to/(from) stage 1	601	2 495	(1 889)	123	(128)
Transfers into stage 1	4 607	4 364	(35)	278	0
Transfers out of stage 1	(4 006)	(1 869)	(1 854)	(155)	(128)
– Transfers to/(from) stage 2	384	(781)	1 314	(277)	128
Transfers into stage 2	2 810	869	1 681	132	128
Transfers out of stage 2	(2 426)	(1 650)	(367)	(409)	-
– Transfers to/(from) stage 3	1 893	1 097	511	285	-
Transfers into stage 3	3 817	2 970	398	449	-
Transfers out of stage 3	(1 924)	(1 873)	113	(164)	-
Current year provision created/(released)	44 425	33 298	5 646	4 333	1 149
New business – impairment charge/(release)	57 647	47 257	8 702	1 686	3
Back book – impairment charge/(release)	(13 222)	(13 959)	(3 056)	2 647	1 146
– Exposures with a change in measurement basis from 12 months to LECL	1 951	1 324	553	35	39
– Other current year impairment charge/(release)	(15 173)	(15 283)	(3 609)	2 612	1 107
Bad debts written off	(39 612)	(22 191)	(10 186)	(7 235)	(0)
ECL as at 31 Dec 2025	101 607	66 048	19 797	11 859	3 903
– Stage 1	44 315	31 715	4 959	3 760	3 881
– Stage 2	18 001	9 077	7 458	1 444	22
– Stage 3	39 291	25 256	7 380	6 655	-
– Purchased or originated credit impaired	-	-	-	-	-
Current year provision created/(released) per impairment stage	56 823	45 697	5 645	4 332	1 149
– Stage 1	8 987	8 944	(1 783)	570	1 256
– Stage 2	3 542	3 356	(7)	300	(107)
– Stage 3	44 294	33 397	7 435	3 462	-

10. Accounts receivable

M'000	31 December 2025	31 December 2024
Prepayments	3 370	4 386
Accounts receivable	49 741	109 674
Total gross carrying amount of accounts receivable	53 111	114 060
Financial	49 741	109 674
Non-financial	3 370	4 386

These accounts receivables do not carry any loss allowance.

Included in accounts receivables are Items in transit M32 million (Dec 2024:M78 million) and M7 million (Dec 2024: M14.8million) relating to the share option scheme under the assumption of liability fund managed by RMB Morgan Stanley. Share option schemes are allocated to employees and are accumulated in advance through the fund.

11. Amounts due (to) / by holding company and fellow subsidiaries

M'000	31 December 2025	31 December 2024
Total amount due by holding company and fellow subsidiaries	70 807	389 941
Total amount due to holding company and fellow subsidiaries	14 187	16 707

Amounts due by holding company and fellow subsidiaries is cash collateralised and therefore ECL is considered immaterial.

12. Property and equipment

M'000	Property - Leasehold premises*	Computer equipment	Office equipment	Other equipment	Right of use assets - property	Total
Net book value as at 1 January 2024	5 779	8 226	1 183	13 383	34 787	63 358
Cost	61 273	34 767	7 836	39 240	92 145	235 261
Accumulated depreciation and impairment	(55 493)	(26 541)	(6 653)	(25 857)	(57 358)	(171 903)
Fixed Assets in Clearing accounts	6 037	2 376	1 293	1 110	-	10 815
Movement for the year	(1 285)	5 210	(277)	625	36 909	41 181
Acquisitions	617	9 910	84	5 313	56 395	72 318
Disposals	-	-	-	-	-	-
Depreciation charge for the year	(1 902)	(4 700)	(361)	(4 688)	(19 486)	(31 136)
Net book value as at 1st January 2025	10 531	15 812	2 199	15 118	71 695	115 354
Cost	67 926	46 926	9 213	45 662	148 540	318 267
Accumulated depreciation and impairment	(57 395)	(31 114)	(7 013)	(30 545)	(76 845)	(202 912)
Fixed Assets in Clearing accounts	(4 303)	(2 149)	(1 228)	(312)	-	(7 991)
Movement for the year	25 480	1 883	1 034	12 580	(3 510)	37 468
Acquisitions	28 009	7 878	1 744	18 282	19 727	75 641
Enhancements	-	699	(9)	720	-	1 410
Disposals	-	(85)	4	(2)	-	(82)
Depreciation charge for the year	(2 529)	(6 609)	(705)	(6 420)	(23 237)	(39 500)
Net book value as at 31 December 2025	31 708	15 546	2 006	27 386	68 185	144 831
Cost	87 655	46 673	9 729	64 115	165 924	374 096
Accumulated depreciation and impairment	(55 947)	(31 127)	(7 723)	(36 729)	(97 739)	(229 265)

*Property – leasehold premises consist of leasehold improvements to leased properties.

13. Deferred income tax asset

Movement in deferred income tax account is shown below.

M'000	31 December 2025	31 December 2024
Deferred income tax asset		
Opening balance	34 049	35 804
Movement recognised in profit or loss	(869)	(1 755)
Total deferred income tax asset	33 180	34 049

The deferred income tax asset and deferred income charged / released to profit or loss are attributable to the items below:

M'000	As at 31 December		Recognised in income statement	
	2025	2024	2025	2024
Deferred income tax asset				
Provision for loan impairment	29 707	25 541	4 167	(2 107)
Accruals	3 094	4 278	(1 184)	1 289
Other provisions	1 504	2 115	(611)	13
Property and equipment	(2 904)	1 519	(4 423)	(1 548)
Right of Use Assets	1 779	596	1 181	599
Total deferred income tax asset	33 180	34 049	(869)	(1 755)

14. Creditors, accruals and provisions

M'000	31 December 2025	31 December 2024
Accounts payable	64 854	42 940
Accrued expenses	8 880	5 757
Audit fees accrued	1 283	2 796
Provisions	6 015	8 461
Total creditors, accruals and provisions	81 032	59 954

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

Reconciliation of provisions

M'000	31 December 2025	31 December 2024
Opening Balance	8 461	8 408
Charge to profit and loss		
Additional provisions created	1 467	1 093
Utilised	(3 913)	(1 040)
Closing balance	6 015	8 461

15. Deposits

M'000	31 December 2025	31 December 2024
Deposits from customers		
Current accounts	2 204 145	2 103 697
Call deposits	903 918	762 206
Savings accounts	86 574	64 580
Fixed and notice deposits	998 155	1 113 230
Deposits	4 192 792	4 043 713

16. Employee liabilities

M'000	31 December 2025	31 December 2024
Liability for short term employee benefits	18 160	14 317
Total employee liabilities	18 160	14 317

17. Lease liabilities

M'000	31 December 2025	31 December 2024
Lease liabilities	75 300	74 081

17.1. Lease liabilities reconciliation

M'000	31 December 2025	31 December 2024
Opening balance	74 081	34 777
Cashflow movements		
Lease principal paid	(15 859)	(15 005)
Interest paid	(4 449)	(2 249)
Non-cashflow movements		
IFRS 16 Lease additions	21 527	56 558
Closing balance	75 300	74 081

For details on the contractual maturity of lease liabilities, refer to Note 22.2 – Liquidity risk

18. Ordinary shares and Share premium

M'000	31 December 2025	31 December 2024
Ordinary shares		
Authorised		
50 000 000 shares with a par value of M1 per share		
Issued		
39 124 080 (2024: 39 124 020) ordinary shares with a par value of M1 per share)	39 124	39 124
All issued share capital is fully paid up		
Ordinary share premium	119 109	59 109
Total issued ordinary share capital and share premium	158 233	98 233

	Number of shares 2025	Number of shares 2024
Opening balance	39 124 020	39 124 020
Shares issued	60	-
Total issued shares issued	39 124 080	39 124 020

19. Remuneration schemes

M'000	31 December 2025	31 December 2024
The charge to profit or loss for share based payments is as follows:		
Conditional share plan	(7 699)	(7 506)
Amount included in profit or loss	(7 699)	(7 506)

The purpose of this scheme is to appropriately attract, incentivise and retain managers and employees within the bank.

Description of schemes and vesting conditions:

Conditional share scheme	
Description	The conditional award is a notional share based on the FirstRand Limited share price.
Vesting conditions	These awards vest after three years. The awards vest if the employment and performance conditions are met. Conditional awards are made annually, and vesting is subject to specified financial performance targets set annually by the group's remuneration committee. These corporate performance targets (CPTs) are set out below.

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

Bonuses of certain employees are deferred into a bonus conditional incentive plan. The incentives require continuous employment over the period. Performance conditions consider the profitability of the relevant business unit and that the aggregate of all the divisional contributions of the FirstRand Group is positive for the duration of the performance period. These awards vest over three years.

20. Contingencies and commitments

M'000	31 December 2025	31 December 2024
Commitments		
Commitments in respect of capital expenditure and long-term investments approved by directors.	16 554	32 016

For details on the contractual maturity of lease liabilities, refer to Note 22.1.1 – Credit risk

21. Fair value measurements

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. For all financial instruments at amortised cost, not included in the tables below, the carrying value is equal to or a reasonable approximation of the fair value.

Fair value hierarchy

M'000	31 December 2025			
	Total carrying amount	Fair value hierarchy		
		Level 1	Level 2	Level 3
Assets				
Advances	2 051 700			2 032 785
Investment securities and other investments	2 023 350	1 018 477	1 015 027	
Total assets at amortised cost	4 075 050	1 018 477	1 015 027	2 032 785
Liabilities				
Deposits	4 192 792			4 186 310
Total liabilities at amortised cost	4 192 792	-	-	4 186 310

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

M'000	31 December 2024			
	Total carrying amount	Fair value hierarchy		
		Level 1	Level 2	Level 3
Assets				
Advances	1 395 024			1 382 819
Investment securities and other investments	1 802 132	847 500	959 999	-
Total assets at amortised cost	3 197 156	847 500	959 999	1 382 819
Liabilities				
Deposits	4 043 713	-	4 068 447	-
Total liabilities at amortised cost	4 043 713	-	4 068 447	-

Related party transactions

Balances with related parties

M'000	31 December 2025	31 December 2024
Advances		
Key management personnel	16 436	25 919
Accounts receivable		
Holding company	140	121
Amounts due by holding company and fellow subsidiaries		
Holding company	70 667	403 010
Deposits		
Key management personnel	1 941	5 403
Accounts payable		
Holding company	14 187	16 702

The amounts advanced to key management personnel consist of mortgages, instalment finance agreements and other loans. The amounts deposited by key management personnel are held in cheque and current accounts, savings accounts and other term accounts and are at market-related rates, terms and conditions.

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

Transactions with related parties

M'000	31 December 2025	31 December 2024
Interest received		
Holding company	7 219	15 487
Key management personnel	309	1 562
Interest paid		
Key management personnel	13	66
Non-interest revenue		
Holding company	(339)	767
Key management personnel	62	67
Operating expenses		
Holding company	145 158	165 441
Salaries and other employee benefits		
Key management personnel		
Salaries and other short-term benefits	21 685	24 865
Defined contribution	1 626	1 500
Share based payments	7 053	8 633

A list of the Board of Directors of the bank is on page 10 of the annual financial statements. During the financial year, no contracts were entered into in which Directors or officers of the company had an interest and which significantly affected the business of the bank. The Directors had no interest in any third party or company responsible for managing any of the business activities of the bank.

Standards and Interpretations issued but not yet effective

The following new and revised standards and interpretations are applicable to the business of the bank. The bank will comply with these from the stated effective date.

STANDARD	IMPACT ASSESSMENT	EFFECTIVE DATE
IAS 21	<p>Lack of exchangeability – Amendments to IAS 21</p> <p>The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.</p> <p>The bank does not expect this amendment to have a significant impact on the annual financial statements.</p>	Annual periods commencing on or after 1 January 2025
IFRS 9 and IFRS 7	<p>Amendments to the Classification and Measurement of Financial Instruments</p> <p>The amendments clarify:</p> <ul style="list-style-type: none"> • that a financial liability is derecognised on the settlement date. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met; • how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance linked features and other similar contingent features; • the treatment of non-recourse assets and contractually linked instruments; and • additional disclosure requirements for financial assets and liabilities with contractual terms that reference a contingent event. <p>The impact on the annual financial statements is currently being assessed and not expected to have a material impact on the bank's results.</p>	Annual periods commencing on or after 1 January 2026
IFRS 9 and IFRS 7	<p>Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7</p> <p>The amendments include:</p> <ul style="list-style-type: none"> • clarifying the application of the own-use requirements; • permitting hedge accounting if these contracts are used as hedging instruments; and • adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. <p>The bank does not expect this amendment to have a significant impact on the annual financial statements.</p>	Annual periods commencing on or after 1 January 2026

<p>IFRS 18</p>	<p>Presentation and Disclosure in Financial Statements</p> <p>IFRS 18 aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows.</p> <p>IFRS 18 aims to improve financial reporting by:</p> <ul style="list-style-type: none"> • requiring additional defined subtotals in the statement of profit or loss; • requiring disclosures about management-defined performance measures; and • adding new principles for grouping (aggregation and disaggregation) of information. <p>The new standard is expected to impact bank presentation of its statement of profit or loss.</p>	<p>Annual periods commencing on or after 1 January 2027</p>
<p>IFRS 19</p>	<p>Subsidiaries without Public Accountability: Disclosures</p> <p>IFRS 19 enables eligible entities to provide reduced disclosures compared to the requirements in other IFRS accounting standards. Entities that elect IFRS 19 are still required to apply recognition, measurement and presentation requirements of other IFRS accounting standards.</p> <p>IFRS 19 would not be applicable to the bank annual financial statements, however IFRS 19 application will be evaluated for the company annual financial statements.</p>	<p>Annual periods commencing on or after 1 January 2027</p>

22. Financial Risk Management

The financial instruments recognised on the bank’s statement of financial position, expose the bank to various financial risks. The information presented in this note represents the quantitative information required by IFRS 7 and sets out the bank’s exposure to these financial risks. This section also contains details about the bank’s capital management process.

Overview of financial risks		
Credit risk	Credit risk is the risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation.	
	<p>Credit risk arises primarily from the following instruments:</p> <ul style="list-style-type: none"> ➤ advances; and ➤ certain investment securities. <p>Other sources of credit risk arise from:</p> <ul style="list-style-type: none"> ➤ cash and cash equivalents; ➤ accounts receivable; and off-balance sheet exposures. 	<p>The following information is presented for these assets:</p> <ul style="list-style-type: none"> ➤ summary of all credit assets (22.1.1); ➤ information about the quality of credit assets (22.1.2); ➤ exposure to concentration risk (22.1.2); and ➤ credit risk mitigation and collateral held (22.1.3).
Liquidity risk	Liquidity risk is the risk that the bank is unable to meet its obligations when those fall due and payable. It is also the risk of not being able to realise assets to meet repayment obligations in a stress scenario.	
	<p>Liquidity risk arises from all assets and liabilities with differing maturity profiles.</p>	<p>The following information is presented for these assets and liabilities:</p> <ul style="list-style-type: none"> ➤ discounted cash flow analysis of financial liabilities (22.2.3); ➤ concentration analysis of deposits (22.2.4).
Market risk	<p>Interest rate risk in the banking book (22.3.1) originates from the differing repricing characteristics of balance</p>	<p>The following information is presented for interest rate risk in the banking book:</p> <ul style="list-style-type: none"> ➤ projected NII sensitivity to interest rate movements; and

	<p>sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in banking book products.</p>	<ul style="list-style-type: none"> ➤ banking book NAV sensitivity to interest rate movements as a percentage of total bank capital.
	<p>Structural foreign exchange risk is the risk of an adverse impact on the bank’s financial position and earnings or other key ratios as a result of movements in foreign exchange rates impacting balance sheet exposures.</p>	
<p>Capital management</p>	<p>The overall capital management objective is to maintain sound capital ratios and a strong credit rating to ensure confidence in the bank’s solvency and quality of capital during calm and turbulent periods in the economy and financial markets. The bank, therefore, maintains capitalisation ratios aligned to its risk appetite and appropriate to safeguard operations and stakeholder interests. The key focus areas and considerations of capital management are to ensure an optimal level and composition of capital, effective allocation of resources including capital and risk capacity, and a sustainable dividend policy.</p>	
<p>Tax Risk</p>	<p>The risk of financial loss due to the final determination of the tax treatment of a transaction by revenue authorities being different from the implemented tax consequences of such a transaction, combined with the imposition of penalties, sanction or reputational damage due to:</p> <ul style="list-style-type: none"> ➤ non-compliance with the various revenue acts; and/or ➤ the inefficient use of available mechanisms to benefit from tax dispensations. <p>Any event, action or inaction in the strategy, operations, financial reporting or compliance that either adversely affects the entity’s tax or business position, or results in unanticipated penalties, assessments, additional taxes, harm to reputation, lost opportunities or financial statement exposure is regarded as tax risk.</p>	

22.1 Credit risk

22.1.1. Credit assets

Objective

Credit risk management objectives are two fold:

- Risk control: Appropriate limits are placed on the assumption of credit risk and steps taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfil this task.
- Management: Credit risk is taken within the constraints of the risk appetite framework. The credit portfolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions, overseen by the Enterprise Risk Management function and relevant Board committees, fulfil this role.

Based on the bank's credit risk appetite, as measured on a Return on Equity (ROE), Net Income After Cost of Capital (NIACC) and volatility-of-earnings basis, credit risk management principles include holding the appropriate level of capital and pricing for risk on an individual and portfolio basis. The scope of credit risk identification and management practices across the bank, therefore, spans the credit value chain, including risk appetite, credit origination strategy, risk quantification and measurement, as well as collection and recovery of delinquent accounts.

Assessment and management

Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure. Credit risk management across the bank is split into four distinct portfolios: retail, commercial, corporate, and Wesbank, and are aligned to customer profiles.

The assessment of credit risk across the bank relies on internally developed quantitative models for addressing regulatory and business needs. The models are used for the internal assessment of the three primary credit risk components:

- probability of default (PD);
- exposure at default (EAD); and
- loss given default (LGD).

Management of the credit portfolio is reliant on these three credit risk measures. PD, EAD and LGD are inputs into the portfolio and bank-level credit risk assessment where the measures are combined with estimates of correlations between individual counterparties, industries and portfolios to reflect diversification benefits across the bank.

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

The bank employs a granular, 100-point master rating scale, which has been mapped to the continuum of default probabilities, as illustrated in the following table. FirstRand (FR)1 is the lowest PD and FR100 the highest. External ratings have also been mapped to the master rating scale for reporting purposes. These mappings are reviewed and updated on a regular basis.

Mapping of FR grades to rating agency scales

FirstRand rating	Midpoint PD	International scale mapping (based on S&P)*
1 – 14	0.06%	AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB (upper)
15 – 25	0.29%	BBB, BBB-(upper), BBB-, BB+(upper), BB+
26 – 32	0.77%	BB(upper), BB, BB-(upper), BB-
33 – 39	1.44%	B+(upper)
40 – 53	2.52%	B+, B(upper)
54 – 83	6.18%	B, B-(upper), B-
84 – 90	13.68%	CCC+
91 – 99	59.11%	CCC
100	100%	D (defaulted)

**Indicative mapping to the international rating scales of S&P Global Ratings (S&P). The bank currently only uses mappings to S&P's rating scales.*

The following assets and off-balance sheet amounts expose the bank to credit risk. For all on-balance sheet exposures, the gross carrying amount recognised on the statement of financial position represents the maximum exposure to credit risk, before considering collateral and other credit enhancements. Off-balance sheet exposures disclosed include loan commitments as defined in the bank's accounting policy.

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

M'000	31 December 2025	31 December 2024
On-balance sheet exposure		
Cash and short-term funds		
Money at call and short notice	87 212	299 730
Balances with central bank	45 638	126 210
Gross advances	2 153 307	1 491 819
Retail Segment	1 265 550	770 396
Commercial Segment	507 284	380 913
Corporate Segment	103 033	100 011
WesBank	277 440	240 499
Accounts receivable	53 111	114 060
Amounts due by holding company and fellow subsidiaries	70 807	389 941
Investments securities and other investments	2 033 505	1 807 499
Off-balance sheet exposure		
Guarantees and letters of credit	351 398	257 897
Loan commitments not drawn	108 348	80 842
Total	4 903 326	4 567 997

Quality of credit assets

The following table shows the gross carrying amount of advances carried at amortised cost and the exposure to credit risk of loan commitments and financial guarantees per class of advance and per internal credit rating.

The amounts in stage 3 that do not have a rating of above FR 90 relates to technical cures (performing accounts that have previously defaulted but don't meet the 12-month curing definition remain in stage 3) and paying debt-review customers as the PDs on these customers are lower than operational stage 3 advances and the PD drives the FR rating. In addition, where the bank holds a guarantee against a stage 3 advance, the FR rating would reflect same.

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

M'000	31 December 2025			31 December 2024		
	FR 1 -25	FR 26 - 90	Above FR 90	FR 1 -25	FR 26 - 90	Above FR 90
Retail Segment	-	1 151 323	114 226	-	672 854	76 023
Stage 1		1 141 432	36 888		665 121	23 828
Stage 2		9 891	50 499		7 732	38 754
Stage 3			26 839		-	13 441
Commercial Segment	16	445 195	62 072	-	349 007	31 906
Stage 1	16	378 972	21 298		314 090	2 478
Stage 2		66 123	28 268		34 917	18 411
Stage 3		100	12 506			11 018
Corporate Segment	-	103 024	9	-	100 001	9
Stage 1		102 957	7		100 001	8
Stage 2		67	2		0	1
Stage 3						
WesBank Segment	-	264 839	12 600	-	228 569	10 232
Stage 1		249 348	402		221 799	
Stage 2		15 391	5 317		6 770	
Stage 3		100	6 881			10 232
Total Advances	16	1 964 381	188 907	-	1 350 431	118 170
Off balance sheet exposures						
Commercial Segment	-	315 210	-	-	284 242	-
Stage 1	-	315 210		-	284 242	

Analysis of impaired advances

M'000	31 December 2025		
	Total carrying amount	Security held and expected recoveries	Stage 3 impairment
Stage 3 assets by category			
Overdrafts and cash management accounts	3 259		7 256
Term loans	10 142	5 544	4 598
Instalment sales and hire purchase agreements	6 982	327	6 655
Property finance	6 129	4 258	1 871
Personal loans	19 915	1 005	18 910
Total NPLs	46 427	11 134	39 290

M'000	31 December 2024		
	Total carrying amount	Security held and expected recoveries	Stage 3 impairment
Stage 3 assets by category			
Overdrafts and cash management accounts	7 420		8 073
Term loans	3 210	297	2 913
Instalment sales and hire purchase agreements	10 232	72	10 159
Property finance	5 700	3 810	1 890
Personal loans	8 129		9 219
Total NPLs	34 691	4 179	32 254

22.1.2. Concentration risk

Credit concentration risk is the risk of loss to the bank arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, or maturity. This concentration typically exists when several counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Concentration risk is managed based on the nature of the credit concentration in each portfolio. The bank's credit portfolio is well diversified, achieved through setting maximum exposure guidelines to individual counterparties. The bank constantly reviews its concentration levels and sets maximum exposure guidelines for these. The bank seeks to establish a balanced portfolio profile and closely monitors credit concentrations.

Geographical concentration of significant asset exposure

M'000	31 December 2025		31 December 2024	
	Lesotho	South Africa	Lesotho	South Africa
On-balance sheet exposures				
Cash and cash equivalents	359 883		620 257	
Total advances	2 051 700		1 395 024	
Investments securities and other investments	939 005	1 018 478	580 039	1 222 186
Amounts due by holding company and fellow subsidiary companies		70 807		389 941
Accounts receivable	53 111		114 060	
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	206 862		203 400	

Sector analysis concentration of advances

Advances expose the bank to concentration risk to the various industry sectors. The tables below set out the bank's exposure to the various industry sectors for total advances and Stage 3 assets.

	31 December 2025			
	Total advances	Stage 3		
		Total	Security held and expected recoveries	Stage 3 impairment
Agriculture	30 972	739	297	442
Financial Institutions	128 994	861	106	755
Building and property development	107 645	1 670	729	941
Government land bank and public authority	18 350	-		
Individuals	1 333 299	30 147	1 489	28 658
Manufacturing and commerce	300 185	10 191	4 641	5 550
Mining	23 942	-		
Transport and communication	62 558	1 562		1 562
Other services	116 700	1 382		1 382
Gross value of advances	2 122 645	46 552	7 262	39 290
Impairment of credit advances	(101 606)			
Net advances	2 021 038			

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

M'000	31 December 2024			
	Total advances	Stage 3		
		Total	Security held and expected recoveries	Stage 3 impairment
Agriculture	26 369	867		867
Financial Institutions	128 008	9		9
Building and property development	88 866	2 740	198	2 542
Government land bank and public authority	25 899	1 076	662	414
Individuals	834 251	17 122	471	16 651
Manufacturing and commerce	243 397	6 123	728	5 395
Mining	8 050	2 671		2 671
Transport and communication	32 623	2 986	480	2 506
Other services	81 137	1 245	46	1 199
Gross value of advances	1 468 600	34 839	2 585	32 254
Impairment of credit advances	(96 795)			
Net advances	1 371 806			

22.1.3. Credit risk mitigation and collateral held

Since taking and managing credit risk is core to its business, the bank aims to optimise the amount of credit risk it takes to achieve its return objectives. Mitigation of credit risk is an important component of this, beginning with the structuring and approval of facilities for only those clients and within those parameters that fall within risk appetite.

Although, in principle, credit assessment focuses on the counterparty's ability to repay the debt, credit mitigation instruments are used where appropriate to reduce the bank's lending risk, resulting in security against the majority of exposures. These include financial or other collateral, netting agreements, guarantees or credit derivatives. The collateral types are driven by portfolio, product or counterparty type.

- Credit risk mitigation instruments Mortgage and instalment sale finance portfolios are secured by the underlying assets financed.
- Commercial credit exposures are secured by the assets of the SME counterparties and commercial property finance deals are secured by the underlying property and associated cash flows.
- Personal loans, overdrafts and credit card exposures are generally unsecured or secured by guarantees and sureties.
- Working capital facilities in corporate banking are unsecured.

The bank employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally to ensure that title is retained over collateral taken over the life of the transaction. Collateral is valued at inception of the credit agreement and subsequently where necessary

through physical inspection or index valuation methods. For corporate and commercial counterparties, collateral is reassessed during the annual review of the counterparty's creditworthiness to ensure that proper title is retained. For mortgage portfolios, collateral is revalued on an ongoing basis using an index model and physical inspection is performed in the event of default at the beginning of the recovery process.

For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

Concentrations in credit risk mitigation types, such as property, are monitored and managed in the two credit portfolios, being FNBL home loans and commercial property finance. This is to monitor exposure to a number of geographical areas, as well as within loan-to-value bands.

Collateral is taken into account for capital calculation purposes through the determination of LGD. Collateral reduces LGD, and LGD levels are determined through statistical modelling techniques based on historical experience of the recovery processes.

It is the bank's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, through engagement of external valuers vetted by the bank. For business and corporate portfolios, the value of collateral is reviewed after every 3 years under normal circumstances whereas mortgage portfolios, collateral valuations are updated when re-finance is requested by the client. However, in the event of default, more detailed reviews and valuations of collateral are performed, which yields a more accurate financial effect. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession.

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

The table below sets out the financial effect of collateral per class of advance.

	31 December 2025					
	Gross Carrying amount	Loss Allowances	Maximum exposure to credit risk	Netting and financial collateral	Unsecured	Secured
M'000						
Overdrafts and managed accounts	250 658	(16 175)	234 483	2 088	232 395	
Term loans	241 359	(10 003)	231 356	17 312	149 831	64 213
Instalment sales	277 440	(11 859)	265 581	2 366	131 607	131 607
Property finance	360 539	(8 348)	352 191	108 162		244 029
Personal loans	1 023 310	(51 746)	971 564		971 564	
Total Advances	2 153 306	(98 131)	2 055 175	129 928	1 485 397	439 849
Off balance sheet exposure	315 210	(3 475)	311 735	61 877	108 348	206 862
Investment securities and other investments	2 023 351	(10 154)	2 013 197		2 023 351	
Amounts due by holding company and fellow subsidiary companies	70 807		70 807		70 807	
Accounts receivables	53 111		53 111		53 111	

Secured represent balances which have non-financial collateral attached to the financial asset.

	31 December 2024					
	Gross Carrying amount	Loss Allowances	Maximum exposure to credit risk	Netting and financial collateral	Unsecured	Secured
M'000						
Overdrafts and managed accounts	240 431	(17 920)	222 511	1 875	220 636	
Term loans	188 981	(10 818)	178 162	12 608	115 888	49 666
Instalment sales	240 499	(14 761)	225 738	1 837	111 951	111 951
Property finance	245 650	(7 099)	238 551	148 778		89 773
Personal loans	576 258	(43 329)	532 929		532 929	
Total Advances	1 491 819	(93 928)	1 397 891	165 097	981 404	251 390
Off balance sheet exposure	284 242	(2 867)	281 375		80 842	203 400
Investment securities and other investments	1 802 132	(5 368)	1 796 764		1 802 132	
Amounts due to holding company and fellow subsidiary companies	389 941		389 941		389 941	
Accounts receivables	114 060		114 060		114 060	

22.1.4 Offsetting of financial assets and financial liabilities

Where appropriate, various instruments are used to mitigate the potential exposure to certain counterparties. These include financial or other collateral in line with common credit risk practices, as well as netting agreements, guarantees and credit derivatives.

No offsetting of financial assets and financial liabilities has occurred in the current financial year.

22.2. Liquidity risk

22.2.1 Objective

The bank strives to fund its activities in a sustainable, diversified, efficient and flexible manner, underpinned by strong counterparty relationships within prudential limits and minimum requirements. The objective is to maintain natural market share, but also to outperform at the margin, which will provide the bank with a natural liquidity buffer.

Given the liquidity risk introduced by its business activities, the bank's objective is to optimise its funding profile within structural and regulatory constraints to enable its franchises to operate in an efficient and sustainable manner.

Compliance with the Basel III LCR influences the bank's funding strategy, in particular as it seeks to restore the correct risk-adjusted pricing of liquidity. The bank is actively building its deposit franchise through innovative and competitive product and pricing, while also improving the risk profile of its institutional funding. This continues to improve the funding and liquidity profile of the bank.

Given market conditions and the regulatory environment, the bank increased its holdings of available liquidity over the year in line with risk appetite.

Liquidity risk arises from all assets and liabilities with differing maturity profiles.

22.2.2 Assessment and management

The bank focuses on continuously monitoring and analysing the potential impact of other risks and events on the funding and liquidity position of the bank to ensure business activities preserve and improve funding stability. This ensures the bank is able to operate through periods of stress when access to funding is constrained.

Mitigation of market and funding liquidity risks is achieved via contingent liquidity risk management. Buffer stocks of high quality, highly liquid assets are held either to be sold into the market or provide collateral for loans to cover any unforeseen cash shortfall that may arise.

The bank's approach to liquidity risk management distinguishes between structural, daily and contingency liquidity risk management across all currencies. Various approaches are employed in the assessment and management of these on a daily, weekly and monthly basis.

- Structural liquidity risk

Managing the risk that structural, long term on- and off-balance sheet exposures cannot be funded timeously or at reasonable cost.

- Daily liquidity risk
Ensuring that intraday and day-to-day anticipated and unforeseen payment obligations can be met by maintaining a sustainable balance between liquidity inflows and outflows.
- Contingency liquidity risk
Maintaining a number of contingency funding sources to draw upon in times of economic stress. Regular and rigorous stress tests are conducted on the funding profile and liquidity position as part of the overall stress testing framework with a focus on:
 - quantifying the potential exposure to future liquidity stresses;
 - analysing the possible impact of economic and event risks on cash flows, liquidity, profitability and solvency position; and
 - proactively evaluating the potential secondary and tertiary effects of other risks on the bank.

22.2.3 Undiscounted cash flow

The following table presents the bank’s undiscounted cash flows of financial liabilities and off- balance sheet amounts and includes all cash outflows related to principal amounts as well as future payments. These balances will not reconcile to the balance sheet for the following reasons:

- balances are undiscounted amounts whereas the statement of financial position is prepared using discounted amounts;
- the table includes cash flows not recognised on the statement of financial position;
- all instruments held for trading purposes are included in the call to three-month bucket and not by maturity as trading instruments are typically held for short periods of time; and
- cash flows relating to principal and associated future coupon payments have been included on an undiscounted basis.

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

M'000	31 December 2025			
	Total	Term to maturity		
		Call to 3 months	4 to 12 months	Greater than 12 months and non-contractual
On-balance sheet amounts				
Deposits and current accounts	4 192 792	4 002 828	147 277	42 688
Creditors, accruals and provisions	81 032	81 032		
Amounts due to holding company and fellow subsidiaries	14 187	14 187		
Lease liabilities	75 301	4 993	13 387	56 921
Off-balance sheet amounts				
Guarantees and letters of credit	351 398	351 398		
Facilities not drawn	108 348	108 348		

M'000	31 December 2024			
	Total	Term to maturity		
		Call to 3 months	4 to 12 months	Greater than 12 months and non-contractual
On-balance sheet amounts				
Deposits and current accounts	4 043 713	3 497 255	501 482	44 976
Creditors, accruals and provisions	59 954	59 954		
Amounts due to holding company and fellow subsidiaries	16 707	16 707		
Lease liabilities	74 081	4 677	13 196	56 208
Off-balance sheet amounts				
Guarantees and letters of credit	257 897	257 897		
Facilities not drawn	80 842	80 842		

22.2.4 Concentration analysis of deposits

M'000	31 December 2025	31 December 2024
Sector analysis		
Deposits, current accounts and other loans		
Sovereigns, including central bank	251 351	302 621
Public sector entities	41 239	18 032
Banks	335 261	433 114
Corporate customers	2 460 705	2 311 511
Retail customers	959 138	868 805
Other	145 098	109 630
Total deposits	4 192 792	4 043 713
Geographical analysis		
Lesotho	4 192 793	4 043 713

22.3. Non-traded market risk

22.3.1. Economic value of equity (EVE)

An EVE sensitivity measure is used to assess the impact on the total Net Asset Value (NAV) of the bank as a result of a shock to underlying rates. The realisation of a rate move in the banking book will impact the distributable and non-distributable reserves to varying degrees and is reflected in the NII margin more as an opportunity cost/benefit over the life of the underlying positions. As a result, a purely forward-looking EVE sensitivity measure is applied to the banking book, be it a one basis point (bps) shock or a full stress shock, which is monitored relative to total risk limit, appetite levels and current economic conditions.

The EVE shock applied is based on regulatory guidelines and is a sustained, instantaneous parallel 200 bps downward and upward shock to interest rates. This is applied to risk portfolios as managed by the bank’s treasurer which, as a result of the risk transfer through the internal funds transfer pricing process, captures relevant open risk positions in the banking book. This measure does not take into account the unrealised economic benefit embedded as a result of the banking book products which are not recognised at fair value.

- The following table:highlights the sensitivity of banking book NAV as a percentage of total capital; and
- reflects a point-in-time view which is dynamically managed and can fluctuate over time.

Banking book NAV sensitivity to interest rate movements as a percentage of total bank capital:

	31 December 2025	31 December 2024
%		
Downward 200bps	(7.53)	(3.41)
Upward 200bps	3.67	4.81

22.3.2. Earnings sensitivity

Earnings models are run monthly to provide a measure of the NII sensitivity of the existing banking book to shocks in interest rates. Underlying transactions are modelled on a contractual basis and behavioural adjustments are applied where relevant. The calculation assumes a constant balance sheet size and product mix over the forecast horizon. A pass-through assumption is applied in relation to non-maturing deposits, which reprice at the bank's discretion. This assumption is based on historical product behaviour.

The following tables show the 12-month NII sensitivity for a sustained, instantaneous parallel 200 bps downward and upward shock to interest rates.

NII sensitivity is mostly a result of the endowment book mismatch. The bank's average endowment book was M2.0 billion for the year (2024: M1.8 billion).

Projected Maloti NII sensitivity to interest rate movements

	31 December 2025	31 December 2024
M'000		
Downward 200bps	(26 102)	8 881
Upward 200bps	12 735	(12 524)

Assuming no change in the balance sheet and no management action in response to interest rate movements, an instantaneous, sustained parallel 200 bps decrease in interest rates would result in a reduction in projected 12-month NII of M26.1 million (2024: M8.9 million). A similar increase in interest rates would result in an increase in projected 12-month NII of M12.7 million (2024: M12.5 million).

22.4. Capital management

The capital planning process ensures that the total capital adequacy and CET1 ratios remain within or above targets across economic and business cycles. Capital is managed on a forward-looking basis, and the bank remains appropriately capitalised under a range of normal and severe stress scenarios, which includes expansion initiatives, corporate transactions, as well as ongoing regulatory, accounting and tax developments. The bank aims to back all economic risk with loss absorbing capital and remains well capitalised in the current environment.

First National Bank of Lesotho Limited
Company Registration Number: I2008/729;
Annual Financial Statements for the Year Ended 31 December 2025

The bank continues to focus on maintaining strong capital and leverage levels, with focus on the quality of capital and optimisation of the bank's RWA and capital mix.

The bank operated above its capital and leverage targets during the year. The internal targets set by management are more stringent than the regulatory imposed targets. The table below summarises the bank's capital and leverage targets as at 31 December 2025.

	Tier 1	Conservation buffer	Total qualifying capital
Local capital requirements	8.0%	2.0%	10.0%
Internal targets - Group capital requirements	15.0%		15.0%

The following table shows the composition of regulatory capital and ratios of the bank at 31 December 2025. The bank complied with all capital requirements which are prescribed by the Financial Institutions Act 2012.

M'000	31 December 2025	31 December 2024
Share capital and premium	158 233	98 233
Retained earnings	188 540	162 255
Total qualifying Tier 1 capital	346 773	260 488
General debt provision	23 022	22 316
Total qualifying Tier 2 capital	23 022	22 316
Total regulatory capital	369 795	282 804
Risk weighted assets	2 325 776	2 220 871
Capital adequacy ratio	16%	13%
Minimum capital ratio per Financial Institutions Act 2012	10%	10%

The Central Bank of Lesotho adopted Basel II.5 and enforced it through the Financial Institutions Computation of Capital Charge for Credit, Operational and Market Risks Regulations 2023.

23. Subsequent events

The Directors are not aware of any other material events that have occurred between the date of the statement of financial position and the date of this report.