



Standard Lesotho Bank

STANDARD LESOTHO BANK

Annual Report 2025

Lesotho is our home. **We drive her growth.**



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Three connected perspectives. One report.

Standard Lesotho Bank's Integrated Annual Report brings together the information stakeholders need to understand how the Bank creates sustainable value, reports its financial performance and manages risk and capital.

01 Sustainability Performance

Environmental, social and governance performance, stakeholder impact and long-term value creation.

02 Financial Statements

Audited financial position, performance, cash flows and statutory disclosures for the year.

03 Risk & Capital

Risk management and capital disclosures are prepared pursuant to Financial Institutions (Disclosure of Financial Information) Regulations 2016 and related guidelines



AUDITED & APPROVED

The 2025 Annual Financial Statements were independently audited, approved by the Board of Directors and signed on 25 March 2026.

Lesotho is our home, We drive her Growth.



Our priorities



Execute with
Excellence



Transform Client
Experience



Drive Sustainable
Growth & Value

Enablers



Standard Lesotho Bank

Strategy 2025 — 2028

Our priorities

- Execute with excellence
- Transform client experience
- Drive sustainable growth & value

Client focus

- Defend/retain client franchise
- Drive client entrenchment & loyalty
- Banking the ecosystem

Enablers

- Automation Strategy
- Data Capabilities & Personalisation
- Always on, always secure
- Risk Appetite

Employee engagement

- Upskill and reskill our people
- Leadership effectiveness and culture
- Exceptional employee experience
- Diversity & inclusion

Financial outcome

- Headline earnings: M443m
- Return on Equity: 32.6%
- Total Income: M1.182bn
- Credit Loss Ratio: 1.9%
- Cost to Income: 48.6%
- JAWS ratio: 5.1%

Operational excellence

- Digital transformation
- Core systems and storage enhancements
- Technology integration
- Data and information management

SEE & ESG impact

- Job creation and enterprise growth.
- Financial inclusion
- Sustainable finance & climate change
- Country ESG Strategy

Risk & conduct

- Proactive risk culture
- Process automation
- Information risk management
- ESG integration into business

We are what we stand for



We are Deeply Committed

We are dedicated to our purpose and to the people we serve.



We are Boldly Pioneering

We set the standard through our determination and resilience.



We are Trusted Stewards

The mark of our success is the legacy we leave.



We are Guided by Empathy

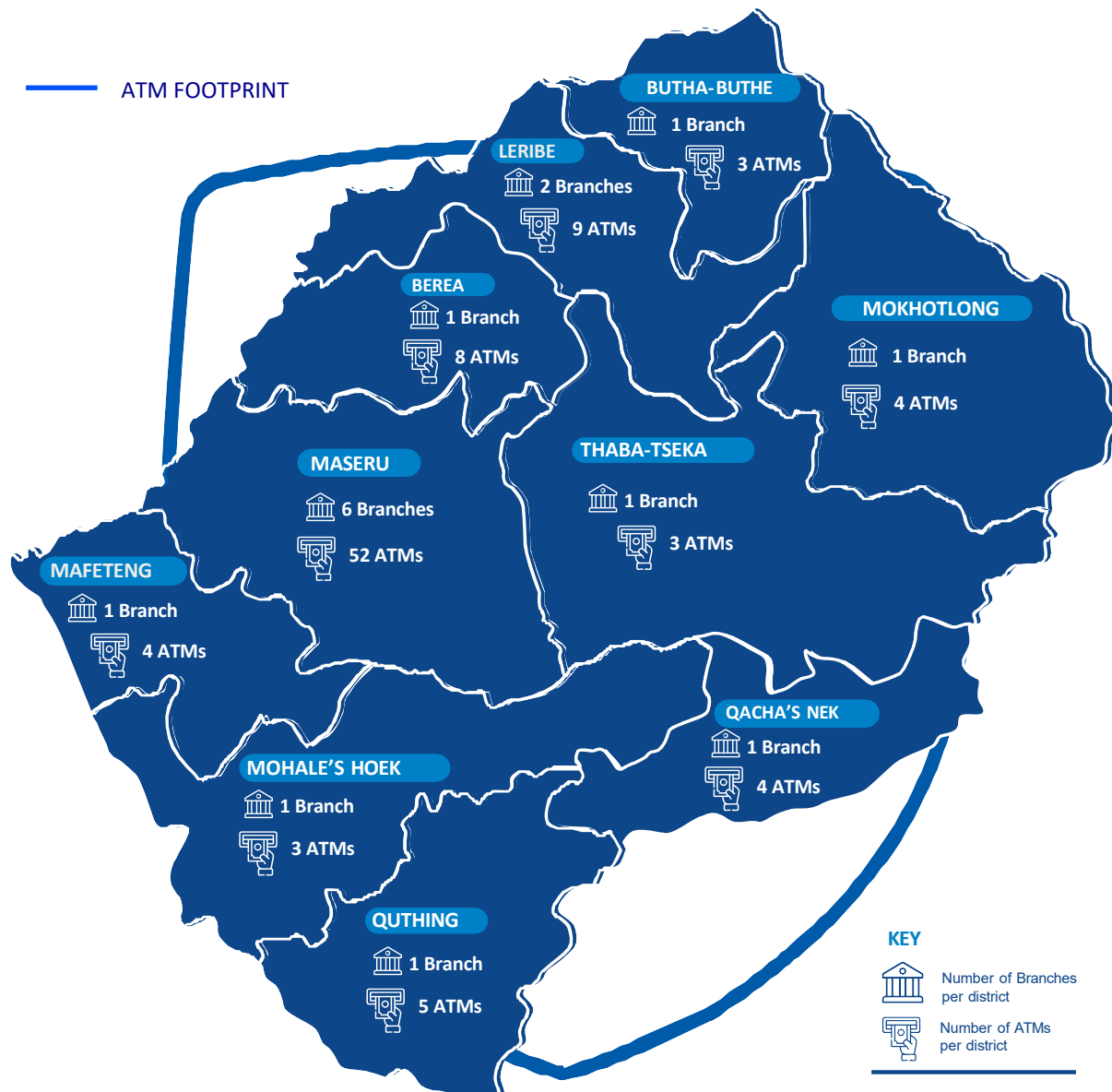
We treat people with respect, consideration and kindness.



We are Unfailing Honorable

The choices we make are always ethical.

ATM FOOTPRINT



ATMs Location by District

Maseru

- Cathedral Branch
- City Branch
- Industrial Branch
- Maseru Mall Branch
- Pioneer Mall Branch
- Roma Branch
- Econo Foods Building, opposite Lesotho High School
- Bataung Filling Station – Borokhoaneng
- Bedco ATM Filling station
- Engen Garage, Ha Mots'oeneng
- Finance House - Government Complex
- Ha Tsolo, Usave shopping Centre
- LHDA Commercial Centre
- Lerotholi Polytechnic
- Maseru Border ATMs
- Maseru Mall ATMs
- Banking Maseru Matala ATM
- Morija - Mabeoane ATM
- Pioneer Mall Basement ATMs
- Pita Remote ATM, Ha Pita,
- Maseru Sefika Complex ATMs
- Tower ATMs, Bank Tower Building

- Tradorette ATMs
- U-Save, Bus-stop, Sea Point
- Private Banking ATM - LCCI Complex
- Formosa ATM
- Masianokeng Lifestyle Centre
- Semonkong ATM
- Sefalana Wholesalers ATM
- Masianokeng Junction ATM
- Thetsane next to Thetsane Office Park

Butha Buthe

- Butha-Buthe Branch
- Butha-Buthe ATM - Village Walk Mall

Leribe

- Leribe Branch
- Maputsoe Branch Katse Village
- Pitseng
- Old Engine Filling Station, Hlotse

Qacha's Nek

- Qacha's Nek Branch
- Engen Garage, Qacha's Nek Sekake

Mafeteng

- Mafeteng Branch
- Mafeteng KFC building
- Mafeteng Shoprite Complex

Berea

- Modise ATM
- TY Mofolo Street
- Nutri Foods, Main North 1 Rd,
- Puma Filling Station Ha
- Foso/ Marabeng Mapoteng Hospital
- Naleli Center ATMs

Mohale's Hoek

- Mohale's Hoek Branch
- Alliance Complex Mohale's Hoek

Mokhotlong

- Mokhotlong Branch
- Mapholaneng
- Mokhotlong Alliance building ATM

Thaba-Tseka

- Thaba-Tseka Branch
- Mantsonyane

Quthing

- Quthing Branch
- Quthing-Lower Moyeni
- Mphaki
- Mt. Moorosi

Standard Lesotho Bank Board Chairman's Statement

For the Year Ended 31 December 2025

Chairman's Foreword

On behalf of the Board of Directors of Standard Lesotho Bank Limited, I am pleased to present the Board Chairman's Report for the year ended 31 December 2025.

The past financial year was one of significant challenge, reflection, and decisive corrective action. It tested the resilience of the Bank, the effectiveness of our governance structures, and

the commitment of management and staff to restoring confidence, strengthening controls, and safeguarding shareholder value. While performance pressures were evident during the year, the Board is encouraged by the decisive steps taken to stabilise the business and position the Bank for sustainable recovery.



Operating Environment

The operating environment during the period was characterised by elevated uncertainty and heightened external vulnerability, driven by persistent global geopolitical tensions and their macroeconomic spillover effects. Ongoing conflicts have continued to disrupt global supply chains, fuel geoeconomic fragmentation, and sustain volatility in energy, food, and logistics costs, thereby amplifying inflationary and trade risks for small, import dependent economies such as Lesotho.

Against this backdrop, the 2025/26 National Budget acknowledges that geopolitical tensions and protectionist policies are redefining global trade patterns, elevating uncertainty and constraining external demand, while underscoring the need for economic resilience, regional integration, and diversification beyond traditional markets. These global headwinds have been compounded by Lesotho's structural exposure to imported inflation, estimated at approximately 80% of domestic inflation, and its high reliance on South Africa for trade, logistics, and fiscal inflows, including volatile SACU receipts.

Lesotho's macroeconomic posture has been challenging in 2025, and the outlook for 2026 is expected not to be any different, with growth projected to slow to 1.4% - 2.0% due to

declining textile exports, weakening global diamond prices, and a contraction in the manufacturing sector. In response, Government has reaffirmed its commitment to macro-economic stability, a transition toward a private sector led growth model, and targeted investments in agriculture, manufacturing, energy, and digital transformation to mitigate external shocks and support inclusive growth.

The Financial Performance and Shareholder Value

The Bank delivered a resilient financial performance in FY2025 against a more constrained operating and macroeconomic environment. Profit After Tax declined by 18.6% to M378 million (FY2024: M464 million), primarily driven by a significant increase in credit impairment charges, reflecting heightened credit risk pressures in the mining and NGO-related sectors. Consequently, Return on Equity moderated from 22.7% in the prior year to 14.7%, reflecting both lower earnings and a higher equity base. Despite this earnings pressure, the Bank maintained a strong capital position and shareholder returns, declaring dividends of 1,455 cents per share, consistent with the prior year, supported by robust liquidity and capital adequacy.

Total assets grew to M15.8 billion (FY2024: M15.1 billion), underpinned by growth in financial investments, while customer deposits increased to M12.0 billion, reinforcing the Bank's stable funding profile. Net interest income declined marginally, reflecting balance sheet repricing dynamics, while noninterest revenue increased, driven by improved fee income and gains on financial instruments, partially offsetting the impact of higher impairments. Net asset value per share improved to 9,852 cents (FY2024: 9,466 cents), demonstrating continued balance sheet strengthening and sustained long-term shareholder value creation notwithstanding near-term earnings pressure.

Notwithstanding this, the Board notes:

- Improved cost discipline and stabilisation of the cost-to-income ratio in the second half of the year.
- Strengthening of non-interest revenue streams, particularly transactional income.
- Restoration of dividend approval following completion of regulatory validation processes.

The Board views the actions taken in 2025 as necessary to protect long-term shareholder value and ensure future earnings are built on a sound and credible foundation.

Governance, Risk and Control Environment.

During the year, the Board devoted substantial time and attention to governance effectiveness, financial control integrity, and risk culture.

Independent assurance reviews identified weaknesses in specific areas of financial reporting, suspense account management, and impairment processes. In response, the Board approved and oversaw the implementation of a comprehensive remediation programme, the 'Road to Green' initiative, aimed at stabilising the control environment and embedding sustainable corrective measures.

Key Governance Actions Included:

- Strengthening Board and committee oversight of financial reporting and risk management.
- Deployment of dedicated executive leadership to drive control remediation.
- Enhanced engagement with regulators, particularly the Central Bank of Lesotho.
- Acceleration of automation initiatives to reduce reliance on manual processes.

While the control environment was assessed as being under pressure during the year, the Board is satisfied that decisive corrective actions have been implemented and that measurable improvement is underway.

Throughout the year, the Board maintained its committees, namely Board Risk and Compliance Committee, chaired by Mr. Tseko Molelekoa, Board Audit Committee chaired by Ms. Lindiwe Kotelo, Board Remuneration and People and Culture Committee, chaired by Mr. Monehela Posholi and Board Information and Technology Committee chaired by Mr. Jörg Fischer. The Board appointed Mr. Francis Karuhanga as non-executive director, subject to both AGM and regulatory approvals.

Risk Management and Regulatory Engagement

Risk management remained a central focus of the Board in 2025. Credit risk, information risk, financial accounting risk, transaction processing risk, and third-party risk were elevated during the year and received heightened oversight.

The Board is encouraged by:

- Improved transparency in risk reporting.
- Progress in the automation and reconciliation of suspense accounts.
- Strengthened third party governance and contract management.
- Ongoing improvements in cybersecurity resilience and disaster recovery readiness.

Engagement with regulators was constructive and continuous. The Bank maintained open and proactive dialogue with the Central Bank of Lesotho, ensuring timely resolution of supervisory matters and alignment with evolving regulatory expectations.

Technology, Digital Transformation and Resilience

Technology continues to be a key enabler of the Bank's strategy. During the year, the Board oversaw investments in core systems stability, cybersecurity, data governance, and digital channel resilience.

Key developments included:

- Continued rollout of digital banking capabilities across retail and business segments.
- Strengthening of cybersecurity controls and incident response readiness.
- Progress on national payment infrastructure integration.
- Ongoing modernisation of legacy platforms to support operational resilience.

The Board remains committed to responsible and well-governed adoption of emerging technologies, including artificial intelligence, supported by appropriate risk and ethical frameworks.

People, Culture and Ethics

People and risk culture remained a critical area of focus during the period, reflecting both the Bank's progress in strengthening leadership capability and the continued need to embed a consistently proactive risk mindset across the organisation. Employee engagement showed resilience, with culture and engagement indices improving, supported by sustained investment in leadership development, future skills, and psychological safety initiatives.

At the same time, the Board and its Committees were explicit that risk culture maturity lagged ambition, particularly within the context of a control environment that experienced stress during the year. Assessments highlighted a predominantly reactive risk culture in parts of the Bank. In response, Management intensified focus on strengthening root-cause analysis, validation discipline, and accountability for remediation actions, while reinforcing expectations around speaking up, timely escalation, and consequence management.

Encouragingly, targeted interventions have begun to shift behaviours. The Bank also sustained strong regulatory compliance outcomes, with no regulatory breaches, providing assurance that foundational risk discipline remains intact. Going forward, the Board has underscored that continued emphasis will be placed on embedding risk ownership at all levels.

Outlook

Looking ahead, the Board enters 2026 with renewed focus and cautious confidence.

The priority remains:

- Sustaining improvements in the control environment.
- Restoring profitability within risk appetite.
- Strengthening capital efficiency and shareholder returns.
- Deepening customer relationships through reliable, secure, and innovative banking services.

The Board believes the Bank is now better positioned to deliver sustainable value, supported by strengthened governance, improved resilience, and a clear strategic direction.

Social, Economic and Sustainable Development

Standard Lesotho Bank continues to play a purposeful role in advancing inclusive social and economic development while embedding sustainability into its core business practices. Targeted investments have been made in healthcare, education, job creation, and climate action. Notably, the Bank completed Phase I of the Cancer Hospice Project, expanded its bursary and career guidance programmes, and continued to support enterprise development through initiatives such as the Bacha Entrepreneurship Project. In line with its sustainability agenda, the Bank reinforced environmental stewardship through climate change awareness initiatives and the integration of ESG considerations into lending decisions. These interventions demonstrate the Bank's commitment to creating long term shared value for communities, strengthening economic resilience, and supporting Lesotho's sustainable development objectives.

On behalf of the Board, I thank our shareholders for their continued support, our customers for their trust, and management and staff for their dedication during a challenging year. We also appreciate the invaluable guidance and constructive engagement of our regulators and stakeholders for constructive engagement and guidance.

Together, we remain committed to building a resilient, responsible, and high-performing institution that contributes meaningfully to Lesotho's economic development.

Board Chairman, Standard Lesotho Bank Limited



Ms Neo Foulo
Board Chairman

Standard Lesotho Bank Chief Executive's Report

For the Year Ended 31 December 2025

Despite a challenging political and macro-economic environment, the Bank remained steadfast in its purpose of driving Lesotho's economic growth while advancing its strategic transformation agenda to ensure long-term relevance and sustainability. External pressures, including the impact of US trade tariffs and the cessation of donor funding, adversely affected key sectors of the economy and heightened credit risk conditions.



Notwithstanding these challenges, the Bank demonstrated resilience, maintaining a strong commitment to serving clients and supporting economic activity. Focused investments were made to enhance operational efficiency, strengthen resilience, and improve client experience. Key initiatives included upgrades to IT infrastructure to ensure digital service availability, enhancements to backup systems, modernisation of payment platforms in line with regulatory requirements, ongoing expansion of self-service capabilities through upgraded ATMs and the revamp of branch infrastructure to enhance client experience. These investments underpin our digitalisation agenda and support financial inclusion.

Financial Performance and Risk Position

Despite a constrained operating environment, the Bank delivered a resilient FY2025 performance. Profit after tax declined by 18.6% to M378 million (FY2024: M464 million), primarily driven by higher credit impairment charges associated with stress in the mining and NGO sectors. Consequently, ROE moderated to 14.7% from 22.7% in the prior year.

The Bank nevertheless preserved strong capital and liquidity buffers, reinforcing its ability to withstand external shocks and support future growth. Consistent with its prudent capital management approach, the dividend per share was maintained at 1,455 cents, while net asset value per share increased to 9,852 cents from 9,466 cents, reflecting continued value creation for shareholders.

The balance sheet remained robust, with total assets increasing to M15.8 billion from M15.1 billion, supported by continued growth in customer deposits. Loans and advances grew by 1% to M5.9 billion as the Bank adopted a measured lending approach in response to subdued credit demand and heightened economic uncertainty.

Execution and Governance

The Bank continued to strengthen its leadership capacity to drive strategic priorities and enhance organisational effectiveness. Key executive appointments included Mrs Matsepo Mohapi as Head of Corporate and Investment Banking and Mr Thabiso Tsenki as Head of Operations. These appointments position the Bank to improve execution capability, enhance client delivery, and maintain competitive relevance.

The Bank remains focused on its strategic value drivers of client centricity, digital transformation, and operational excellence. These are supported by strong governance frameworks, sound risk management practices, and continued alignment with regulatory expectations.

Outlook

The outlook for 2026 is cautiously optimistic, supported by the investments made in infrastructure, enhanced operational capabilities, and a comprehensive business plan aimed at repositioning the Bank. We remain committed to strengthening resilience, supporting our clients, and capturing growth opportunities as economic conditions gradually improve.

Sustainability and Stakeholder Commitment

We recognise that long-term value creation is anchored in strong relationships with our stakeholders. The Bank remains committed to responsible banking practices, supporting communities, and contributing to sustainable economic development in Lesotho.

On behalf of the Leadership Council and staff, I extend sincere appreciation to our clients for their continued trust and loyalty. I also acknowledge the resilience and dedication of our employees during a challenging period. We further appreciate the guidance and strategic oversight provided by the Board of Directors, as well as the continued support of regulators, government, and the communities we serve.

Our ambition to be the preferred financial services provider in Lesotho remains firmly within reach as we continue to strengthen our resilience, enhance client value, and deliver sustainable growth.



Mr Samuel Seboka
Chief Executive

From Broad Expectations to Accountable Delivery

2023 established the stakeholder baseline; 2024 focused on the ESG agenda; 2025 demanded resilience, trust and measurable impact.

2023 Baseline

What stakeholders expected

- Reliable, affordable digital access
- Data protection and cybersecurity
- Employee wellbeing, skills and inclusion
- Responsible conduct and economic contribution

Foundation

Access | Reliability
Trust | Inclusion

Client trust

Reliable, secure, and
inclusive service

2024 Focus

The ESG agenda narrowed

- Technology stability and security
- Ethics and conduct
- People health and wellbeing
- Third-party risk management
- ESG embedded in operations and client business

Shift

Operational ESG risk moved
to centre stage

Control confidence

Governance, conduct and
third- party resilience

2025 Priorities

The integrated agenda

- Resilient, secure digital channels
- Fair outcomes and financial inclusion
- Proactive controls, compliance and risk culture
- Future-fit people and leadership
- Sustainable finance and shared value

Accountability

Stronger governance, better
data, visible outcomes

Shared value

employment, skills capacity,
climate action and
communities

2025 priorities by stakeholder

The common goal is to protect the trust of stakeholders while delivering resilient and inclusive growth.

Clients & Employees

Regulators & Stakeholders

Clients

- Reliable and secure digital banking
- Fair outcomes and responsive complaints
- Financial health and inclusion

Regulators

- Control remediation and transparent reporting
- Consumer protection, AML/CFT and sanctions compliance
- Cyber resilience
- Responsible ESG governance

Communities & Economy

- Financial inclusion
- Enterprise and job creation
- Education,
- Health and climate resilience.

Employees

- Wellbeing and engagement
- Future skills and leadership
- Diversity, inclusion and proactive risk culture

Shareholders

- Restore profitability within risk appetite
- Protect capital, liquidity and long- term returns
- Strengthen execution and governance credibility

Sustainable Outcomes

- Responsible lending : 601 (2024: 569)
- Employee engagement index: eNPS +52.7% (2024: 49.4%)
- Building future skills: >M8.3m; 82 hours per employee
- Economic contribution Taxes incurred: ~M170.3m (2024: M137.1m)

Management implication

Priorities are connected: operational resilience and trusted conduct enable positive impact.

Stakeholder Value Narrative

Trusted and inclusive client experience; resilient governance and accountability; sustainable growth and shared value in driving the prosperity for our communities.

Board of Directors



Neo Foulo
Board Chairman



Samuel Seboka
Chief Executive &
Executive Director



Jörg Fischer
Non-Executive
Director



Tseko Molelekoa
Independent Non-Executive
Director



Lindiwe Kotelo
Independent Non-Executive
Board Director



Mamello Masia
Independent Non-Executive
Director



Monehela Posholi
Independent Non-Executive
Director



Sehlabaka Ramafikeng
Non-Executive
Director



Lerato Okeyo
Independent Non-Executive
Director

Country Leadership Council



Samuel Seboka
Chief Executive



Keketso Makara
Head, Business &
Commercial Banking



Rethabile Motsoahae
Head, Personal &
Private Banking



Pheta Setlojoane
Head, Legal &
Corporate Secretary



Matšepo Mohapi
Head, Corporate &
Investment Banking



Moleli Mokhejane
Chief Finance & Value Management
Officer



Samuel Koatla
Chief Information Officer



Nomonde Sixishe-Mosito
Head, Compliance



Matebello 'Nete
Head, Risk



Liphethiso Mahanetsa
Head, People & Culture



Mojabeng Molise
Head, Credit



Palesa Ntlhakana
Head, Brand & Marketing



Lichaba Lerekonyana
Head, Internal Audit



Thabiso Tsenki
Head, Operations



Corporate Governance

Governance review, board composition, board responsibilities, committee mandates and attendance records

Governance review

Governance principles and alignment with Standard Bank Group standards.

The Bank maintains high standards of corporate governance and operates on sound governance practices. As a subsidiary of Standard Bank Group, governance principles and frameworks are aligned to Group standards while meeting local requirements.

the Bank strives to comply with all applicable legislation, regulations, standards and codes. The Board monitors compliance through management reports, including outcomes of significant interactions with key stakeholders such as regulators.

Strong governance practices + regulatory oversight

Accountability & Trust

Governance framework

Accountability and transparency form the core of the Bank's governance framework, ensuring responsible operations.

Role of shareholders

Shareholders appoint directors, approve decisions, and hold the Board accountable for its actions.

Building stakeholder trust

Accountability fosters trust necessary for long-term relationships and the Bank's continued success.

Governance as a foundation

Integrated Governance Framework

The Bank's governance framework aligns with global standards, and as a subsidiary of Standard Bank Group, its governance principles and frameworks align with Group standards while meeting local requirements to ensure effective, compliant operations.

Ethical Leadership and Accountability

Governance supports ethical leadership and accountability, fostering trust and long-term value creation among stakeholders.

Risk and Performance Management

Governance ensures risk awareness and performance management are central to the Bank's daily operations and decision-making.

Strategic Alignment and Social Impact

Strong governance enables the achievement of strategic goals while contributing positively to economic and social development.

Board-led accountability

Board Governance Responsibility

The Board holds ultimate responsibility for governance and oversees strategy, risk, and performance effectively.

Separation of Roles

A clear separation between the Chairman and Chief Executive roles ensures independence and balanced decision-making.

Independent Chairman Role

An independent Chairman strengthens governance by ensuring Board deliberations are objective and free from undue influence.

Effective Oversight and Collaboration

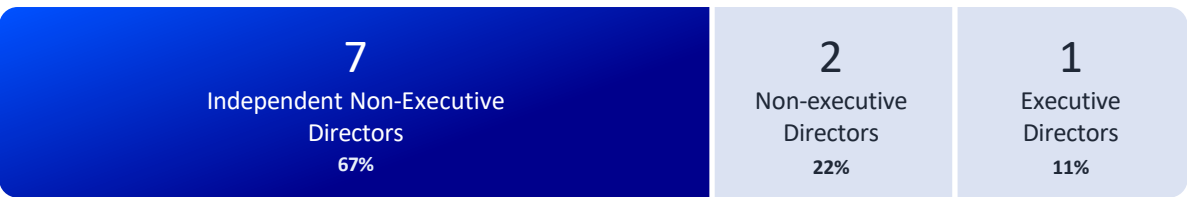
The Board collaborates with management through regular interaction, guiding strategy within set risk parameters.

Directorate, Independence & Board Composition

Board structure

The Bank has a unitary Board structure; the Chairman and Chief Executive roles are separate and distinct; the Chairman of the Board is an Independent Non-executive Director. There are 9 Directors: 6 Independent Non-executive Directors, 2 Non-executive Directors, and 1 Executive Director. The non-executive directors represented Government of Lesotho and the Standard Bank Group. The composition also complies with the Central Bank of Lesotho Guidelines on Corporate Governance, 2017, supporting balanced and independent decision-making.

Board composition



Strong and independent composition

- **Emphasis on Independence**
The Board prioritises independent, non-executive directors to ensure balanced, objective decision-making.
- **Diversity of Thought**
Diverse backgrounds and expertise among directors enhance governance and decision quality.
- **Governance Resilience**
Strong composition supports robust governance that adapts and sustains organisational growth.

Depth of capability

- **Diverse Expertise**
Board members possess varied skills in banking, financial management, risk governance, technology, and macroeconomic analysis.
- **Global and Local Insights**
The Board combines international experience with local knowledge to enhance decision-making in complex economic environments.
- **Informed Oversight**
Leveraging collective expertise, the Board identifies risks, evaluates opportunities, and ensures competitiveness and resilience.
- **Effective Decision-Making**
Continuous access to information and management engagement support well-informed, responsive Board decisions.

Driving strategy & performance

Collaborative Strategy Development

Strategy is developed jointly by the Board and management, ensuring alignment and shared responsibility and is normally shared over short and long-term horizons, giving the Board an opportunity to understand the Bank's thinking over an extended period.

Ongoing Performance Monitoring

The Board monitors strategy implementation with regular reporting and performance reviews to ensure objectives are met.

Risk and Governance Alignment

Strategic objectives align with the Bank's risk appetite and governance framework to support sustainable growth.

Agility and Resilience

The approach enables agility and responsiveness to external changes, supporting long-term resilience and growth.

Governance in action through committees

Committee Structure and Focus

The Board uses committees with clear mandates to oversee specific governance areas like the control environment and risk oversight, people, technology and systems.

Audit and Risk Oversight

Board Audit Committee ensures financial integrity; the Board Risk and Compliance Committee manages financial and non-financial risks effectively.

Remuneration and People Management

Board Remuneration, People and Culture Committee aligns human capital practices with strategic goals and organisational culture.

Technology Governance

Board Information Technology Committee focuses on technology governance and ensuring digital resilience across the organisation.

Embedding governance across the organisation

Governance Beyond the Board

Governance extends beyond the Board through a network of management committees throughout the organisation.

Structured Oversight Areas

Committees oversee critical areas such as risk, assets and liabilities, credit, and IT governance, each with clear mandates.

Accountability and Transparency

Embedding governance promotes accountability, transparency, and alignment with strategic objectives and risk appetite.



Management governance

Country Leadership Council

Supports the Chief Executive in directing and controlling the Bank's overall operations, driving, overseeing risk management framework and parameters, and ensuring effective reporting to stakeholders.

IT Steering Committee

Ensures alignment of information and technology operations with the Bank's strategy, focusing on technology investment, security, technology resource availability and service provisioning.

Asset and Liabilities Committee

Responsible for oversight balance sheet risk related to capital, liquidity, funding, and market risks.

Sponsorship and Marketing Committee

Steers the Bank's brand, sponsorship and social investment agenda to strengthen stakeholder relationships, enhance reputation and create meaningful value for communities and clients.

Risk Oversight Committee

Provides oversight and assurance on risk management matters and recommends policies, standards, frameworks and risk models to the Board Risk and Compliance Committee.

Credit Risk Management Committee

Provides oversight of the Bank's credit risk profile, ensuring effective governance, monitoring, policy, risk appetite management and regulatory compliance to support a resilient and sustainable lending portfolio.

Credit Committee

Responsible for independent credit risk assessment and decision making within delegated authority ensuring that credit exposure is approved, monitored and managed in line with the risk appetite and relevant standards.

People and Culture Committee

Oversees the formulation, implementation and effectiveness of the bank's people and culture strategy, policies and practices.

Other governance matters

Company Secretary, going concern and shareholder relationships.

The Company Secretary ensures that the Board remains cognisant of its fiduciary duties and responsibilities.

The Company Secretary guides the Board on its responsibilities, keeps the Board abreast of legislative and changes in the governance best-practices, oversees induction of new directors and ongoing director training, and is available to all Directors.

On the recommendation of the Board Audit

Committee, the Board annually considers and assesses the going concern basis for the preparation of year-end financial statements.

Shareholders appoint the Board, approve director remuneration, approve retirement, rotation and re-appointment of directors, and approve External Auditors.

Shareholders hold the Board accountable and responsible for efficient and effective corporate governance practices.

Governance close-out: Advisory support • Assurance basis • Shareholder accountability

Board of Directors Meeting

Attendance

Meeting attendance	March	June	September	December
N. Foulo	✓	✓	✓	✓
L. Kotelo	✓	✓	✓	✓
L. Okeyo	✓	✓	✓	✓
M. Masia	✓	✓	-	✓
S. Ramafikeng	✓	✓	✓	✓
T. Molelekoa	✓	✓	✓	✓
J. Fischer	✓	✓	-	✓
M. Posholi	✓	✓	✓	✓
S. Seboka	✓	✓	✓	✓

Committee mandates and oversight responsibilities.

Board Committees help the Board discharge its responsibilities. Committees operate under Board-approved charters, which the Board reviews and approves at least annually. Mandates set out roles, responsibilities, scope of authority, composition and procedures for reporting to the Board.

Board Audit Committee (BAC)

Oversight of risk management, financial reporting, internal controls, operational risks, the audit process and monitoring compliance with laws and regulations.

Board Risk and Compliance Committee (BRCC)

Reviews the integrity of risk control systems and ensures risk policies and strategies are identified, managed and monitored.

Board Remuneration and People and Culture Committee (BRPCC)

Ensures People and Culture practices, strategy, and policies remain consistent with the culture, objectives, strategy, and control environment.

Board Information and Technology Governance Committee (BITGC)

Assists the Board in fulfilling responsibilities for information and technology governance.

Board Audit Committee Attendance

BAC

The Board Audit Committee helps the Board fulfil its oversight responsibilities. The BAC reviews and assesses risk management, focusing on financial reporting, internal financial controls and operational risks, the audit process, and monitoring compliance with laws, regulations and the code of business conduct.

Member	March	June	September	November
L. Kotelo	✓	✓	✓	✓
T. Molelekoa	✓	✓	✓	✓
M. Posholi	✓	✓	✓	✓

All listed BAC members show attendance across the four source columns.

Board Risk and Compliance Committee

BRCC

The Committee reviews and assesses the integrity of risk control systems. It ensures that risk policies and strategies effectively identify, manage and monitor risks, fostering a culture of discipline and control, mitigating risks including fraud and identifying opportunities. The Committee also assists the Board in ensuring effective governance of financial and non-financial risks.

Member	March	June	September	November
T. Molelekoa	✓	✓	✓	✓
L. Okeyo	✓	✓	✓	✓
L. Kotelo	✓	✓	✓	✓
N. Foulo	✓	✓	✓	✓

Remuneration & People and Culture Committee: Attendance

BRPCC

Ensures People and Culture practices, strategy and policies are consistent with the Bank's culture, objectives, strategy and control environment. Ensures management has measures for reward packages that are fair, reasonable and consistent with the Bank's culture, objectives, strategy and operating environment.

Member	March	June	September	November
M. Posholi	✓	✓	✓	✓
M. Masia	✓	✓	✓	✓
S. Ramafikeng	✓	✓	✓	✓

Board Information and Technology Governance Committee: Attendance

BITGC

In accordance with the King Code on Corporate Governance, the Subsidiary Governance Framework and the Mhlomi Code, the Board should take prudent and reasonable steps to govern information and technology. The Committee assists the Board in fulfilling its corporate governance responsibilities in this regard.

Member	March	June	September	November
J. Fischer	✓	✓	✓	✓
L. Okeyo	✓	✓	✓	✓
M. Masia	✓	✓	-	✓
S. Ramafikeng	✓	✓	✓	✓



Social Economic and Environmental Report 2025

Our Approach to Sustainability

Standard Bank Group (SBG) of which Standard Lesotho Bank is a subsidiary, is deeply rooted in Africa, with a purpose to drive sustainable and inclusive growth on the continent, delivering positive financial outcomes for shareholders alongside meaningful social, economic, and environmental impact. We realise this purpose through our core business activities, underpinned by a deliberate, structured approach. Our approach rests on twin pillars. At a country level, Standard Lesotho Bank Limited advances this purpose by placing a strong emphasis on its employees as a key driver of sustainable growth and responsible banking. The Bank is committed to fostering an inclusive, equitable, and high-performance workplace that supports employee wellbeing, capability development, and ethical conduct. This employee-focused approach not only strengthens organisational performance but also supports the effective management of operational, conduct, and compliance risks, while fulfilling regulatory expectations:

We provide products and services that meet the needs of Africa's current and future generations.

We focus on four impact areas:

- Financial health and inclusion
- Business growth and job creation
- Climate change mitigation and adaptation; infrastructure development.

We aim to balance social, environmental, and economic considerations to drive sustainable growth.

We actively identify and manage potential sustainability risks to our business, and negative impacts associated with our activities. We focus on our material sustainability issues, including:

- Ethical conduct and business practices
- Effective management of environmental and social (E&S) risk associated with lending and investment activities
- Fair treatment of customers
- Information security, data privacy and cybersecurity
- Combating fraud and financial crime
- Skills development, diversity and inclusion and employee engagement and wellbeing.

Maximising positive impact



Introduction SEE Narrative

Standard Lesotho Bank remains a responsible and responsive corporate citizen, committed to partnering with the people of Lesotho to create meaningful and sustainable societal impact. As a purpose-driven organisation, the Bank recognises that its long-term success is intrinsically linked to the prosperity and well-being of the communities it serves. In fulfilment of this commitment, the Bank continues to reinvest in society through targeted Corporate Social Investment (CSI) initiatives aimed at addressing social, economic and educational challenges affecting vulnerable and disadvantaged Basotho. Annually, the Bank allocates between 0.6% and 1.0% of its Profit After Tax (PAT) to programmes and partnerships that empower individuals and communities whose circumstances limit their access to opportunities for growth and development.

Our sustainability agenda is guided by a deliberate focus on creating shared value by supporting initiatives that improve livelihoods, promote educational advancement, stimulate entrepreneurship, strengthen community resilience and contribute to national development priorities. Through strategic partnerships with government institutions, non-governmental organisations, development agencies and community stakeholders, the Bank seeks to maximise the reach and impact of its investments while ensuring responsible stewardship of resources. Standard Lesotho Bank continued to strengthen its sustainability agenda in 2025 through enhanced financial inclusion, responsible governance, improved customer outcomes, sustainable finance integration, community investment, and strengthened environmental stewardship. The Bank's ESG approach remained closely linked to its purpose of driving inclusive growth while maintaining strong governance and risk management standards.

During the reporting period, the Bank continued to make meaningful contributions across its key CSI pillars, demonstrating its unwavering commitment to advancing inclusive growth and supporting Lesotho's socio-economic development. These investments reflect not only our values as an organisation but also our belief that sustainable business success is achieved when communities thrive alongside the institutions that serve them.

Our Approach in Practice

- We recognise that SLB's long-term sustainability depends on the value we create for our clients, employees, communities, shareholders and the wider Lesotho economy. Our approach is informed by the United Nations Sustainable Development Goals, the Paris Agreement, the UN Principles for Responsible Banking, and the National Strategic Development Plan.
- Positive impact is embedded in our business strategy and core activities, with a focus on financial health and inclusion, business growth and job creation, climate change mitigation and adaptation, and infrastructure development.
- We seek to expand sustainable finance solutions and support clients in their sustainability journeys, including financing for renewable energy, water, infrastructure, climate resilience, adaptation and inclusive economic development.
- We support the financing of Lesotho's infrastructure and development priorities while managing environmental, social and climate-related risks arising from our lending, operations and business relationships.
- We apply the Bank's sustainability and climate risk requirements through existing governance structures, risk frameworks and business-as-usual processes, proportionate to the nature and materiality of the exposure.

We engage relevant stakeholders, including clients, employees, regulators, shareholders, government, development partners, suppliers and civil society, to inform our approach, identify material sustainability matters and assess progress.

SLB's Business Units and Corporate Functions are responsible for embedding sustainability into their strategies, operations, client engagements and risk-management processes. This includes contributing to the Bank's positive-impact and sustainable-finance objectives, integrating climate and broader sustainability considerations into decision-making, maintaining supporting data and evidence, and monitoring and reporting progress against approved priorities, metrics and targets.

Workforce Demographics | Advancing Diversity, Inclusion, and Equity



Standard Lesotho Bank
Business & Commercial

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SUSTAINABILITY ACADEMY

Introducing the **Sustainability Academy** a free, interactive learning platform from **Standard Lesotho Bank**.

Start learning today at <https://sustainabilityacademy.standardbank.co.za>

We view our workforce demographics not merely as statistics but as a reflection of our values and progress toward building an inclusive, diverse, and representative organisation. By transparently disclosing data such as gender, age distribution, generational mix, employment types, and management diversity, we demonstrate accountability in our talent practices and alignment with sustainable development goals (SDGs), particularly **SDG 5** (Gender Equality) and **SDG 8** (Decent Work and Economic Growth)



Our People Power Sustainable Value

Our people remain central to our ability to create sustainable value for our clients, shareholders, communities, and other stakeholders. We believe that creating an environment where they can realise their potential, thrive, and bring their best selves to work is fundamental to driving performance, innovation, and long-term value creation. We are therefore committed to fostering a culture that inspires excellence and supports our people's growth, wellbeing, and development. Through this commitment, we continue to build a resilient, engaged, and future-ready workforce capable of advancing our strategic ambitions and sustaining our positive impact on society.

Listening and Engagement

Creating an environment where our people can thrive requires us to listen and respond to their experiences, perspectives, and aspirations. We actively encourage employee feedback as a critical input into strengthening our culture, enhancing the employee experience, and supporting sustainable organisational performance. Our annual employee engagement survey, Are You a Fan? (AYAF), remains a key mechanism through which employees share their views and influence positive change across the organisation.

As part of the Bank's alignment with the Standard Bank Group approach to measurement of employee engagement, an engagement index was introduced in 2025. The index provides a robust measure of employee engagement based on survey questions most closely linked to employee commitment, advocacy, enthusiasm, pride, accomplishment and sense of value. The metric equips leaders with deeper insights into engagement trends and supports focused interventions where improvement opportunities exist. We achieved an engagement index score of 52.7% - well within the targeted Standard Bank Group range of 50% - 60%. This indicated an increase from + 49.4%.

These outcomes demonstrate growing confidence in leadership, pride in the organisation, and increased willingness to contribute to our collective success. The insights gained through AYAF continue to inform targeted actions aimed at strengthening employee wellbeing, leadership effectiveness and organisational culture.

Wellbeing and Support

Employee wellbeing remains a strategic priority, recognising the strong connection between workforce wellbeing, engagement, productivity, and organisational performance. Our wellbeing approach addresses physical, mental, emotional, and financial wellbeing through targeted interventions aimed at supporting employees across different stages of their professional and personal lives.

During the year, initiatives focused on psychological safety, mental health awareness, financial wellbeing, preventive health, and healthy lifestyles. Employee Assistance programme utilisation increased following broader awareness and support interventions, providing valuable insights into employee wellbeing needs and informing future wellbeing priorities.



Our Workforce at a Glance

A stable permanent workforce, strong internal mobility and a growing focus on leadership diversity support the Bank's long-term talent strategy.

Vacancies

68%
filled internally

Regrettable

1.68%
12-month rolling basis

Turnover metrics

3.37%
voluntary

1.26%
involuntary

Leadership diversity

36.8%
Women in senior leadership
Supporting a diverse Leadership pipeline

EMPLOYEES

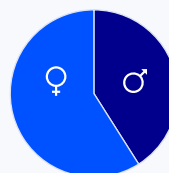
703
Permanent employees
(Headcount ceiling: 712)



34
Non-permanent employees

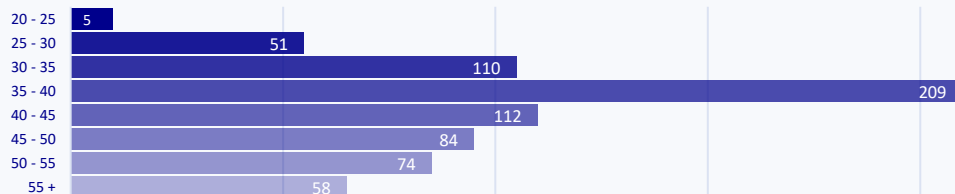
GENDERS

59%
412 Female employees

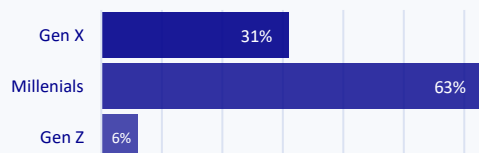


41%
291 Male employees

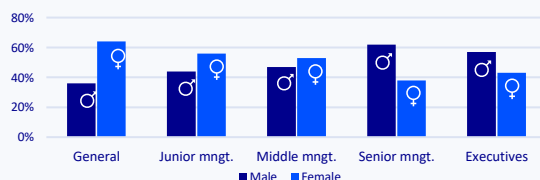
AGE GROUP



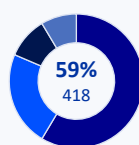
GENERATION



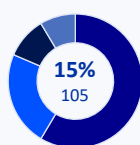
WORKFORCE GENDER



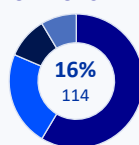
WORKFORCE LEVEL



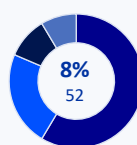
General staff



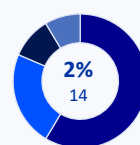
Junior management



Middle management



Senior management



Country leadership council

Building Skills to Strengthen Resilience

As the Bank evolves, cultivating capabilities aligned with future needs remains a strategic priority. During 2025, more than M8.3 million was directed toward employee learning and development, underscoring the Bank's commitment to creating a future-fit workforce that can sustain long-term growth. Each employee completed an average of 82 learning hours—above the target of 80—with most activity centred on future-ready competencies. Digital learning platforms, leadership programmes, role-specific academies, and formal education opportunities collectively expanded organisational capacity and equipped employees to respond to emerging business demands.

Participation across our digital learning ecosystem remained consistently strong. Combined with the high average number of learning hours completed per employee, this engagement demonstrates that continuous learning and personal growth are firmly embedded in the organisation's culture. ESG capability building also continued as an integral component of the Future Ready Skills Curriculum, supporting delivery of our sustainability strategy.

Strengthening Leadership Capability & Continuity

Investment in leadership development continued, strengthening a resilient pipeline of leaders prepared to steer the Bank through a rapidly shifting operating environment. More than 125 leaders took part in programmes spanning coaching, modern leadership, behavioural transformation, future skills, innovation and sustainability. Completion rates reached 100% for most programmes, reflecting leaders' strong commitment to professional growth. Central to the Bank's cultural and leadership agenda, the Habits Framework embeds the behaviours and mindsets needed to execute our strategy and generate sustainable value. Grounded in Acting with Courage, Inspiring Excellence and Delivering with Purpose, it reinforces leadership effectiveness, accountability and cultural alignment throughout the organisation.

Robust succession planning enabled the Bank to manage transitions in the Chief Executive and Head of Corporate and Investment Banking positions smoothly. The appointment of Samuel Seboka as Chief Executive localised that role, while Matsepo Mohapi succeeded Samuel as Head of Corporate and Investment Banking. We continue to strengthen our succession pipeline to reduce leadership risk, enhance organisational resilience, and support continuity in executing the Bank's strategic priorities.

To further develop future leadership pipelines, we welcomed five graduate trainees, increasing the number currently enrolled in the programme to 11.

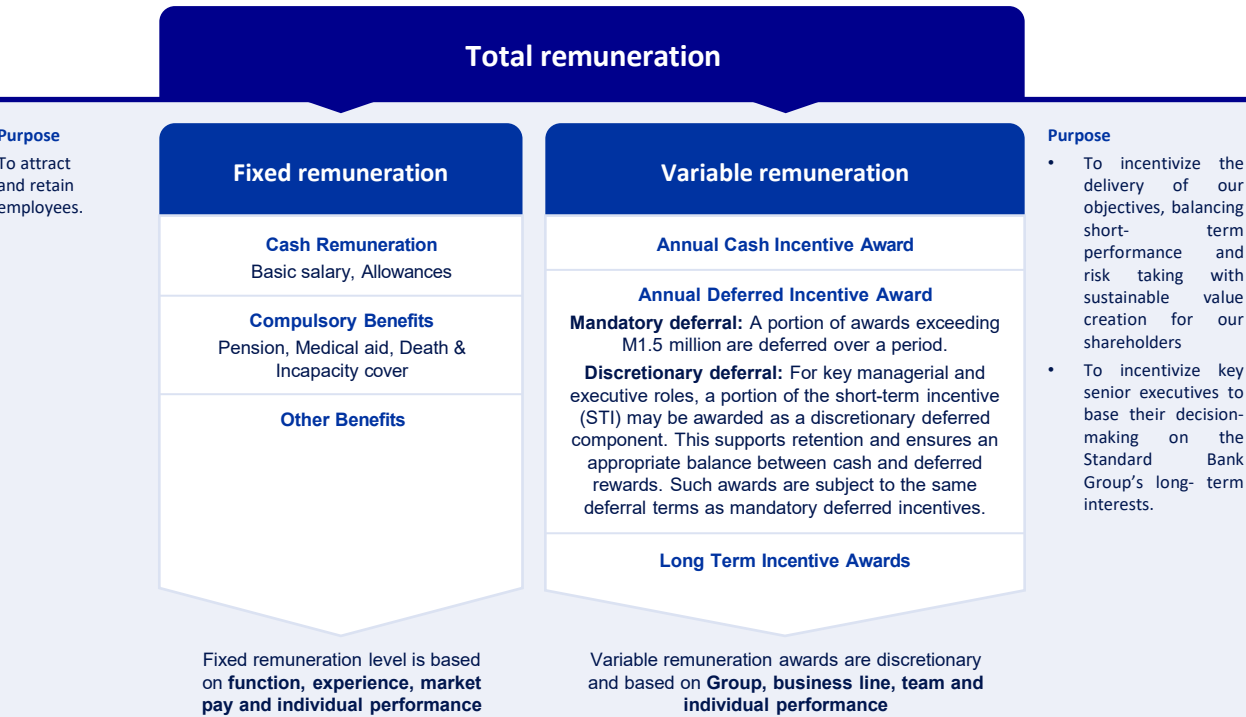


Our Remuneration Philosophy Supports Performance and Sustainable Value

Our remuneration philosophy is firmly anchored in delivering sustainable value by aligning employee rewards with the achievement of the Bank’s strategic objectives. We adopt a performance-driven approach, where remuneration outcomes are directly linked to both individual and organisational performance, ensuring that reward is commensurate with contribution. A balanced mix of fixed and variable pay is applied across roles, with an appropriate weighting of at-risk remuneration that reflects seniority, accountability and impact of each position. This approach reinforces a high-performance culture while supporting the attraction, motivation and retention of skilled and experienced employees critical to the Bank’s long-term success.

We are committed to ensuring that remuneration practices are fair, equitable and competitive. Pay decisions are based on objective and transparent criteria, taking into account individual performance, skills, experience and market benchmarks. Our framework promotes equitable pay for work of equal value, while maintaining the flexibility to differentiate based on performance and contribution. In this way, remuneration supports inclusivity and is applied consistently, free from bias or discrimination. Regular benchmarking against external standards ensures that remuneration levels remain appropriate, sustainable and aligned to market realities.

In addition, our remuneration philosophy is underpinned by responsible pay practices that support sound risk management and long-term value creation. Incentive structures are designed to align employee behaviour with the Bank’s risk appetite and strategic priorities, incorporating appropriate risk adjustment mechanisms and deferral where necessary.



Our Values Are What We Stand For

In 2025, we launched our refreshed Bank's values, reaffirming the beliefs and behaviours that define who we are and how we create value for our clients, colleagues, shareholders and communities. More than a set of principles, these values serve as the foundation of our culture, guiding our decisions, actions and interactions every day. Originally established in 2004, our values have provided a consistent cultural anchor for more than two decades. As the Bank enters its next phase of growth, they were thoughtfully refreshed to ensure they remain relevant, enduring and reflective of the organisation we are today and aspire to be in the future.

The outcome is a clear and compelling expression of the values that have consistently defined us, captured in five enduring principles. These values represent our non-negotiable standard of behaviour and the shared expectations for what it means to be part of the Standard Lesotho Bank. They have been integrated into our Habits Framework and embedded across our people practices, ensuring they continue to shape how we lead, collaborate, serve our clients and deliver sustainable value.

Our Enhanced Standard Lesotho Bank Values

WE ARE

**DEEPLY
COMMITTED**

**BOLDLY
PIONEERING**

**TRUSTED
STEWARDS**

**GUIDED BY
EMPATHY**

**UNFAILINGLY
HONOURABLE**



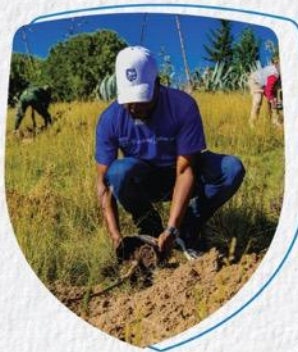
Standard Lesotho Bank



Growing Lesotho's Resilience

How Standard Lesotho Bank is
Financing a Greener, Smarter
Tomorrow

For Standard Lesotho Bank, sustainability goes far beyond everyday banking products. It means being a long-term partner in the country's transition: powering the economy with sustainable finance solutions, helping households keep the lights on, keeping farmers productive, ensuring SMEs remain bankable and competitive, and moving Lesotho step by step toward a resilient, low-carbon future. We see sustainability as a powerful, dual objective: it is how we grow our business by growing Lesotho's resilience and opportunity at the same time.





Social

The Bank has played a pivotal role in advancing educational development by investing in bursary programmes and forging strategic partnerships with both international organisations and corporate stakeholders. Central to this effort is the SLB Bursary Fund, which provides financial support to students from disadvantaged backgrounds, enabling them to pursue higher education opportunities that would otherwise be inaccessible. By prioritising inclusivity and equity, the Bank has positioned itself as a catalyst for social mobility, ensuring that talented learners are not excluded due to financial constraints. This initiative is further strengthened by collaborations with UNICEF, whose global expertise in child development and education amplifies the impact of the bursary programmes, aligning them with broader international goals for sustainable development.

Complementing this, the Thuto Pele bursaries reflect the Bank's commitment to nurturing future leaders through targeted support for academic excellence. These bursaries, backed by corporate partners, demonstrate how public-private partnerships can effectively expand access to education while fostering community development. The Bank's role extends beyond financial aid; it actively engages in advocacy and programme design, ensuring that bursary recipients benefit from mentorship, career guidance, and holistic support. Together, the SLB bursary fund and Thuto Pele bursaries illustrate a comprehensive approach to education development- one that combines financial assistance, institutional collaboration, and corporate responsibility to create lasting opportunities for young people. In doing so, the Bank not only invests in individuals but also contributes to building a more skilled and resilient society.

Cancer Hospice - Compassion In Action

Lesotho faces a critical need for specialised care for individuals living with life-limiting illnesses such as cancer, particularly given the unavailability of palliative care infrastructure and skills in the country. Recognising this critical gap, Standard Lesotho Bank has partnered with Starlight Oasis of Hope in the development of the nation's first dedicated cancer hospice, a project designed to provide comprehensive, dignified, and compassionate care to patients and their families.

In a milestone moment for the initiative, Phase One of the hospice facility was successfully completed in October 2025. The Bank has invested M3.2 million as at December 2025, to bring this first phase of palliative care to completion with the support of corporate partners that pledged during the Annual Standard Lesotho Bank Golf Day held in 2023 and 2025. SLB officially handed over the building in November 2025. The facility serves as a cornerstone for palliative care in Lesotho, offering inpatient support, day-care services, and community-based care for patients requiring ongoing medical attention, pain management, and psychosocial support.

The Bank's investment in this project underscores its commitment to supporting communities in times of critical need, ensuring that deserving patients have access to essential healthcare services. By providing a purpose-built hospice, Standard Lesotho Bank is helping to transform the landscape of cancer care in Lesotho, bringing comfort, dignity, and hope to patients and their families during challenging times.

The completion of Phase One marks a significant step in building a sustainable, community-centred healthcare resource, demonstrating Standard Lesotho Bank's role not only as a financial institution but as a trusted Partner for Growth, investing in initiatives that strengthen social resilience and improve quality of life for all Basotho under the pillar of health and welfare.

Winter Drive (Support for communities in times of crisis)

Lesotho's high-altitude climate exposes vulnerable groups, particularly children, the elderly, and people living with disabilities to extreme winter conditions, often resulting in life-threatening cold-related illnesses.

In 2024, Standard Lesotho Bank implemented a National Winter Drive Campaign as part of its ongoing commitment to supporting communities in times of crisis and partnering for growth and resilience.

Initially launched as an internal initiative, the campaign mobilised the Bank's employees across all districts of Lesotho to collect warm clothing and blankets for those in need. Building on its success, in 2025 the Bank opened the platform to the public, transforming the campaign into a national movement of shared compassion. This approach positioned Standard Lesotho Bank not just as a financial institution, but as a true partner for growth, one that invests in the wellbeing and dignity of Basotho communities.



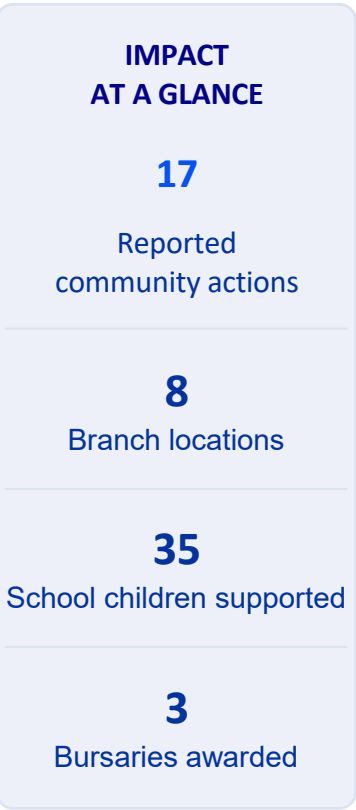
To enhance the experience for contributors and foster community engagement, the Bank partnered with a small business enterprise (Indulge Coffee), investing in the enterprise to help it establish its footing. On each collection day during the initiative, Indulge set up a coffee station and served a warm cup of coffee to each contributor, providing comfort and warmth on cold winter days. This collaboration exemplifies Standard Lesotho Bank's commitment to supporting local businesses while simultaneously nurturing community spirit.

Through the campaign, the Bank collected over half a ton of gently used items of clothing from staff and customers. This collection was matched with an investment of M120,000 towards the purchase of warm blankets for vulnerable communities to facilitate the extension of warmth and hope to three critical institutions located in the rural areas of Lesotho: Semonkong Children's Home, Pitseng Old Age Home, and the Morapeli Centre for the Disabled. The Bank's donation directly benefited over 200 individuals, providing essential winter supplies and comfort during the harsh season.

The Winter Drive Campaign reaffirmed Standard Lesotho Bank's dedication to community care, resilience, and shared growth, showcasing how collective compassion can build stronger, more inclusive communities across Lesotho.

District and Community Participation

Employee-led action across financial inclusion, youth opportunity, community wellbeing and the environment



SBG-ALIGNED IMPACT THEMES

- Financial health & inclusion**
Financial wellness engagement, accessibility support, and assistance for an informal trader.
- Education & youth opportunity**
Bursaries, learner sponsorship, shoes and sanitary products that remove barriers to learning.
- Community health & dignity**
Clothing, hygiene supplies and hospital support for vulnerable people and families.
- Climate & cleaner communities**
National tree planting and volunteer clean-ups of towns, public spaces and church grounds.

REPORTING PRIORITY

Standardise four indicators across branches: People reached, employee hours, funds invested and recurring outcomes.



Economic

Bacha Entrepreneurship Project (Access to education and skills development)

In June 2025, Standard Lesotho Bank officially launched the 11th cohort of BACHA Entrepreneurship Project 2025, a flagship youth empowerment initiative aimed at addressing unemployment and nurturing the next generation of Basotho entrepreneurs. The programme has run since 2014 and has become a cornerstone of the Bank's commitment to fostering inclusive economic growth and sustainable development.

The project equips young entrepreneurs aged 21 to 35 with essential tools for sustainable business success, providing seed capital to turn innovative ideas into thriving enterprises, structured business training to strengthen entrepreneurial and financial skills, and one-on-one mentorship to guide growth, resilience, and innovation. The project is a partnership with Revenue Services Lesotho and Basotho Enterprises Development Corporation (BEDCO), where the Bank invests M700,000 annually to support high-impact ventures across sectors such as agriculture, technology, creative industries, and green entrepreneurship. Open to participants from all ten districts of Lesotho, the programme promotes nationwide inclusivity and helps young people transition from the informal economy to formal business ownership.

Beyond financial support, the BACHA Project builds entrepreneurial capabilities, enabling participants to create viable enterprises that generate employment, foster innovation, and contribute to Lesotho's long-term socio-economic development. Through this initiative, Standard Lesotho Bank continues to demonstrate its legacy of empowering communities, showing that sustainable growth comes from investing in people and ideas.

The BACHA Entrepreneurship Project reinforces Standard Lesotho Bank's role as a trusted Partner for Growth, equipping tomorrow's leaders to shape a resilient and prosperous Lesotho, where youth are not only job seekers but job creators and changemakers driving national transformation.

Financial Inclusion and Digital Transformation

The Bank recorded continued growth across its digital banking ecosystem, demonstrating increasing customer adoption of convenient and accessible banking channels. Transaction volumes increased across several platforms, including Instant Money, Smart App and USSD services, reflecting a sustained customer migration toward digital banking channels and expanding access to financial services. This growth supports broader financial inclusion objectives by extending banking access to underserved and previously underbanked communities across Lesotho.

The Bank also continued to invest in self-service infrastructure through Automated Teller Machines (ATMs), Cash Deposit Machines (CDMs), mobile banking and digital payments platforms, enabling customers to transact more efficiently while reducing reliance on traditional branch banking. The growth of the digital channels further demonstrates the Bank's commitment to broaden financial access and supporting broad economic participation.

Stakeholder Value Creation

Standard Lesotho Bank continued to create value for a broad range of stakeholders. During 2025, total taxes incurred increased significantly to approximately M170.3 million, compared with M137.1 million in 2024, highlighting the Bank's growing contribution to national development and public finances.

The Bank maintained a prudent balance between shareholder returns and capital preservation. Dividend distributions were reduced from M300 million in 2024 to M230 million in 2025, supporting strategic business initiatives and strengthening the Bank's capital position for future growth. At the same time, ongoing Corporate Social Investment (CSI) programmes continued to contribute positively to communities through targeted investments in education, health, entrepreneurship and broader social development initiatives.

Customer Outcomes and Conduct

Customer experience remained a strategic priority throughout 2025. Regulatory complaints by customers increased during 2025; however, more than half (52%) were settled in the client's favour, underscoring the Bank's focus on fair outcomes and effective complaint resolution.

The Bank continued to monitor customer satisfaction and service performance through established conduct risk and customer-centricity frameworks, reinforcing its commitment to fair customer outcomes and responsible banking practices.



Market Abuse Control Framework

The 2025 story moves beyond principles to demonstrable oversight and outcomes.

01

Market integrity

Enhanced monitoring of corporate transactions involving material non- public information and high-impact deals.

02

Governance

Material conduct and reputational matters were escalated through established management forums.

03

Client protection

Complaint oversight, investigation and root-cause analysis were reinforced to support fair, sustainable outcomes.

04

Regulatory engagement

Ongoing engagement with the Central Bank of Lesotho supported oversight of significant transactions and market conduct matters.

Strengthening client trust through effective complaint management

Standard Lesotho Bank remains committed to managing client complaints fairly, transparently and within established service standards. During 2025, the Bank strengthened oversight of high-impact client matters, improved escalation mechanisms and reinforced accountability across business functions.

1

Enhanced complaint governance

Continued monitoring and reporting through established governance forums, with material conduct and reputational matters escalated to the appropriate management committees.

2

Improved client outcomes

Greater focus on timely investigation and resolution, supported by root-cause analysis of recurring complaint themes and sustainable remediation.

3

Conduct and market integrity

Increased monitoring of corporate transactions involving material non-public information and enhanced oversight of high-impact transactions.

4

Regulatory engagement

Ongoing engagement with the Central Bank of Lesotho on significant transactions and market-conduct matters.

The Bank maintained a strong focus on client fairness and market integrity by identifying concerns early, resolving matters effectively and reinforcing stakeholder confidence. Enhanced governance, transaction monitoring and complaint management supported the Bank’s conduct-risk response during the year.

Strengthening client trust through effective complaint management

Regulatory complaints increased, while most matters were resolved by year-end.



VALUE AT RISK

M3.83m

2024: M 2.05m

+87.2%

Year-on-year

Annual report interpretation

Given the Bank's large liabilities, and rising complaints, although with low value at risk, root-cause remediation is critical to ensuring fair treatment of all clients. The rise is due to increased socialisation by the Bank on consumer protection rights since the inception of the Financial Consumer Protection Act 2023. The 88.9% resolution rate demonstrates active case management, while the eight open matters require continued oversight.

Learn. Act. Grow
Sustainably.
Introducing the Sustainability Academy



Environment

Sustainable Finance and ESG Risk Management

Environmental reporting maturity improved significantly during 2025 as the Bank enhanced monitoring and management of key environmental indicators, including electricity consumption, fuel usage, water consumption and waste generation. Improved data collection processes enabled broader reporting coverage across operations, resulting in more comprehensive environmental performance measurement.

Environmental and Social (E&S) risk management remained embedded within lending and credit approval processes. The Bank continued conducting Environmental and Social screening assessments across lending portfolios to identify, assess and manage sustainability-related risks. Screening volumes within the Business and Commercial Banking portfolio increased from 569 assessments in 2024 to 601 assessments in 2025, demonstrating greater integration of ESG considerations into business decision-making. ESG screening outcomes remained predominantly low risk, indicating that financed activities generally aligned with the Bank's environmental and social risk appetite while supporting sustainable economic development.

The Bank continued to monitor energy consumption across its branch network and operational sites while pursuing initiatives aimed at improving efficiency and environmental sustainability. Waste management remains an ongoing focus area, with monitoring of general waste, recyclable waste and paper consumption supporting the Bank's broader environmental objectives.

Information Security and Cyber Resilience

Strong technology governance and operational resilience remained critical priorities during 2025. The Bank reported only 'one Priority 1 incident' and 'fourteen Priority 2 incidents' during the period, reflecting ongoing investment in technology risk management, information security controls and cyber resilience capabilities. The Bank continued focus on information security, data privacy and cybersecurity governance supports customer trust, operational stability and regulatory compliance in an increasingly digital environment.

The Sustainability Academy is a dedicated free learning platform that equips businesses, employees, and communities with practical knowledge on sustainability, renewable energy, climate-smart agriculture, water management, and carbon markets. Through accessible, sector-specific training and learning resources, the Academy supports the adoption of sustainable business practices while promoting environmental stewardship and long-term economic resilience. By strengthening skills and awareness, it also contributes to positive social and economic outcomes in local communities, helping to build sustainable livelihoods and improve climate resilience.

Overall ESG Assessment

The 2025 ESG performance demonstrates meaningful progress across several material sustainability themes. Key achievements included continued growth in digital financial inclusion, enhanced customer outcomes, increased ESG integration within lending activities, strong tax contributions to the economy, sustained community investment and effective governance oversight. While the Bank continues to strengthen environmental data collection and reporting capabilities, its overall ESG trajectory reflects a maturing sustainability framework that supports long-term value creation for customers, communities, regulators, shareholders and the broader Lesotho economy.

Corporate governance remained a key strength during 2025. The Board maintained robust oversight of strategy, risk and sustainability matters, supported by strong attendance levels and an expanded Board composition. Board membership increased to nine directors, reflecting continued enhancement of governance capacity and oversight effectiveness. The Bank continued to reinforce ethical conduct, stakeholder engagement, information security governance, financial crime prevention, anti-corruption measures and ESG risk governance through established governance frameworks and Board oversight structures.



Standard Lesotho Bank

NATIONAL TREE PLANTING

Planting **54,000 Blue Roots** of Progress across Lesotho with the Ministry of Environment and Forestry.



Terms and conditions apply. Standard Lesotho Bank is a licensed bank and a registered credit provider.

Compliance Risk and Conduct

Strengthening trust through proactive risk management

Strong governance, ethical conduct and regulatory compliance remained central to protecting the Bank’s licence to operate and sustaining stakeholder confidence. During 2025, the Bank strengthened its compliance framework in response to evolving regulation, greater financial crime sophistication and heightened stakeholder expectations.

Key enhancements included real-time customer and transaction screening, stronger sanctions and customer due diligence controls, expanded transaction monitoring oversight and enhanced forensic capability. Together, these measures improved early detection, escalation and disruption of potentially harmful activity.

The compliance programme advances the Bank’s ESG commitments by protecting customers, reinforcing accountability, supporting financial-system integrity and enabling responsible, sustainable growth.

Customers
Fraud protection

Governance
Integrity & accountability

Society
Financial-system integrity

Compliance outcomes aligned to ESG value



ESG VALUE CREATED

Customers
Enhanced protection

Employees
Accountability culture

Society
System integrity

Shareholders
Licence and reputation

Forward focus | Continue investing in people, process and technology to improve monitoring effectiveness, regulatory responsiveness and resilience.



Annual Financial Statements

For the Year Ended 31 December 2025



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Directors' Responsibility for Financial Reporting

Directors' Responsibility for Financial Reporting

In accordance with the Lesotho Companies Act 18 of 2011 (Companies Act), the directors are responsible for the preparation of the annual financial statements.

The annual financial statements have been prepared in compliance with all the applicable regulatory requirements per Financial Institutions Act (FIA) 2012 and other specific non-banking licenses such as Broker Dealer License that have been duly granted by the Central Bank of Lesotho.

These annual financial statements conform to International Financial Reporting Standards (IFRS® reporting standards) as issued by the International Accounting Standards Board (IASB®), and the requirements of the Lesotho Companies Act 18 of 2011 (Companies Act) and fairly present the affairs of the Standard Lesotho Bank as at 31 December 2025, and the net income and cash flows for the year then ended.

The directors are ultimately responsible for the internal controls of the Bank. Management enables the directors to meet these responsibilities. Standards and systems of internal controls are designed, implemented and monitored by management to provide reasonable assurance of the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for shareholder investments and bank assets. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. It is the responsibility of the independent auditors to report on the fair presentation of the financial statements.

Based on the information and explanations provided by management and the Bank's internal auditors, the directors are of the opinion that the internal financial controls are adequate and that the financial records may be relied upon for preparing the financial statements in accordance with IFRS® reporting standards and to maintain accountability for the Bank's assets and liabilities. Nothing has come to the attention of the directors to indicate that a breakdown in the functioning of these controls, resulting in material loss to the Bank, has occurred during the year and up to the date of this report.

The directors have a reasonable expectation that the Bank will have adequate resources to continue in operational existence and as a going concern in the financial year ahead. The 2025 annual financial statements which appear on pages 7 to 99 were approved by the board on 25 March 2026 and signed on its behalf by:



Ms Neo Foulo
Board Chairman
25th March 2026



Mr Samuel Seboka
Chief Executive
25th March 2026

Directors' Report

for the year ended 31 Dec 2025

1. Nature of business

Standard Lesotho Bank Limited (SLB or the Bank) is a commercial financial institution licensed under the Financial Institutions Act 2012. The Bank is a subsidiary of Standard Bank Group Limited (SBG), an African financial services organisation which remains a controlling shareholder of the Bank during the year under review.

2. Bank results

The Bank's Profit After Tax (PAT) declined by 18.6% to M378 million (2024 rebased: M464 million). The return on equity (ROE) declined to 14.7% from prior year's 22.7%. However, dividend declared for the year was maintained at 1,455 cents per share (2024: 1,455 cents). Net asset value per share improved to 9,852 from 9,466 cents of 2024.

3. Property and equipment

There was no change in the nature of the fixed assets of the Bank or in the policy regarding their use during the year.

4. Share capital

No ordinary shares were issued during 2025 (2024: nil). Nominal values of shares are Loti

5. Dividends to the shareholders

On 20 March 2025, a dividend of M300 million for 2024 was declared to the shareholders, recorded at the close of business on the same day and paid on 30 December 2025.

6. Directors' changes and interest in shares

At the date of this report, no directors held, directly and/or indirectly, interests in the company's ordinary issued share capital of SLB.

7. Directors' emoluments disclosure

Directors' emoluments increased from M2.5 million to M3.8 million in 2025.

8. Shareholder analysis

Shareholders at the close of the financial year, holding beneficial interests in excess of 5% of the issued share capital, determined from the share register were as follows:

	% held in 2025	% held in 2024
Ordinary shares		
Standard Bank Group Limited	80	80
Lesotho Unit Trust	10.35	10.35
Government of Lesotho	9.65	9.65

9. Board of Directors

The following changes in directorate have taken place during 2025 financial year and up until 25 March 2026:

Appointments		
Samuel Seboka	as Executive Director	01-Jan-2025
Retirements		
Anton Nicolaisen	as Executive Director	31-Dec-2024

The retirement of Mr Anton Nicolaisen and the appointment of Mr Samuel Seboka were approved by the AGM on 20 March 2025

10. Bank secretary and registered office

The Bank secretary is Pheta Setlojoane. The address of the Bank secretary is that of the registered office, 1st floor, Central Services, Standard Lesotho Bank Building, Kingsway Road, Maseru 100, Lesotho.

11. Auditors

Sheeran and Associates Chartered Accountants are the appointed external auditors of the Bank for the statutory audit in accordance with section 98 of the Companies Act of Lesotho.

12. Management by third parties

The Bank continued to outsource its cash-in-transit and servicing of the ATMs to SBV, a South African cash-in-transit company during the financial year. The scope of outsourcing service remained unchanged during the year. None of the directors of the Bank had a beneficial interest in SBV. Payments made to SBV were M38.6 million (2024: M30.9m).

13. Insurance

The Bank protects itself against loss by maintaining bankers' comprehensive crime and professional indemnity cover. The insurance terms and conditions are reviewed by the Bank's management annually to ensure they are fit for purpose against the Bank's risk exposures.

14. Post balance sheet event

The directors are not aware of any subsequent events which have occurred between the reporting date of 31 December 2025 and the date of authorizing these financial statements. Directors have assessed the Bank's ability to continue operating and believe that there are no material uncertainties that may cast significant doubt on its going concern status.

Independent Auditor's Report

To the Shareholders of Standard Lesotho Bank Limited

Opinion

We have audited the accompanying financial statements of Standard Lesotho Bank Limited (the Bank) which comprise the Statement of Financial Position as at 31 December 2025, and the Income Statement, Statements of Comprehensive Income, Cash Flows and Changes in Equity for the year then ended, together with a summary of significant accounting policies and other explanatory notes, as set-out on slides 50 to 99.

In our opinion, the financial statements present fairly, in all material respects the financial position of the Bank as at 31 December 2025, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Lesotho Companies Act 18 of 2011.

Basis for Opinion

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

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, Directors' responsibility for financial reporting, and the Risk and Capital Management Report contained in Annexure B. 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 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.

Those charged with governance are responsible for overseeing the Bank's financial reporting process. 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 International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

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

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

Statement of Financial Position

as at 31 December 2025

	2025 M'000	2024 Restated 1M'000	1st January 2024 Restated 1 M'000
Assets			
Cash and balances with central bank	990 311	1 444 737	696 998
Trading securities	17	105 459	38 935
Derivative assets	6 756	26 859	7 635
Financial investments	6 658 180	4 806 354	4 038 718
Loans and advances	7 106 924	7 919 377	9 572 131
Loans and advances to customers	5 628 847	5 563 303	5 023 529
Loans and advances to banks	1 478 077	2 356 074	4 548 602
Deferred taxation	91 604	92 360	84 886
Current Tax Asset	1 472	25 954	-
Receivables and Other assets	468 884	306 021	270 606
Property, equipment and right of use assets	326 300	228 482	192 612
Intangible assets	167 254	193 880	219 987
Total Assets	15 817 702	15 149 483	15 122 509
Equity and liabilities			
Equity	2 032 080	1 953 469	1 789 477
Ordinary share capital	20 625	20 625	20 625
Reserves	161 617	161 297	162 899
Retained Income	1 849 838	1 771 547	1 605 953
Liabilities			
Derivative liabilities	6 115	19 950	1 225
Deposits and debt funding	12 902 477	12 538 653	12 389 240
Deposits from customers	12 038 452	11 421 684	11 105 979
Deposits from banks	864 025	1 116 969	1 283 261
Current tax liabilities	-	-	68 875
Provisions and other liabilities	877 030	637 411	873 691
Total liabilities	13 785 622	13 196 014	13 333 031
Total equity and liabilities	15 817 702	15 149 483	15 122 509

Income Statement

for the year ended 31 December 2025

	2025 M'000	2024 Restated ¹ M'000
Net interest income	787 464	844 003
Interest income	1 269 905	1 336 953
Interest expense	(482 441)	(492 950)
Non-interest revenue	924 879	846 260
Net Fee and commission revenue	505 268	464 350
Fee and commission revenue	632 923	588 723
Fee and commission expense	(127 655)	(124 373)
Trading revenue	45 009	81 733
Other revenue	37 194	31 424
Other gains on financial instruments	337 408	268 753
Total income	1 712 343	1 690 263
Credit impairment charges	(234 831)	(120 148)
Income before operating expenses	1 477 512	1 570 114
Operating expenses	(908 325)	(886 776)
Net income before capital items	569 187	683 338
Non-trading and capital related items	268	603
Net income before indirect taxation	569 455	683 941
Indirect tax	(58 916)	(58 437)
Profit before direct taxation	510 539	625 504
Direct tax	(132 248)	(161 026)
Profit for the year	378 291	464 479
Earnings per share	1 834	2 252
Basic earnings per ordinary share(cents)		

Statement of Other Comprehensive Income

for the year ended 31 December 2025

	2025 M'000	2024 Restated ¹ M'000
Profit for the year	378 291	464 479
Net gain/(loss) on investment in debt instruments measured at FVOCI subsequently reclassified to PL	319	(1 601)
Net fair value (loss)/gains on debt financial assets	1 115	(624)
Fair value (loss)/gains on debt financial assets	1 487	(831)
Deferred tax on debt financial assets	(372)	208
FVOCI debt financial assets ECL	(796)	(978)
Total comprehensive income attributable to ordinary shareholder	378 610	462 878

Statement of Cash Flows

for the year ended 31 December 2025

	2025 M'000	2024 M'000
Net cash flows from operating activities	(50 025)	1 142 347
Cash flows used in operations	(745 113)	535 690
Net income before indirect tax	570 992	684 659
Adjusted for:	(1 316 104)	(148 969)
Non-Cash items and other adjustments included in the income statement	(906 047)	(924 053)
Decrease/(Increase) in income earning assets	(1 013 501)	861 951
(Decrease)/Increase in deposits and other liabilities	603 443	(86 867)
Interest received	1 270 610	1 345 232
Interest paid	(482 441)	(492 950)
Direct taxation paid	(93 081)	(245 626)
Net cash flows used in investing activities	(81 915)	(72 498)
Purchase of property and equipment	(81 915)	(72 498)
Net cash flows used in financing activities	(322 485)	(322 110)
Dividends paid	(300 000)	(300 000)
Principal element of lease payments	(22 485)	(22 110)
Net Increase/(Decrease) in cash and cash equivalents	(454 425)	747 739
Cash and cash equivalents at beginning of the year	1 444 737	696 998
Cash and cash equivalents at the end of the year	990 311	1 444 737

Statement of Changes in Equity

for the year ended 31 December 2025

	Ordinary share capital M'000	Statutory Credit Risk Reserv M'000	Statutory Risk Reserve ² M '000	Fair Value through OCI Reserve ¹ M'000	Share-based payment reserve M'000	Total Reserves M'000	Retained Income M'000	Ordinary shareholder's equity M'000
Balance at 1 January 2024 – restated⁴	20 625	46 353	100 625	15 903	17	162 899	1 607 068	1 790 591
Other comprehensive income/(loss for the year)	-	-	-	(1 601)	-	(1 601)	-	(1 601)
Profit for the year	-	-	-	-	-	-	454 479	454 479
Dividends paid ³	-	-	-	-	-	-	(300 000)	(300 000)
Total changes	-	-	-	(1 601)	-	(1 601)	164 479	162 878
Balance at 31 December 2024	20 625	46 353	100 625	14 302	17	161 297	1 771 547	1 953 469
Balance at 1 January 2025	20 625	46 353	100 625	14 302	17	161 297	1 771 547	1 953 469
Other comprehensive income/(loss for the year)	-	-	-	319	-	319	-	319
Profit for the year	-	-	-	-	-	-	378 291	378 291
Dividends paid ³	-	-	-	-	-	-	(300 000)	(300 000)
Total changes	-	-	-	319	-	319	78 291	78 610
Balance at 31 December 2025	20 625	46 353	100 625	14 622	17	161 617	1 849 838	2 032 080

¹The fair value through OCI (Other Comprehensive Income) reserve comprises of the fair value through OCI reserve for debt financial investments (note 4) measured at fair value through OCI.

²This is non-distributable reserve holding kept in terms of the Financial Institutions Act (FIA) 2012 for single name lending requirements.

³In terms of Section 70 (2) & (3) of the FIA 2012, The Bank is required to notify the Commissioner of Central Bank of Lesotho (CBL) of intention to declare dividend at any material time and accordingly seek approval prior to making dividend payment. Dividend per share amounts to 1455 cents.

Accounting Policy Elections and Restatement

The principal accounting policies applied in the presentation of the Bank's annual financial statements are set out below. The Bank's accounting policies are consistent with that of the prior year unless otherwise stated.

Basis of Preparation

the Bank's annual financial statements are prepared in accordance with Lesotho Companies Act 18 of 2011, and the IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB), its interpretations adopted by the IASB and the Lesotho Institute of Accountants. The annual financial statements have been prepared on the historical cost basis except for the following material item in the statement of financial position:

- Financial assets classified at FVOCI
- Financial assets and liabilities classified at FVTPL.

The following principle accounting policy elections in terms of IFRS® Accounting Standards have been made, with reference to the detailed accounting policies shown in brackets:

- Purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using trade date accounting (accounting policy 3)
- Intangible assets and property, equipment and right of use assets are accounted for at cost less accumulated amortisation and impairment (accounting policy 6)
- The portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis (accounting policy 4).

Functional and Presentation Currency

The annual financial statements are presented in Lesotho Maloti, which is the presentation currency of the Bank. All amounts are stated in thousands of Maloti (M'000), unless indicated otherwise.

Changes in Accounting Policies

The accounting policies applied in the preparation of the results are consistent with those reported in the previous year, apart from the items mentioned in this section.

IAS 21 Exchange Rates (amendments): The IASB issued amendments on 'Lack of Exchangeability' to require an entity to apply a consistent approach in assessing whether one currency can be exchanged for another. When a currency is not exchangeable, the

amendments provide guidance on how to determine the appropriate exchange rate, and what accompanying disclosures are required. These changes assist companies and investors by addressing a previously unaddressed matter in accounting requirements related to the effects of changes in foreign exchange rates. The amendments were retrospectively applied and had no material impact on the Bank's results.

Restatement

The Bank is restating the financial results of 2024 and 2023 due to material mis-statements as a result of inaccuracy in gathering and processing financial data. These errors are miscalculations of Interest in Suspense (IIS) by the core banking system, Time Value for Money (TVM) model misalignment with the general ledger (GL) and stage 3 provisioning methodology incongruence with IFRS 9 requirements.

Interest In Suspense

With regards to IIS, preliminary investigations revealed that the anomaly is legacy in nature and had been caused by the process and knowledge gaps during the migration to Finacle system in 2017. The gap between IIS on the customer listing and the IIS on Finacle trial balance key remedial actions included proper system configurations, processes refinement and staff capacitation.

Time Value for Money

The investigation on IIS revealed that there were gaps in how TVM was being computed. The TVM balance sheet per GL was found to have been overstated thereby overstating interest income and understating credit impairments.

The gap was fully absorbed during the first half of 2025 and the key remedial action was the adoption of the revised provisions model for TVM which ensured full compliance with the IFRS 9 requirements.

Stage 3 Provisions

In Q3 of 2024, management noted gaps in the PPB provisions process impacting the classification of account into NPL as well as the provisioning methodology which was inconsistent to the requirements of IFRS 9. This resulted in the review and implementation of correct processes, the resultant impact of which became the M34 million shortfall in the provisions holding.

The gap was fully absorbed in H1 of 2025. Key remedial action was the adoption of the revised provisions model and methodology which ensured full compliance with the IFRS 9 requirements.

Results Impact

The above errors have therefore led to income statement of 2024 financial year having a net impact of M538k whilst the remaining balance of the value at risk related to prior years before 2024 and has been adjusted on the opening balances of 2024 retained earnings, tax payable and loans and advances to customers.

Impact on the Bank Income Statement

Income Statement Items	2024		
	As Previously Reported M000	Restatement M000	Restated M000
Interest Income	1 345 232	(8 279)	1 336 953
Impairments	(127 710)	7 562	(120 148)
Direct Tax	(161 205)	179	(161 026)

Impact on the Bank Statement of Changes in Equity

Statement of Changes in Equity Items	2024		
	As Previously Reported M000	Restatement M000	Restated M000
Retained Earnings as at 01 January 2024	1 834 017	(62 470)	1 771 547

Impact on the Bank Balance Sheet

Balance Sheet Items	2024		
	As Previously Reported M000	Restatement M000	Restated M000
Loans and Advances to Customers ¹	5 646 596	(83 293)	5 563 303
Current tax liabilities	17 711	8 047	25 758
Deferred tax	79 780	12 776	92 556

Key Management Assumptions

In preparing the Bank's financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events. While models have been enhanced, no material changes to assumptions have occurred during the current year. The following represents the most material key management assumptions applied in preparing these financial statements. The key management assumptions below apply to Bank, unless otherwise stated.

Expected credit loss (ECL)

During the current reporting period models have been enhanced, but no material changes to assumptions have occurred.

ECL on financial assets - drivers

For the purpose of determining the ECL:

- The home services, vehicle and asset finance (VAF), card, personal, business and other lending products portfolios are based on the product categories or subsets of the product categories, with tailored ECL models per portfolio. The impairment provision calculation excludes post write off recoveries (PWOR) from the loss given default (LGD) in calculating the ECL. This LGD parameter is aligned to market practice
- Corporate, sovereign and bank exposures are calculated separately based on rating models for each of the asset classes.

ECL measurement period

The ECL measurement period for stage 1 exposures is 12-months (or the remaining tenor of the financial asset relating to corporate, sovereign and bank exposures, including certain home services, VAF, card, personal, business lending and other product exposures, if the remaining lifetime is less than 12 months).

A loss allowance over the full lifetime of the financial asset is required if the credit risk of that financial instrument has increased significantly since initial recognition (stage 2).

A lifetime measurement period is applied to all credit impaired (stage 3) exposures. Lifetime includes consideration for multiple default events, i.e. where defaulted exposures cure and then subsequently

re-default. This consideration increases the lifetime and the potential ECL.

The measurement period for unutilised loan commitments utilise the same approach as on-balance sheet exposures.

Significant increase in credit risk (SICR) and low credit risk

Home services, vehicle and asset finance, card, personal, business and other lending products

All exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are behaviour score based, are derived for each portfolio vintage of exposures with similar credit risk and are calibrated over time to determine which exposures reflect deterioration relative to the originated population and consequently reflect an increase in credit risk. Behaviour scorecards are based on a combination of factors which include the information relating to customers, transactions and delinquency behaviour (including the backstop when contractual payments are more than 30 days past due) to provide a quantitative assessment (score), and more specifically, a ranking of customer creditworthiness. The creditworthiness of a customer is summarised by a score, with high scores corresponding to low-risk customers, and conversely, low scores corresponding to high-risk customers. These scores are often taken into account in determining the probability of default (PD) including relative changes in PD. Credit risk increased since initial recognition was adjusted to meet the right criteria.

The Bank determines the SICR threshold by utilising an appropriate transfer rate of exposures that are less than 30 days past due (DPD) to stage 2. This transfer rate is such that the proportion of the 0-29 DPD book transferred into stage 2 is no less than the observed 12-month roll rate of 0-29 days accounts into 30 or more days in arrears. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR by portfolio vintage and to consequently facilitate appropriate impairment coverage.

Where behaviour scores are not available, historical levels of delinquency are applied in determining whether there has been SICR. For all exposures, the rebuttable presumption of 30 days past due as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

Corporate and Investment Banking (including certain Business Banking exposures)

the Bank uses a 25-point master rating scale to quantify the credit risk for each exposure. On origination, each client is assigned a credit risk grade within the Bank's 25-point master rating scale. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data for the applicable portfolio. These credit ratings are evaluated at least annually or more frequently as appropriate. All exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2. These pre-defined ratings' migration thresholds have been determined based on historic default experience which indicate that higher rated risk exposures are more sensitive to SICR than lower risk exposures. Based on an analysis of historic default experience, exposures that are classified by the Bank's master rating scale as investment grade (within credit risk grade 1 – 12 of the group's 25-point master rating scale) are assessed for SICR at each

reporting date but are considered to be of low credit risk. To determine whether a client's credit risk has increased significantly since origination, the Bank would need to determine the extent of the change in credit risk using the table below.

Bank master rating scale band	SICR trigger (from origination)
SB 1 – 12	Low credit risk
SB 13 – 20	3 rating or more
SB 21 – 25	1 rating or more

Incorporation of forward-looking information (FLI) in ECL measurement

The Bank determines the macroeconomic outlook, over a planning horizon of at least three years, for each country based on the Bank's global outlook and its global view of commodities.

For home services, VAF, card, personal, business and other lending products, these forward-looking economic expectations are included in the ECL where adjustments are made based on the Bank's macro-economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the Bank's macro-economic outlook expectations. In addition to forward-looking macroeconomic information, other types of forward-looking information (FLI), such as specific event risk, have been taken into account in ECL estimates when required, through the application of out-of-model adjustments. These out-of-model adjustments are subject to bank credit governance committee oversight.

The Bank's macroeconomic outlooks are incorporated in CIB's client rating and include specific forward-looking economic considerations for the individual client. The client rating thus reflects the expected client risk for the Bank's expectation of future economic and business conditions. Further adjustments, based on point-in-time market data, are made to the PDs assigned to each risk grade to produce PDs and ECL representative of existing market conditions.

Default

The definition of default, which triggers the credit impaired classification (stage 3), is based on the Bank's internal credit risk management approach and definitions. While the specific determination of default varies according to the nature of the product, it is compliant to the Basel definition of default, and generally determined as occurring at the earlier of:

where, in the Bank's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realization of security, this includes the classification of distressed restructures (including debt review exposure accounts) as default for a minimum of 6 months, while observing payment behaviour; or when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

Write-off policy

An impaired loan is written off once all reasonable attempts at collection have been made and there is no economic benefit expected from attempting to recover the balance outstanding (i.e. no reasonable expectation of recovery). This assessment considers both qualitative and quantitative information, such as past performance, behaviour and recoveries. The Bank assesses whether there is a reasonable expectation of recovery at an exposure level. As such once the below criteria are met at an exposure level, the exposure is written off.

The following criteria must be met before a financial asset can be written off:

- The financial asset has been in default for the period defined for the specific product (i.e. VAF, home services, etc.) which is deemed sufficient to determine whether the Bank is able to receive any further economic benefit from the impaired loan. The period defined for unsecured home services, VAF, card, personal, business and other lending products are determined with reference to post-default payment behaviour such as cumulative delinquency, as well as an analysis of post write-off recoveries. Factors that are within the Bank's control are assessed and considered in the determination of the period defined for each product. The post-default payment period is generally once the rehabilitation probability (repayment of arrear instalments) is considered low to zero, and a period between 180 to 360 days in arrears; and
- At the point of write-off, the financial asset is fully impaired (i.e. 100% ECL allowance) with no reasonable expectation of recovery of the asset, or a portion thereof.

As an exception to the above requirements:

- Where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post-realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above.
- For corporate, sovereign and bank products, write-off is assessed on a case-by-case basis and approved by the CIB credit governance committee based on the individual facts and circumstances.

For unsecured exposures, post write-off collection and enforcement activities include outsourcing to external debt collection agents as well as, collection/settlement arrangements to assist clients to settle their outstanding debt. The Bank continuously monitors and reviews when exposures are written off, the levels of post write-off recoveries as well as the key factors causing post write-off recoveries, which ensures that the Bank's point of write-off remains appropriate and that post write-off recoveries are within expectable levels after time.

Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e., stage 3) still exist. Distressed Restructured Financial assets that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e., six full consecutive monthly payments per the terms and conditions). However, in the case of financial assets with quarterly or longer dated repayment terms, the classification of a financial asset out of stage 3 may be made subsequent to an evaluation by the Bank's CIB or home services, VAF, card, personal, business and other lending products credit governance committees (as appropriate), such evaluation will take into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and compliance with existing financial asset terms and conditions.

Where it has been determined that a financial asset no longer meets the criteria for significant increase in credit risk, when compared to the credit rating at initial recognition, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively.

Forward-looking economic expectations applied in the determination of the ECL at the reporting date

A range of base, bullish and bearish forward-looking economic expectations were determined, as at 31 December 2025, for inclusion in the Bank's forward-looking process and ECL calculation.

Lesotho economic expectation

The Economic growth in 2024/25 registered 4.2%, driven largely by Lesotho Highlands Water Project Phase II, with construction growing by 6.3%. The textile industry rebounded to 3.2% growth, from -11.1% in 2023/24, as firms accelerated order completion amid AGOA uncertainty. This momentum proved temporary. In 2025/26, growth declined to 1.4% due to external shocks, including higher tariffs on exports and a continued decline in global diamond prices. The downturn was most pronounced in textiles and mining, where reduced orders, layoffs, care-and-maintenance decisions, and cost-containment measures, including workforce reductions, mine-life revisions, and targeted royalty relief, were implemented to preserve cash flow and sustain operations¹.

Inflation remained contained, moderating to 4.3% in 2025 and stabilising at 4.5% – 4.7% over the medium term, supported by easing food and fuel prices, though upside risks persist from exchange-rate volatility and global trade disruptions¹.

Looking ahead, growth is expected to be modest, supported by AGOA renewal and higher SACU revenues, while risks from trade uncertainty linger².

Medium-term projections show the economy growing sluggishly at 1.5% in 2027/28 and 1.6% in 2028/29. The improvement in the agricultural sector is expected to be anchored by enhanced breeding practices on livestock coupled with anticipated favourable weather conditions on crops. In the manufacturing sector, operational factory spaces are anticipated to benefit the textiles and other manufacturing sectors. There are also aspirations of

diversifying into Regional and European market. However, the growth anticipated from these initiatives will not offset the deterioration in AGOA related firms, resulting in worsening of the textile industry growth projections¹.

Monetary Policy – interest rates are expected to remain unchanged for entire 2026, hence the Central Bank of Lesotho (CBL) policy rate to be constant at current 6.5%. This will keep the real rates slightly positive against the inflation rates.

Based on these macroeconomic outlook, the Bank's Assets and Liabilities Committee (ALCO) house view on the rates movement for 2025 was as follows:

- Base case scenario with 60% probability (2024: 60%) – the rates would remain unchanged.
- Bear case with 30% probability (2024: 30%) – rates would remain unchanged.
- Bull case with 10% probability (2024: 10%) – rates would remain unchanged.

Main macro-economic factors

The following table shows the main macroeconomic factors used to estimate the forward-looking impact on the ECL provision on financial assets. For each scenario the average values of the factors over the next 12 months, and over the remaining forecast period, are presented below.

Macroeconomic Factors – 2025	Base scenario		Bear scenario		Bull scenario	
	Next 12 months ²	Remaining forecast period ³	Next 12 months ²	Remaining forecast period ³	Next 12 months ²	Remaining forecast period ³
Lesotho ⁴						
Inflation (%)	4.78	4.86	8.21	7.09	3.44	3.49
Real GDP ¹ (%)	1.97	1.59	-0.16	-1.36	3.71	2.64
Exchange rate USD/LSL	17.15	18.20	18.57	19.29	15.92	17.30
Prime lending rate (%)*	9.75	9.52	10.38	10.38	9.56	9.00

¹ Gross domestic product.

² Next 12 months following 31 December 2025 is 1 January 2026 to 31 December 2026.

³ The remaining forecast period is 1 January 2027 to 31 December 2029.

⁴ The scenario weighting is: base at 60%, bear at 30% and bull at 10%. The scenario weighting remains unchanged.

*The Prime lending rate forecast information has been internally generated

Macroeconomic Factors 2024	Base scenario		Bear scenario		Bull scenario	
Lesotho ⁴	Next 12 months ²	Remaining forecast period ³	Next 12 months ²	Remaining forecast period ³	Next 12 months ²	Remaining forecast period ³
Inflation (%)	5.14%	5.33%	7.89%	9.56%	4.24%	3.96%
Real GDP ¹ (%)	3.02%	2.59%	1.24%	(0,30%)	3.62%	3.56%
Exchange rate USD/LSL	17.37	17.85	19.15	19.34	16.57	17.05%
Prime lending rate (%)*	10.5%	10.5%	11.25%	12,10	10,38%	9,50%

Sensitivity analysis of the forward-looking impact on the total ECL provision on all financial instruments relating to corporate, sovereign and bank products

The expected credit loss methodology for corporate, sovereign and bank products is based primarily on client specific risk metrics, as such the forward-looking macroeconomic information is one of the component and/or driver of the total reported expected credit loss. Rating reviews of each client are performed at least annually, and entails credit analysts completing a credit scorecard and incorporating forward-looking information at a client level. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting expected credit loss for the individual client. Therefore, the impact of forward-looking economic conditions is embedded into the total expected credit loss for each client and cannot be stressed or separated out of the overall expected credit loss provision.

Sensitivity analysis of home services, vehicle and asset finance, card, personal, business lending and other products forward-looking impact on ECL provision

During 2025, a forward-looking ECL provisioning slightly increased at the back of the economic outlook. Although the economy is still volatile, we have seen a drop in interest rates and inflation. Personal and Private Banking (PPB) Term loan is the product with high forward-looking impairments due to its volatility and nature of being unsecured. The term lending book accounts for approximately 67% of the total PPB loan book, the recent retrenchments in the mining sector, and the economic mining outlook has also impacted on the forward-looking view. The increase in 2025 indicates the heightened economic pressures.

⁵ The remaining forecast period is 1 January 2027 to 31 December 2029.

*The Prime lending rate forecast information has been internally generated

The construction activity tied to the Lesotho Highland Water Project Phase II (LHWPII) is expected to slow down from 2027 onward, as momentum from the LHWPII tapers off, resulting in an expected decline of more than 8% in overall construction activity. The near-term outlook remains severely constrained, with tariffs and the rapid expansion of lab-grown diamonds weighing heavily on the economy. The windfall from the South African Customs Union and increased water royalties is expected to continue to bolster the fiscus.

The following table shows a comparison of the forward-looking impact on the provision as at 31 December 2024 and 31 December 2025, based on the probability weightings of the three mentioned scenarios (base, bear and bull) resulting from recalculating each of the scenarios using a 100% weighting of the above factors.

Forward Looking Provision	2025		2024	
	Forward-looking component of ECL provision M'000	Income statement charge M'000	Forward-looking component of ECL provision M'000	Income statement charge M'000
Forward-looking impact on the total ECL provision	31 142	(401)	30 938	(13 053)
Scenarios				
Base	15 839	(9 779)	25 618	(12 754)
Bear	87 387	34 627	52 760	(4 205)
Bull	236	(3 761)	3 997	(36 271)



Refer to the credit risk section under Risk Management report for the Bank's assessment of the risk arising out of the failure of counterparties to meet their financial or contractual obligations when due.

Fair value

Financial instruments

In terms of IFRS 9 and IFRS 13, the Bank is either required to or elects to measure a number of its financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions.

When determining fair value, it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the Bank (and company) and, in particular, provides assurance that the risk and return measures that the Bank has taken are accurate and complete.

Valuation process

Bank's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include the following:

Prices quoted in an active market: The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

Valuation techniques: Where quoted market prices are unavailable, the Bank establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the Bank makes use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions. Changes in these assumptions would affect the reported fair values of these financial instruments.

Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources, such as, third party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments: Valuation adjustments are an integral part of the valuation process. Adjustments include but are not limited to:

- credit spreads on illiquid issuers,
- implied volatilities on thinly traded instruments,
- correlation between risk factors,
- prepayment rates, and other illiquid risk drivers,
- other illiquid risk drivers.

In making appropriate valuation adjustments, the Bank applies methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver;
- quantifying and reporting the sensitivity to each risk driver; and
- limiting exposure to such risk drivers and analysing this exposure on a regular basis.

Validation and control: All financial instruments carried at fair value, regardless of classification, and for which there are no quoted market prices for that instrument, are fair valued using models that conform to international best practice and established financial theory. These models are validated independently by the Bank's model validation unit and formally reviewed and approved by the market risk methodologies committee. This control applies to both off-the-shelf models as well as those developed internally by the Bank. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by bank's market risk unit. Such price validation is performed on at least a monthly basis, but daily where possible given the availability of the underlying price inputs. Independent valuation comparisons are also performed, and any significant variances noted are appropriately investigated.

Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to model, are carefully validated and tabled at the monthly price validation forum to ensure that these are reasonable and used consistently across the Bank. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed on a monthly basis at the market risk and asset and liability committees.

Portfolio exception: The Bank has, on meeting certain qualifying criteria, elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis.

Computer software intangible assets

The Bank reviews its assets under construction and assets brought into use for impairment at each reporting date and tests the carrying value for impairment whenever events or changes in circumstances indicate that the carrying amount (or components of the carrying amount) may not be recoverable. These circumstances include, but are not limited to, new technological developments, obsolescence, changes in the manner in which the software is used or is expected to be used, changes in discount rates or changes in estimates of related future cash benefits. The impairment tests are performed by comparing an asset's recoverable amount to its carrying amounts. The review and testing of assets for impairment inherently requires significant management judgement as it requires management to derive the estimates of the identified assets' future cash flows in order to derive the asset's recoverable amount.

Current and deferred tax

The Bank is subject to direct and indirect taxation requirements which are determined with reference to transactions and calculations for which the ultimate tax determination has an element of uncertainty in the ordinary course of business. Bank recognise provisions for tax based on objective estimates of the amount of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, as disclosed under restatement.

Uncertain tax positions, which do not meet the probability criteria defined within IFRS, are not provided for but are rather disclosed as contingent liabilities or assets as appropriate. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Bank in order to utilise the deferred tax assets.

Provisions

The principal assumptions taken into account in determining the value at which provisions are recorded at include determining whether there is an obligation as well as assumptions about the probability of the outflow of resources and the estimate of the amount and timing for the settlement of the obligation. For legal provisions management assesses the probability of the outflow of resources by taking into account historical data and the status of the claim in consultation with the Bank's legal counsel. In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including that arising after the reporting date up to the date of the approval of the financial statements.

Share-based payment

The Bank has both cash and equity-settled share incentive schemes which are issued to qualifying employees based on the rules of the respective schemes. The Bank uses the Black-Scholes option pricing model to determine the fair value of awards on grant date for its equity-settled share incentive schemes. The valuation of the Bank's obligations with respect to its cash-settled share incentive scheme obligations is determined with reference to SBG's share price, which is an observable market input. In determining the expense to

be recognised for both the cash and equity-settled share schemes, the Bank estimates the expected future vesting of the awards by considering staff attrition levels. The Bank also makes estimates of the future vesting of awards that are subject to non-market vesting conditions by taking into account the probability of such conditions being met.

Post-employment benefits

The Bank's post-employment benefits consist of only post-employment retirement funds. The Bank's obligations to fund these benefits are derived from actuarial valuations performed by the appointed actuaries taking into account various assumptions. The funds are subject to a statutory financial review by the Bank's independent actuaries at intervals of not more than three years.

The principle assumptions used in the determination of the Bank's obligations include the following:

Post Employment Benefits	Retirement fund	Post-employment medical aid fund
2025		
Salary/benefit inflation	6.5% for General Staff and 4.6% average for Management.	Not applicable to fund
Medical inflation	10.8% Metropolitan and 10.9% Discovery	Not applicable to fund
Pension increase in allowance	6.5% for General Staff and 4.6% average for Management.	Not applicable to fund
	Retirement fund	Post-employment medical aid fund
2024		
Salary/benefit inflation	7.5% for General staff and 6% for Management	Not applicable to fund
Medical inflation	10% Metropolitan and 10.9% Discovery	Not applicable to fund
Pension increase in allowance	7.5% for General staff and 6% Management	Not applicable to fund

Segment Reporting

SLB structure of business units

In 2023, the Bank made significant structural changes to serve clients better, adopting a client-led operating model structured around its business units, namely: Personal & Private Banking (PPB), Business & Commercial Banking (BCB), and Corporate & Investment Banking (CIB).

Across three business units the Bank offers tailored financial solutions throughout clients' growth journeys. Its services span everyday banking, financing and payments to advisory, risk management and global capital-market access outlined in the subsequent page.

Our operating model is client led and structured around our business units as follows:



Standard
Lesotho
Bank

Business Units

The business units are responsible for designing and executing the client value proposition. Business units own the client relationship and create multi-product client experiences distributed through our client engagement platforms

PPB

Personal & Private Banking

The Personal & Private Banking (PPB) business unit offers tailored and comprehensive banking and beyond financial services solutions. We serve individual clients in country and across Africa ranging from wealth and investment, to private and personal banking markets by enabling their daily lives throughout their life journeys.

BCB

Business & Commercial Banking

Business and Commercial Banking unit provides a comprehensive range of financing, transactional banking, trade, treasury and advisory solutions that deliver the necessary advisory, networking and sustainability required by our clients to enable their growth. We serve emerging businesses, Small and Medium Enterprises, and large commercial enterprises across key sectors of the economy.

CIB

Corporate & Investment Banking

The Corporate & Investment Banking (CIB) business unit serves large companies (multinational, regional and domestic), governments, parastatals and institutional clients across Africa and internationally. Our clients leverage on our in-depth sector and regional expertise, our specialist capabilities and our access to global capital markets for advisory, transactional, risk management and funding support.

Banking Services

	PPB	BCB	CIB
Home services Tailored home financing solutions for home buyers and existing homeowners, across our retail market, including related value-added services.	Retail home services		
Vehicle and asset finance Comprehensive finance solutions in instalment credit, fleet management and related services across our retail, corporate and business markets.	Retail VAF	Business and commercial	
Lending Comprehensive suite of lending products provided to individuals and small and medium-sized businesses.	Personal unsecured lending	Business lending	
Card and payments Credit card facilities to individuals and businesses. Merchant acquiring services. Enablement of digital payment capabilities through various products and platforms. Mobile money and cross-border businesses.	Card issuing	Card acquiring and commercial	
Transaction Comprehensive suite of cash management, international trade finance, working capital and investor services solutions.	PPB Transaction banking	BCB Transaction banking	CIB Transaction banking
Global markets¹ Trading and risk management solutions across financial markets, including foreign exchange, money markets, interest rates, equities, credit and commodities.		BCB Forex	Institutional & corporate
Investment banking Full suite of advisory and financing solutions, from term lending to structured and specialised products across equity and debt capital markets.			Investment banking

Central and other

Banking hedging activities

Unallocated capital

Liquidity earnings

Central costs

¹Standard Lesotho Bank has also been granted a "License to operate as a Broker-Dealer" in accordance with Section 25(1) of the Central Bank of Lesotho Capital Markets Regulations No. 74 of 2014. The broker-dealer business is one of the functions within the Bank, and the activities that fall within the licensed scope of this business are undertaken/offered by Global Markets (GM). The Principal Officer of the broker-dealer is the Head of GM.

Risk and Capital Management Report

1. Overview

Capital management

The Bank's capital management function is designed to ensure that regulatory requirements are met at all times and that the Bank is capitalised in line with the Bank's risk appetite and target ratios, both of which are approved by the board.

It further aims to facilitate the allocation and use of capital, such that it generates a return that appropriately compensates shareholders for the risks incurred. Capital adequacy is actively managed and forms a key component of the Bank's forecasting process. The capital plan is tested under a range of stress scenarios as part of the Bank's annual Internal Capital Adequacy Assessment Process (ICAAP) and Integrated Recovery Plan (IRP).

The capital management function is governed primarily by a management-level subcommittee that oversees the risks associated with capital management, namely the Bank asset and liability committee (ALCO). The principal governance documents are the capital management governance framework, self-assessment thereof, ICAAP and the dividend policy.

Risk management

Our business resilience is underpinned by the strength of our risk management processes, ethical personal, market and societal conduct. We are a responsible corporate citizen; we adhere to good corporate governance practices and promote sustainability, social and economic development goals of Lesotho. Our risk management system is governed by the board and management with appropriate expertise.

- **Governance:** Our risk management governance comprises of frameworks, standards and policies. Oversight and accountability are maintained through mandated board and management committees.
- **Approach:** The three lines of defence model is used to maintain a strong and resilient risk culture. The Bank manages risk through a board-approved risk appetite.

Risk Universe: The Bank's activities give rise to various financial and non-financial risks. Standard Lesotho Bank's risks are categorised into three categories being strategic risk, financial risk, and non-financial risk. Risk management is a cornerstone to the Bank's resilience, enabling fast, targeted, and responsible support for our clients, at the same time providing appropriate support measures for our people, while preserving the Bank's financial position.

There was a material breach of the board-approved risk appetite on overall CLR due to elevated impairments in the current year. Acceleration of digitisation resulted in us exploring new ways of doing business, which introduced new risk exposures to our business. Furthermore, the complex and ever-changing regulatory environment required us to be adaptable to remain compliant and resilient.

2. Capital Management

The Bank manages its capital levels to support business growth, maintain depositor and creditors' confidence, create value for the shareholders and ensure regulatory compliance. The main regulatory requirements to be complied with are those specified in the Financial Institutions Act (FIA) 2012 and related regulations, which are aligned with Basel I and the transition to Basel II.5.

Regulatory capital adequacy is measured through the following three risk-based ratios:

Tier I

Issued and fully paid ordinary shares or common stock and related surplus (share premium) or assigned capital of a bank, fully paid-up perpetual non-cumulative preference shares and related surplus of a bank, a statutory reserve account as required by the FIA 2012, retained earnings as stated in the latest audited financial statements of the Bank divided by the total risk-weighted assets (RWA).

Tier II

Tier II capital or supplementary capital is limited to 100% of Tier I or Core Capital and consists of fixed assets revaluation reserves, securities revaluation reserves, general provisions or general reserves for losses on assets, which refer to provisions and reserves not ascribed to specific assets, subordinated term debt and other items as prescribed by the Act.

Capital adequacy ratio

The capital adequacy ratio dropped from 12.66% to 11.48% year on year mainly on account of a significant increase in off-balance sheet weighted assets underpinned by the Lesotho Highlands Water Project (LHWP) Phase II. However, the adequacy level remained compliant with the regulatory requirements as accorded by both Basel I and Basel II.5, respectively, per the table in the following page- Capital Adequacy Ratio.

Basel II.5 CAR analysis

In accordance with the Financial Institutions (Computation of Capital Charge for Credit, Operational and Market Risks) Regulations, 2023 issued in August 2023 by the Central Bank of Lesotho, the Bank had to comply with the new regulatory requirements from February 2024 in line with the prescribed compliance transition period and 2025 ratio indicated the resilience of the Bank having considered the increased risk elements integrated into the new calculations. This contributed positively to the Bank's financial soundness indicators monitored by the regulator.

Capital Adequacy Ratio	2025 M'000	2024 Restated ¹ M'000
Tier 1 Capital	1 773 593	1 667 228
Tier 2 Capital	132 319	96 754
Total Tier 1 & 2 Capital	1 905 912	1 763 982
Total Capital Deduction	-	-
Tier 1 & 2 Capital after Deductions	1 905 912	1 763 982
Total (Net) Capital	1 905 912	1 763 982
CREDIT RISK		
Total Credit Risk Weighted Assets	11 081 940	7 740 316
OPERATIONAL RISK		
Total Operational Risk adjusted risk-weighted assets	3 288 679	3 143 467
MARKET RISK		
Total Market Risk adjusted risk-weighted assets	2 235 941	3 053 503
Total Risk Weighted Assets	16 606 559	13 937 286
Capital Adequacy Ratio	11.48	12.66
Tier 1 Capital To Risk Weighted Assets	10.68	11.96

3. Credit Risk

Definition

Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk, concentration risk and country risk and represents the largest source of risk to which the Bank is exposed.

Approach to managing and measuring credit risk

The Bank's credit risk is a function of its business model and arises from CIB, BCB and retail loans and advances, underwriting and guarantee commitments, as well as from the counterparty credit risk (CCR) arising from derivative and securities financing contracts entered into with our customers and trading counterparties.

¹Tier 1 and Tier 2 capital have been restated due to the impact of M84.1m relating to interest in suspense (M25.4m) and impairments (M58.7m)

Credit risk is managed through:

Maintaining a culture of responsible lending and a robust risk policy and control framework identifying, assessing and measuring credit risk across the Bank, from an individual facility level through to an aggregate portfolio level defining, implementing and continually re-evaluating risk appetite under actual and stressed conditions monitoring the Bank's credit risk exposure relative to approved limits ensuring that there is expert scrutiny and approval of credit risk and its mitigation independently of the business functions.

A bank credit limit and concentration guideline are embedded within the Bank's enterprise-wide risk management process. Within the Bank's overall risk appetite disciplines, the credit metrics and concentrations framework include key credit ratios and counterparty, sector and country concentration guidelines. These in turn are cascaded to business units where they are monitored against approved appetite thresholds.

The Bank distinguishes between through-the-cycle PDs and point-in-time PDs and utilises both measures in decision-making. To determine point-in-time PDs for IFRS 9 measurement, through-the-cycle PDs are used as a starting point and adjusted to determine appropriate point-in-time PDs. PDs are used for purposes of managing credit risk exposures and measuring impairments against credit exposures.

A credit portfolio limit framework has been defined to monitor and control the credit risk profile within our approved risk appetite. All primary lending credit limits are set, and exposures measured on the basis of risk weighting in order to best estimate exposure at default (EAD).

Pre-settlement CCR inherent in trading book exposures is measured on a potential future exposure (PFE) basis, modelled at a defined level of confidence using approved methodologies and models, and controlled within explicit approved limits for the counterparties concerned.

Credit risk mitigation

Wherever warranted, the Bank will attempt to mitigate credit risk, including CCR to any counterparty, transaction, sector, or geographic region, so as to achieve the optimal balance between risk, cost, capital utilisation and reward. Risk mitigation may include the use of collateral, the imposition of financial or behavioural covenants, the acceptance of guarantees from parents or third parties, the recognition of parental support, and the distribution of risk.

Collateral, parental guarantees, credit derivatives and on and off-balance sheet netting are widely used to mitigate credit risk. Credit risk mitigation policies and procedures ensure that risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

¹Tier 1 and Tier 2 capital have been restated due to the impact of M84.1m relating to interest in suspense (M25.4m) and impairments (M58.7m)

In the case of collateral where the Bank has an unassailable legal title, the Bank's policy is such that collateral is required to meet certain criteria for recognition in loss given default (LGD) modelling, including:

- is readily marketable and liquid
- is legally perfected and enforceable
- has a low valuation volatility
- is readily realisable at minimum expense
- has no material correlation to the obligor credit quality
- has an active secondary market for resale.

The main types of collateral obtained by the Bank for its banking book exposures include:

- Mortgage bonds over residential, commercial and industrial properties
- Cession of book debts
- Pledge and cession of financial assets
- Lien over underlying movable assets financed

Guarantees and related legal contracts are often required, particularly in support of credit extension to banks of companies and weaker obligors. Guarantors include banks, parent companies, shareholders and associated obligors. Creditworthiness is established for the guarantor as for other obligor credit approvals.

For trading and derivatives transactions where collateral support is considered necessary, the Bank typically uses internationally recognised and enforceable International Swaps and Derivatives Association (ISDA) agreements, with a credit support annexure (CSA).

Other credit protection terms may be stipulated, such as limitations on the amount of unsecured credit exposure acceptable, collateralisation if the mark-to-market credit exposure exceeds acceptable limits, and termination of the contract if certain credit events occur, for example, downgrade of the counterparty's public credit rating. Wrong-way risk arises in transactions where the likelihood of default (i.e., the probability of default (PD) by a counterparty and the size of credit exposure (as measured by EAD) to that counterparty tend to increase at the same time. This risk is managed both at an individual counterparty level and at an aggregate portfolio level by limiting exposure to such transactions, taking adverse correlation into account in the measurement and mitigation of credit exposure and increasing oversight and approval levels.

The Bank has no appetite for wrong-way risk arising where the correlation between EAD and PD is due to a legal, economic, strategic or similar relationship (i.e., specific wrong-way risk). General wrong-way risk, which arises when the correlation between EAD and PD for the counterparty, due mainly to macro factors, is closely managed within existing risk frameworks.

To manage actual or potential portfolio risk concentrations in areas of higher credit risk and credit portfolio growth, the Bank implements hedging and other strategies from time-to-time. This is done at individual counterparty, sub-portfolio and portfolio levels through the use of syndication, distribution and sale of assets, asset and portfolio limit management, credit derivatives and credit protection.

Use of internal estimates

Our credit risk rating systems and processes differentiate and quantify credit risk across counterparties and asset classes. Internal risk parameters are used extensively in risk management and business processes, including:

- setting risk appetite
- setting concentration and counterparty limits
- credit approval and monitoring

Collateral

Within risk functions and business units, there are specialised legal practitioners who are responsible for ensuring that legally valid, binding and enforceable loan agreements and amendments to standard security documents are in place where required. Security is provided to the Bank by counterparties accepting lending facilities. In certain instances, further counsel is sought from external attorneys in respect of unusual forms of security or where security is provided by foreign companies.

Collateral required in the event of a credit rating downgrade

The Bank enters into derivative contracts with rated and unrated counterparties. To mitigate counterparty credit risk, the Bank stipulates credit protection terms such as limitations on the amount of unsecured credit exposure it will accept, collateralisation if marked-to-market credit exposure exceeds those amounts and collateralisation and /or termination of the contract if certain credit events occur, including but not limited to a downgrade of the counterparty's public credit rating.

Certain counterparties require that the Bank provide similar credit protection terms. From time to time, the Bank may agree to provide those terms on a restrictive basis. Rating downgrades as a collateralisation or termination event are generally conceded only to highly rated counterparties and, whenever possible, on a bilateral reciprocal basis. In exceptional cases, the Bank might concede such rating downgrades to unrated counterparties when their size, credit strength and business potential are deemed acceptable. The impact on the Bank in respect of the amount of collateral it would have to provide given a credit downgrade is determined by the negative mark-to-market on derivative contracts where such a collateralisation trigger has been conceded.

Where the impact on Bank's liquidity of a collateral call linked to downgrading is deemed to be material, the potential exposure is taken into account in model stress testing. However, the extent of legal commitments that could result in collateral calls triggered by a rating downgrade is not material and would not have an adverse effect on the Bank's financial position.

Credit risk measurement

Loans and advances including loan commitments and guarantees

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

(i) Probability of default

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Clients of the Bank are segmented into four rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. Observed defaults per rating category vary year on year, especially over an economic cycle.

(ii) Exposure at default

Exposure at default is based on the amounts the Bank expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Bank includes any amount already drawn plus the additional amount that may have been drawn by the time of default, should it occur.

(iii) Loss given default

Loss given default or loss severity represents the Bank's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries and countries.

the Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to borrowers, bank, geographical location and economic sectors. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors.

The exposure to any one borrower, including banks and brokers, is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.
- Lien over movable assets financed

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) Lending limits for derivatives and loan books

The Bank maintains strict control limits on net open derivative positions (that is, the difference between purchase and sale contracts), by both amount and term.

The amount subject to credit risk is limited to the expected future net cash inflows of the instruments, which, in relation to derivatives, are only a fraction of the contract or notional values used to express the volume of instruments outstanding.

This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not always obtained for credit risk exposures on these instruments.

Settlement risk arises in any situation where a payment in cash or securities is made in the expectation of a corresponding receipt in cash or securities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising

(c) Financial covenants (for credit related commitments and loan books)

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Impairment and provisioning policies

The internal and external rating systems described above focus on credit-quality mapping from the inception of the lending and investment activities. 2018 was the adoption of the new accounting standard (IFRS 9), moving away from the old IAS 39, which was criticised mostly for being event-based, that is, waiting for non-payment to trigger provisions. The new IFRS 9 objectives are expected loss, pre-emptively assess the book for increased risk (significant increase in credit risk) and consider the impact of the forecasted Macroeconomic view on the quality of the credit in the book today and raise required impairments.

Corporate, sovereign and banking portfolios

Corporate entities include large companies, as well as small and medium entities (SMEs) that are managed on a relationship basis. Corporate exposures also include specialised lending (project, object and commodity finance, as well as income-producing real estate (IPRE)) and public sector entities.

Sovereign and bank borrowers include sovereign government entities, central banks, local government entities, bank and non-bank financial institutions.

The creditworthiness of corporate (excluding specialised lending), sovereign and bank exposures are assessed based on a detailed individual assessment of the financial strength of the borrower. This quantitative analysis, together with expert judgement and external rating agency ratings, leads to an assignment of an internal rating to the entity.

Specialised lending's creditworthiness is assessed on a transactional level, rather than on the financial strength of the borrower, insofar as the Bank relies only on repayment from the cash flows generated by the underlying assets financed.

The amount subject to credit risk is limited to the expected future net cash inflows of the instruments, which, in relation to derivatives, are only a fraction of the contract, or notional values used to express the volume of instruments outstanding.

This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not always obtained for credit risk exposures on these instruments.

Settlement risk arises in any situation where a payment in cash or securities is made in the expectation of a corresponding receipt in cash or securities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising

Concentration risk management is performed to ensure that credit exposure concentration in respect of obligors, countries, sectors and other risk areas are effectively managed. This includes concentrations arising from credit exposure to different entities within an obligor economic group, such as exposure to public sector and other government entities that are related to the same sovereign.

Credit portfolio characteristics and metrics: Maximum exposure to credit risk

Debt financial assets at amortised cost and FVOCI as well as off-balance sheet exposure subject to an ECL are analysed and categorised based on credit quality using the Bank's master rating scale. Exposures within stage 1 and 2 are rated between 1 to 25 in terms of the Bank's master rating scale. The Bank uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes), as illustrated in the table below. These ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable BCB and PPB portfolios.

The Bank distinguishes between through-the-cycle PDs and point-in-time PDs, and uses both measures in decision-making, managing credit risk exposures, and measuring impairments against credit exposures. Exposures which are in default are not considered in the 1 to 25-point master rating scale.

Default

The Bank's definition of default aligns with its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the BASEL definition) as occurring at the earlier of:

- where, in the Bank's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The Bank has not rebutted IFRS 9's 90-day past-due rebuttable presumption; therefore, exposures overdue for more than 90 days are also considered in default.

A financial asset is considered to be in default when there is credit impairment. The following criteria are used in determining whether there is credit impairment for financial assets or banks of financial assets:

- significant financial difficulty of borrower and/or modification (i.e., known cash flow difficulties experienced by the borrower)
- a breach of contract, such as default or delinquency in interest and/or principal payments
- disappearance of active market due to financial difficulties
- it becomes probable that the borrower will enter bankruptcy or another financial reorganisation
- where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Bank would not otherwise consider.

Credit Quality of Financial Assets

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Credit Quality of Financial Assets

2025	Gross carrying amount	SB 1 - 12	SB 13 - 20	SB 21-25	Default	Total gross carrying amount of default exposures	Securities and expected recoveries on default exposures	Statement of Financial Position expected credit loss and interest in suspense on default exposures	Gross default coverage	Non-performing
Net carrying amount of loans and advances measured at amortised cost	5 628 846	-	-	-	-	-	-	-	-	-
Financial investments measured at amortised cost										
Sovereign	966 339		966 339	-	-	-	-	-	-	-
Gross carrying amount	966 339		966 339	-	-	-	-	-	-	-
Less: ECL for financial investments measured at amortised cost	(1 897)		(1 897)	-	-	-	-	-	-	-
Net carrying amount of financial investments measured at amortised cost	964 442		964 442							
Financial investments at FVOCI										
Corporate	5 025 451	1,157,068	3,868,383	-	-	-	-	-	-	-
Sovereign	668 284		668,284	-	-	-	-	-	-	-
Gross carrying amount	5 693 735	1 157 068	4 536 667	-	-	-	-	-	-	-

Credit Quality of Financial Assets

2025	Gross carrying amount	SB 1 - 12	SB 13 - 20	SB 21-25	Default	Total gross carrying amount of default exposures	Securities and expected recoveries on default exposures	Statement of Financial Position expected credit loss and interest in suspense on default exposures	Gross default coverage	Non-performing
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	(14,622)		(14 622)-		-	-	-	-	-	-
Total financial investment at fair value through OCI	5 679 113	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures										
Letters of Credit	25 765	25 765	-	-	-	-	-	-	-	-
Guarantees	4 001 850	4 001 850	-	-	-	-	-	-	-	-
Unutilised facilities	396 942	396 942	-	-	-	-	-	-	-	-
Total exposure to off-balance sheet credit risk	4 424 557	4 424 557	-	-	-	-	-	-	-	-
Less: ECL for off-balance sheet exposures	(861)	(861)	-	-	-	-	-	-	-	-
Net carrying amount of off-balance sheet exposures	4 423 696	4 423 696	-	-	-	-	-	-	-	-
Total exposure to credit risk on financial assets subject to ECL	16 696 097	-	-	-	-	-	-	-	-	-

Credit Quality of Financial Assets

2025	Gross carrying amount	SB 1 - 12	SB 13 - 20	SB 21-25	Default	Total gross carrying amount of default exposures	Securities and expected recoveries on default exposures	Financial Position expected credit loss and interest in suspense on default exposures	Gross default coverage	Non-performing
Add the following exposures not subject to ECL:	1 093 244	-	-	-	-	-	-	-	-	-
Cash and balances with the central bank - held at FVTPL	990,311	-	-	-	-	-	-	-	-	-
Derivative assets	6,757	-	-	-	-	-	-	-	-	-
Other financial investments		-	-	-	-	-	-	-	-	-
Trading securities	17	-	-	-	-	-	-	-	-	-
Other financial assets	96,159	-	-	-	-	-	-	-	-	-
Total exposure to credit risk	17 789 341	-	-	-	-	-	-	-	-	-

Credit Quality of Financial Assets

2024	Gross carrying amount	SB 1 - 12				SB 13 - 20				SB 21-25				Default				Total gross carrying amount of default exposures				Statement of financial Position				Non-performing exposures
		Stage1		Stage2		Stage1		Stage2		Stage1		Stage2		Stage3		Stage3		Total gross carrying amount of default exposures		Securities and expected recoveries on default exposures		Financial Position expected credit loss and interest in suspense on default exposures				
		M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	%	%			
Loans and advances at amortised cost																										
Personal & Business Banking																										
Mortgage loans	1 923 694	-	-	1 683 580	-	-	118 844	121 270	121 270	121 270	121 270	100 351	8 824	7%	6%											
	1 214 871	-	-	1 030 665	-	-	82 774	101 432	101 432	101 432	101 432	89 260	(2 358)	88%	8%											
Vehicle and asset finance	679 019	-	-	630 807	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Card debtors	29 804	-	-	22 108	-	-	7 609	87	87	87	87	30	242	35%	0%											
Other loans and advances	3 594 982	-	-	3 257 560	-	-	171 756	165 666	165 666	165 666	165 666	44 688	91 539	88%	5%											
Personal unsecured lending	3 085 820	-	-	2 775 907	-	-	159 647	150 266	150 266	150 266	150 266	36 064	95 415	24%	5%											
Business lending and other	509 162	-	-	481 653	-	-	12 109	15 400	15 400	15 400	15 400	8 624	(3 876)	56%	3%											
Corporate & Investment Banking	387 837	11 090	-	366 553	10 194	-	-	-	-	-	-	-	-	-	-											
Corporate and sovereign	387 837	11 090	-	366 553	10 194	-	-	-	-	-	-	-	-	-	-											
Bank	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-											
Gross carrying amount	5 906 512	-	-	-	-	-	-	-	-	-	-	-	-	-	-											
Less ECL on Loans and Advances & IIS	(343 210)	-	-	-	-	-	-	-	-	-	-	-	-	-	-											

Credit Quality of Financial Assets

[illegible]

Credit Quality of Financial Assets

[illegible]

Maximum exposure to credit risk before collateral held or other credit enhancements

Gross maximum exposure to credit risk relating to on-balance-sheet and off-balance sheet without taking into account any collateral or other credit enhancements, is as follows:

Credit Exposure	2025	2024 Restated ¹
	M'000	M'000
Cash and balances with the central bank	990 311	1 444 737
Derivative assets	6 756	26 859
Trading securities	17	105 459
Financial investments	6 658 180	4 806 354
Loans and advances with banks	1 478 077	2 356 074
Loans and advances with customers	5 988 906	5 561 816
Total recognised on-balance sheet financial instruments	14 762 188	14 386 079
Financial guarantees	4 001 850	5 488 745
Uncommitted/Undrawn facilities	396 942	-
Other	27 701	14 772
Total credit exposure	19 188 681	19 889 596

The above table represents the credit risk exposure to the Bank as at 31 December 2025 and comparative figures for 2024, without taking into account any collateral held or other credit enhancements attached. For the on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

The overall exposure saw a slight decrease whilst significant changes happened on cash and balances with the central bank (31% decrease) and loans and advances with customers (8% increase).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loans and advances portfolio and financial investments based on the following:

- Mortgage loans and vehicle and asset finance are supported by collateral; and
- Large corporates have dedicated relationship managers monitoring company performance and other factors that could indicate potential default.

Credit impairment losses on loans and advances

Loans and advances are assessed for possible impairment at each reporting date. Before impairments are allocated to individual loans, consideration is first given to whether there is evidence of a decrease in expected cash flows from a portfolio of loans and advances. This includes estimates of the emergence period between the date the credit loss event occurs and the date the loss is identified. Portfolio impairments are calculated for both performing and non-performing loans, but not for specifically impaired loans. Factors such as national and industry-specific economic conditions, the extent of early arrears and any legislation that could affect recovery are all considered when calculating the portfolio impairment charge. For those non-performing loans (NPL) where there is credit impaired, specific credit loss allowance are calculated using methodologies that include inputs such as segmentation, modelled expected loss (EL) and past due (PD). Estimates of future cash flows on individually impaired loans are based on historical loss experience for similar loans.

Ageing of Loans and Advances Past Due But Not Specifically Impaired

Loans Categories in 2025	Performing (Early arrears)			Non-performing		Total LCY'000
	< 31 days	31-60 days	61-90 days	91-180 days	> 180 days	
	LCY'000	LCY'000	LCY'000	LCY'000	LCY'000	
PPB and BCB	860 244	64 973	34 653	-	-	959 870
Mortgage loans	85 853	8 220	4 401	-	-	98 474
Instalment sale and finance leases	143 753	12 024	4 556	-	-	160 333
Card debtors	2 152	281	109	-	-	2 542
Other loans and advances	628 486	44 448	25 587	-	-	698 521
Corporate & Investment Banking Corporate loans						
Total	860 244	64 973	34 653	-	-	959 870

2024	Performing (Early arrears)			Non-performing		Total LCY'000
	< 31 days	31-60 days	61-90 days	91-180 days	> 180 days	
	LCY'000	LCY'000	LCY'000	LCY'000	LCY'000	
PPB and BCB	1 058 943	74 517	44 842	-	-	1 178 302
Mortgage loans	118 016	17 271	6 124	-	-	141 411
Instalment sale and finance leases	44 094	9 600	2 327	-	-	56 021
Card debtors	2 221	171	182	-	-	2 572
Other loans and advances	894 612	47 475	36 209	-	-	978 296
Corporate & Investment Banking Corporate loans	-	-	-	-	-	-
Total	1 058 943	74 517	44 842	-	-	1 178 302

Renegotiated loans and advances

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified because of weaknesses in the counterparty's financial position, and where it has been judged that normal repayment will likely continue after the restructure. Renegotiated loans that would otherwise be past due or impaired totalled M35.63 million in 2025 (2024: M39.02 million).

Collateral obtained by the Bank

It is the Bank's policy to dispose of repossessed assets in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. Generally, the Bank does not use repossessed assets for business purposes. The collateral held by the Bank for 2025 was M5,662 million (2024: M5,642 million) and predominantly related to properties in possession.

Concentration Risk

Segmental Analysis by Economic Sectors	2025 M'000	2024 M'000
Agriculture	23 411	16 955
Construction	87 877	169 384
Electricity	5 424	19 387
Finance, real estate and other business services	1 605 239	2 620 819
Individuals	4 694 072	4 685 915
Manufacturing	42 988	16 141
Mining	109 059	299 207
Other services	160 854	58 901
Transport	187 940	73 943
Wholesale	171 973	301 933
Gross loans and advances	7 088 837	8 262 587

IFRS: industry segmental analysis of stage 3 credit impairment of loans and advances

Segmental analysis of Stage 3 provisions – industry	2025 M'000	2024 M'000
Agriculture	(1)	(195)
Construction	(2 298)	(3 945)
Wholesale	(9 393)	(4 523)
Finance, real estate and other business	(3 326)	(518)
Transport	-	(81)
Mining	(2 458)	(1 826)
Individuals	(129 158)	(138 292)
Specific credit impairments	(146 634)	(149 380)

4. Funding and Liquidity risk

Definition

Liquidity risk is defined as the risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

Approach to managing liquidity risk

The nature of the Bank's banking and trading activities gives rise to continuous exposure to liquidity risk. Liquidity risk may arise where counterparties, who provide the Bank with short-term funding, withdraw or do not roll over that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The Bank manages liquidity in accordance with applicable regulations and within the Bank's risk appetite framework. The Bank's liquidity risk management governance framework supports the measurement and management of liquidity across the Corporate & Investment Banking, Personal and Private Banking and Business and Commercial Banking client sectors to ensure that payment obligations can be met by the Bank, under both normal and stressed conditions within the Bank's risk appetite framework and that regulatory minimum requirements are always met. This is achieved through a combination of maintaining adequate liquidity buffers to ensure that cash flow requirements can be met and ensuring that our balance sheet is structurally sound and supportive of our strategy. Liquidity risk management ensures that the Bank has the appropriate amount, diversification and tenor of funding and liquidity to always support its asset base. The Bank manages liquidity risk as three interrelated pillars, which are aligned to the Basel III liquidity requirements, namely tactical short-term liquidity risk management, structural long-term liquidity risk management and contingency liquidity risk management.

Organisational structure and governance

The Board reviews and approves the liquidity risk policy framework annually in accordance with regulatory requirements and international best practice. This ensures that a comprehensive and consistent governance framework for liquidity risk management is followed across the Bank. ALCO is responsible for ensuring compliance with liquidity risk policies.

Tactical (shorter-term) liquidity risk management:	Structural (longer-term) liquidity risk management	Contingency liquidity risk management
• Manage intraday liquidity positions; • Monitor interbank shortage levels; • Monitor daily cash flow requirements (daily dashboard) • Manage short-term cash flows; • Manage daily foreign currency liquidity; and • Set deposit rates in accordance with structural and contingent liquidity requirements as informed by ALCO.	• Ensure a structurally sound balance sheet; • Identify structural liquidity mismatches; • Determine and apply behavioural profiling; • Manage long-term cash flows; • Preserve a diversified funding base; • Inform term funding requirements; • Assess foreign currency liquidity exposures; • Establish liquidity risk appetite; and • Ensure appropriate transfer pricing of liquidity costs.	• Monitor and manage liquidity early warning indicators; • Establish and maintain contingency funding plans; • Undertake regular liquidity stress testing and scenario analysis; • If need be, convene liquidity crisis management committees; • Set liquidity buffer levels in accordance with anticipated stress events; • And advise diversification of liquidity buffer portfolios.

The liquidity management process is independently reviewed on a regular basis. Daily, the liquidity position is prepared and circulated to relevant stakeholders for proactive management. Then the Bank's consolidated liquidity risk position is monitored on at least a monthly basis by ALCO. In periods of increased volatility, the monitoring frequency is increased as required to facilitate appropriate and timely management action.

Tactical liquidity risk management

Active liquidity and funding management is an integrated effort across a number of functional areas. Short-term cash flow projections are used to plan for and meet the day-to-day requirements of the business, including adherence to prudential and internal requirements.

The Bank's wholesale funding strategy is derived from the projected net asset growth which includes consideration of Personal & Business Banking and Corporate & Investment Banking asset classes, capital requirements, the maturity profile of existing wholesale funding and anticipated changes in the retail deposit base. Funding requirements and initiatives are assessed in accordance with ALCO requirements for diversification, tenure and currency exposure, as well as the availability and pricing of alternative liquidity sources.

Structural liquidity mismatch management

Maturity analysis of financial liabilities by contractual maturity (audited)

The tables below analyse cash flows on a contractual, undiscounted basis based on the earliest date on which the Bank can be required to pay (except for trading liabilities and trading derivatives) and will therefore not agree directly to the balances disclosed in the consolidated statement of financial position.

Derivative liabilities are included in the maturity analysis on a contractual, undiscounted basis when contractual maturities are essential for an understanding of the derivatives' future cash flows. Management considers only contractual maturities to be essential for understanding the future cash flows of derivative liabilities that are designated as hedging instruments in effective hedge accounting relationships. All other derivative liabilities are treated as trading and are included at fair value in the 'redeemable on demand' bucket since these positions are typically held for short periods of time.

The tables also include contractual cash flows with respect to off-balance sheet items which have not yet been recorded on the balance sheet. Where cash flows are exchanged simultaneously, the net amounts have been reflected.

Maturity analysis of financial liabilities by contractual maturity

2025	Redeemable on demand M'000	Maturing within 1 month M'000	Maturing between 2 – 6 months M'000	Maturing between 7– 12 months M'000	Maturing after 12 months M'000	Total M'000
Financial liabilities						
Derivative financial instruments (note 2)	-	6 115	-	-	-	6 115
Deposits from customers and banks (note 11)	10 498 245	368 240	1 040 053	959 194	36 745	12 902 477
Other Liabilities (note 13)	823 403	-	-	1 505	52 122	877 030
Total	11 321 648	374 355	1 040 053	960 699	88 867	13 785 622
Unrecognised financial						
instruments	396 942	9 896	622 021	53 239	3 342 458	4 424 557
Letters of credit and bankers' acceptances						25 765
Financial guarantees	-	9 869	596 256	53 239	3 342 458	4 001 850
Revocable facilities	396 942	-	-	-	-	-
Total	11 718 590	384 251	1 662 074	1 013 938	3 431 325	18 210 179
2024						
Financial liabilities						
Derivative financial instruments	-	19 950	-	-	-	19 950
Deposits from customers and banks	10 013 183	229 723	1 185 741	959 691	150 315	12 538 653
Other liabilities	605 913	-	-	8 429	23 070	637 412
Total	10 619 096	249 673	1 185 741	968 120	173 385	13 196 015
Unrecognised financial						
instruments						
Letters of credit and bankers' acceptances	-	846	13 778	-	-	14 623
Financial guarantees	70	348 652	5 140 023	-	-	5 488 745
Revocable facilities	-	283 083	147 966	-	162	431 212
Total	70	632 580	5 301 767	-	162	5 934 579

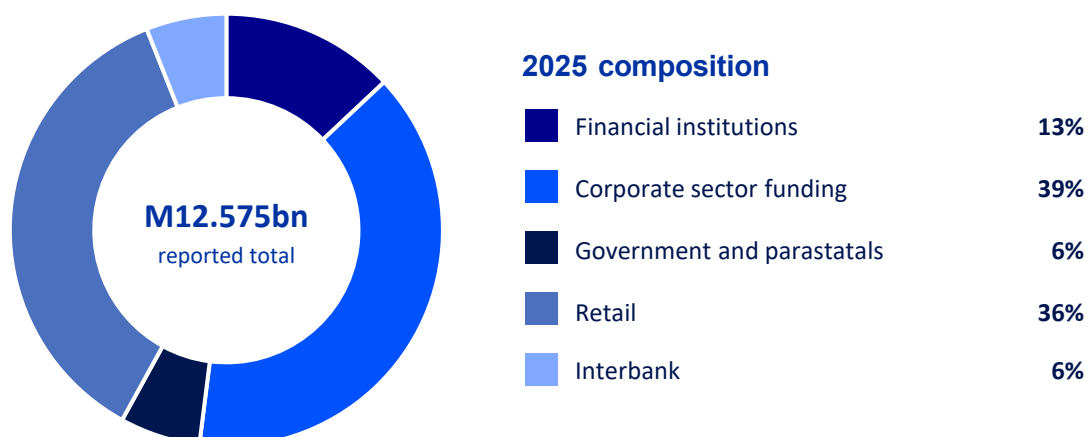
Funding strategy

Funding markets are evaluated on an ongoing basis to ensure the appropriate bank funding strategies are executed depending on the market, competitive and regulatory environment. The Bank employs a diversified funding strategy, sourcing liquidity in both domestic and offshore markets, and incorporates a coordinated approach to accessing capital and loan markets across the Bank.

Concentration risk limits are used within the Bank to ensure that funding diversification is maintained across products, sectors, geographic regions and counterparties.

The primary funding sources are in the form of deposits across a spectrum of Corporate and retail clients, as well as long-term capital. The Bank remains committed to increasing its core deposits and accessing domestic and foreign capital markets when appropriate to meet its anticipated funding requirements.

Funding-related liabilities composition



Diversified

Five funding pools support the balance sheet at M12.575bn, with no single category above 40%. Corporate and retail funding make up 75% of liabilities

Funding Related Liabilities

	2025 M'000	2024 M'000
Financial institutions	703	1 129
Corporate funding	4 974	5 306
Government and parastatals	702	642
Non-Banking Financial Institutions	1 692	1 387
Retail deposits	2 247	2 172
Business Enterprise	2 254	2 306
Total Bank funding-related liabilities	12 575	13 201

Contingency funding plans

The objective of the Liquidity Contingency Plan is to ensure appropriate liquidity is available during periods of temporary and long-term adverse liquidity situations, and to provide a pre-planned response mechanism for managing such situations. It incorporates the various elements required to identify, assess, communicate and remediate a liquidity stress event. It is intended to facilitate a swift and effective response during liquidity stress periods. The stress period may be because of a market- or bank-specific event.

The plans incorporate an extensive early warning indicator methodology supported by clear and decisive crisis response strategies. Early warning indicators cover bank-specific and systemic crises and are monitored according to assigned frequencies and tolerance levels. Crisis response strategies are tailored to the relevant crisis management structures and address internal and external communications, liquidity generation and operations, and heightened and supplementary information requirements.

5. Market risk

Definition

The Bank defines Market risk as the risk of a change in market value, actual or effective earnings or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse moves in market variables such as equity, bond and commodity prices, currency exchange rates and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all these variables.

Governance

The Market Risk Standard and Policy approved by the Bank's ALCO and Board governs the measurement, reporting, monitoring and management of market risk.

The Market Risk Management unit is independent of trading operations and accountable to the ALCO to monitor market risk exposures due to trading and banking activities. The unit is responsible for the identification, measurement, management, control and reporting of market risk as outlined in the Market Risk Standard with support from the group market risk teams. Exposures and excesses are monitored daily and are reported daily, weekly, monthly (to ALCO) and quarterly to the Board.

In the event of a limit or trigger breach, the trader should be notified in writing of the excess, prompting action, with a copy sent to the GM head.

Technical Limit Breaches are noted and recorded by Market Risk but are usually not reported formally to the trader responsible and/or GM head.

In the event of a non-technical breach, the trader is required to provide a written response to the Market Risk Manager of the Limit Breach Notification within the same working day, providing a reason for the breach and a management action plan for mitigating and resolving the breach. Responses to minor breaches are sent to the GM head and relevant trader whilst responses to major breaches are sent to the GM head, relevant trader and GM regional head.

Any major or Level 1 limit breach was reported to ALCO for approval of the recommended action. Details on committee structures are contained in the Market Risk Policy document.

- A. The risk appetite is allocated down to business lines within legal entities.
- B. ALCO is responsible for ensuring that risk appetite is commensurate with available capital, budgeted/projected revenues, estimated business mix (i.e., risk-based vs. customer flow) and portfolio diversification.
- C. The amount of market risk a particular legal entity or business line can take is its Value-at-risk (VaR) limit, Stress Value-at-risk limit, Stress Test triggers, and desk/portfolio Stop-Loss triggers.
- D. Risk appetite is typically expressed in the following compulsory and optional measures:

Risk appetite

The Market Risk Standard outlines the approach for setting risk appetite. The Market Risk Policy details the risk appetite approach followed for market risk.

- I. A normal VaR appetite (compulsory for MTM portfolios) by trading desk and by legal entity.
- II. A Stress VaR and Stop-loss trigger appetite by desk and Stress test appetites for specific scenarios' MTM activities (compulsory) by trading desk and by legal entity.
- III. A regulatory or economic capital value (optional).
- IV. A maximum value for position, sensitivity, Greek-based or tenor (optional).
- V. For issuer risk, limit structures based on ratings and liquidity per issuer (taking into account size of issuance where relevant and practical). (Compulsory for trading activities)
- VI. A maximum 10% adverse movement in annual NII following a currency-specific standardised parallel rate shock (stress limit compulsory for Banking Book portfolios).
- VII. Economic Value of Equity (EVE) sensitivity limits only where a regulatory requirement exists (compulsory for Banking Book portfolios where a regulatory requirement exists, otherwise optional)

Market risk appetite and limits are based on VaR using a 95% confidence interval and a one-day holding period. This means that losses are not expected to exceed the VaR number for a single day, with a likelihood of 95% (or 19 days out of 20). The VaR calculation assumes no corrective action is taken during the assumed holding period. However, where actual losses do exceed a VaR number, the VaR number does not indicate the magnitude of the loss. Stress testing is undertaken to give an indication of the magnitude of the loss given extreme market events.

VaR is computed using the most recent 12 months' worth of actual market data. In times of extreme volatility, an additional intra-month update to the historical VaR can be required at the instruction of senior management.

Stress VaR provides an indication of the potential losses that could occur under extreme market conditions and where longer holding periods may be required to exit positions. Stress VaR is defined with a 10-day holding period, worst case and uses the same methodology as normal VaR, except that the historical data period is required to cover at least 5 years of data and for entities with internal model approval, a worst case 12-month window period determined using historical data, including the 2008/9 financial crisis and onwards (termed "extended historical data"). In recognition of the limitations of VaR and Stress VaR, Stress testing provides an indication of the potential losses that could occur under extreme market conditions.

If the Bank enters a period of market volatility that turns out to be a stressed scenario, stop-loss procedures are in place to cap losses. Stop-loss triggers are set to ensure that losses suffered in trading do not erode, or have the potential to erode, the income generated by the market making and sales activity. As such, the overall objective is to preserve the Bank's revenue. A stop-loss trigger alert can result in any or all of the following actions being taken:

- Risk position reduction.
- Risk limit(s) reduction.
- Transfer positions out of the relevant trader's control and into management's.

VaR limits and triggers are monitored on a daily basis for every portfolio. Breaches in limits and triggers are reported and corrective action is taken to either increase the limits or reduce the risk. All limits and triggers are assumed to be end-of-day based, unless otherwise specified.

The table below highlights the historical diversified normal and stress VaR across the various trading desks. The minimum and maximum bank-wide trading diversified normal VaR ranged between M18.6 thousand and M210.0 thousand, respectively, with an annual average of M117.1 thousand against the normal bank-wide VaR limit of M2.13 million (set by ALCO and reviewed annually). The minimum and maximum bank-wide trading diversified stress VaR ranged between M80.3 thousand and M633.8 thousand, respectively, with an annual average of M168.1 thousand against the stress bank-wide VaR limit of M10.84 million (set by ALCO and reviewed annually).

Normal VAR Profile:
1 Jan to 31 Dec 2025 (LCY)

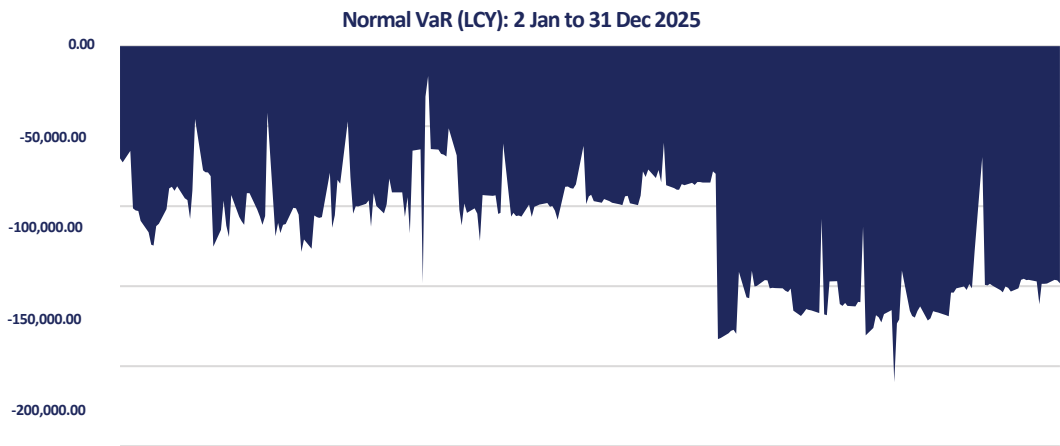
nVaR (LCY)	Bankwide	FX Trading	Money Market Trading
Min	18,598.29	20,453.87	44,763.00
Max	210,039.00	194,884.70	73,018.00
Ave	117,071.00	141,224.72	54,613.00

Stress VAR Profile:
1 Jan to 31 Dec 2025 (LCY)

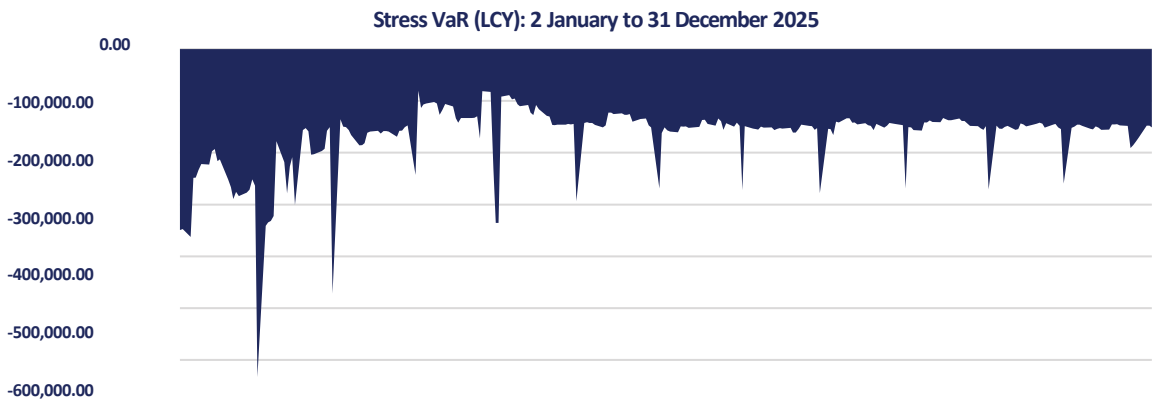
sVaR (LCY)	Bankwide	FX Trading	Money Market Trading
Min	80,255	104,254	397,445
Max	633,763	504,214	654,256
Ave	168,085	344,003	468,000

The graphs that follow show the normal and stress VaR bank wide analysis.

Bankwide Normal Trading VaR (LCY)



Bankwide Trading Stress VaR (LCY)



Approach to managing IRRBB

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book mark-to-market profit or loss) and the economic value of equity.

The Bank's approach to managing interest rate risk in the Banking book (IRRBB) is governed by applicable regulations and is influenced by the competitive environment in which the Bank operates. The treasury and capital management team monitors banking book interest rate risk monthly, under the oversight of ALCO. In 2025, the Bank improved its interest rate risk assessment from net interest income sensitivity to earnings at risk.

Measurement

The analytical techniques used to quantify IRRBB include both earnings- and valuation-based measures. The analysis takes into account embedded optionality such as loan prepayments and accounts where the account behaviour differs from the contractual position.

The results obtained from forward-looking dynamic scenario analyses, as well as Monte Carlo simulations, assist in developing optimal hedging strategies on a risk-adjusted return basis. Desired changes to an interest rate risk profile are achieved through the restructuring of on-balance sheet repricing and/or maturity profiles and, where appropriate, the use of derivative instruments.

The assets, liabilities and derivative instruments are allocated to gap intervals based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on statistical analysis.

The IRRBB earnings at risk rate shocks for the Banks non-trading portfolios before tax are shown in the table below.

Earnings At Risk Analysis

Measure	Result	Interpretation
Rate shock	–82 bps	Downward-rate scenario
12-month forecast PBT	LSL 869 517 378	Forecast over 12 months
Earnings at Risk (EaR)	LSL 75 390 042	Exposure under the shock
EaR ratio	8.67% of PBT	Within appetite
Appetite trigger	20%	Not breached
Headroom to trigger	11.33 pp	Available
Tolerance limit	25%	Not breached
Headroom to tolerance	16.33 pp	Available
Overall position	Within appetite	Below both thresholds
Assessment basis	Forecast PBT	12-month, pre-tax basis

Hedging of the endowment risk

Interest rate risk in the Banking book is predominantly the consequence of endowment exposures, being the net effect of non-rate sensitive assets less non-rate sensitive liabilities and equity. The endowment risk emanating from the anticipated turn in the economic cycle is hedged as and when it is considered opportune, using bonds and derivative instruments such as swaps and interest rate options. A significant component of the Bank’s endowment risk derives from equity, and during the recurring bottom rate cycle, ALCO regularly reviewed exposure and hedging opportunities. The interest rate view is formulated through the ALCO process, following announcements made by the Lesotho Monetary Policy Committee.

6. Operational Risk and Non-Financial Risk

Definition

Operational Risk is defined as the risk of loss suffered as a result of the inadequate or failed processes, people or systems or from external events. Operational risk is the overarching term and manifests itself in different risk types, which are classified as Non-Financial Risks (NFRs).

Non financial risk is defined as part of a broad term which is usually classified by way of exclusion, that is, any risks other than the traditional financial risks of market, credit, and liquidity. NFRs evolve rapidly and are difficult to anticipate, oversee, measure and monitor, resulting in financial and non-financial exposure.

To support effective monitoring and management, the Bank categorised operational risks into 17 specialised risk types:

NFR RISK TYPES			17 SPECIALISED TYPES
01	Business disruption risk	07	Financial crime compliance risk
02	Compliance risk	08	Fraud risk
03	Conduct risk	09	Information risk
04	Cyber risk	10	Legal risk
05	Environmental, social and governance risk	11	Model Risk
06	Financial accounting risk	12	People risk
		13	Physical assets, safety and security risk
		14	Tax risk
		15	Technology risk
		16	Third-party risk
		17	Transaction Processing risk

The Bank's approach to managing these non-financial risks is to adopt fit-for-purpose risk practices that assist business units' management in understanding their inherent risk and reducing their risk profile while maximising operational performance and efficiency. It is not the Bank's objective to eliminate all exposure to non-financial risks as this would be neither commercially viable nor possible. As part of the risk management strategy to leverage on data for effective risk management, the Bank continued to introduce system capabilities to bring all non-financial risk management framework tools in one place to enable enterprise-wide risk management.

The non-financial risk management framework is based on the following core components.

Risk appetite: NFR appetite is the nature and quantum of NFR that the Bank is willing to accept in the pursuit of its strategic and financial objectives. NFR tolerance is an assessment of the maximum risk the Bank is willing to sustain for short periods of time. The NFR appetite contains both quantitative and qualitative, as well as financial and non-financial, measures and supports the Risk Appetite Governance Framework and is in turn supported by the NFR Incident Materiality Matrix, which contains metrics to cover a broader set of risks.

Incident management: All business units are required to report risk incidents. The definition of risk incidents includes not only events resulting in actual loss, but those resulting in non-financial impacts and near misses. This process is intended to enable identification of the "root cause" of each individual incident and to identify and analyse trends, to reduce exposure to losses and/or enhance controls. Incidents are reported on Risk Market Place (RMP), which is a system intended to provide data analytics on all risk incidents for informed decisions.

Risk Assessment: Risk assessment is a fundamental principle of an effective NFR operating model, which directly contributes to operational resilience capabilities. The assessments evaluate the inherent risk (risks before controls are considered), the effectiveness of the control environment, and the residual risk (the risk exposure after controls are considered), which contain both quantitative and qualitative elements. The assessments may utilise business process mapping to identify key steps in business processes, activities, and organisational functions, as well as the associated risks and areas of control weakness.

Monitoring and Assurance: Monitoring and Assurance performed by the NFR Assurance Partners objectively and independently assesses the adequacy and effectiveness of controls implemented within business units.

Capital Modelling: The purpose of the NFR Capital Model component is to establish a quantitative approach to measuring NFR to determine how much regulatory and economic capital is needed for NFR. This approach must satisfy all the NFR-related regulatory requirements.

Scenario Analysis and Stress Testing: Scenario analysis is performed annually and must consider internal data, external data and top and emerging risks to determine significant and catastrophic NFR events. These events must consider a proactive mitigation strategy and test existing controls, and inform risk prioritisation, business resilience, insurance, and capital calculations.

NFR Data: Risk Market Place (RMP) is the single source of all risk information. It collects all non-financial risk data and serves as the basis for non-financial risk management. The event dataset typically includes internal loss data, near misses, boundary events, risks, risk assessments and, when feasible, external operational loss event data (as external data is informative of risks that are common across the industry).

Systems: A combination of integrated systems enables the identification, assessment, management, monitoring and reporting of NFRs spanning across our integrated landscape. The Bank has a single system of record to enable a bank view of NFR, known as the RMP.

Integrated Risk Reporting: Risk reports are produced on a regular and/or event-driven basis. Specific reports are prepared for the Management Committees and Board Committees on a monthly and quarterly basis, respectively. These Governance Committees have clearly defined mandates and delegated authorities in management and oversight of risk issues.

Risk Data and aggregation: As part of the data journey, the Bank worked extensively on embedding adoption of BCBS 239 (Risk Data Aggregation and Risk Reporting – RDARR) principles to improve management of risk and decision-making through enhanced data capabilities and internal reporting practices. The embedment of RDARR resulted in remediation of a number of datasets, which enabled the Bank to improve decision-making and enhance efficiency of service to clients.

Within this framework, the following non-financial risk area and related management developments were key areas of focus in 2025:

Transaction Processing risk – As part of the simplification of processes journey, the Bank continued with review of key processes and procedures with focus on products. The objective is to improve transaction execution rates while minimising customer impact and reducing processing errors.

Financial accounting risk – The high risk associated with suspense accounts has reinforced the focus on automating reconciliations, and centralisation of suspense accounts continues as part of this effort. Fraud risk – Rising unemployment and increased online shopping have heightened customer vulnerability to scams and personal information exposure. Older customers remain prime targets due to limited digital literacy. The Bank continues to strengthen training and awareness across affected areas, including internal staff and suppliers. As a result, successful scam attempts have remained minimal.

Third-party risk - Growing reliance on external vendors for IT, cloud services, and critical operations makes effective risk management essential for data security, business continuity, and mitigating concentration risk. Geopolitical tensions have extended delivery timelines for key technology equipment, with particular concern about the impact of U.S.–China relations on cloud strategy. The Bank continues to monitor these risks closely, and there has been no impact reported in 2025.

The key milestones in 2025 included improvement in the effectiveness of combined assurance, building on synergy and alignment across the three lines of defence with clear roles and responsibilities. This resulted in minimisation of duplication.

Fraud risk – The fraud structure was strengthened through the addition of a specialist focused on implementing fraud risk standard requirements. This supports the broader objective of enhancing fraud detection capabilities across the business. A proactive risk culture in digital fraud was recorded in the latest audit.

Information risk – In an endeavour to enhance and build a resilient structure for physical information, fire suppression was installed and certified to comply with best standards. Further software upgrades were commenced to improve efficiencies.

Risk Market Place – Features completed in 2025 include Data Protection Impact Assessment (DPIA), business continuity plan (BCP) and business impact assessment (BIA). These milestone developments reinforce the Bank's commitment to safeguarding Personally Identifiable Information (PII) (also known as personal data) and meeting regulatory and compliance requirements.

Operational Loss Profile

The following table shows the operational loss profile of the Bank during the financial year:

Operational Loss Profile	2025 M'000	2024 M'000
Execution, Delivery and Process Management	13 213 971	8 442 871
Internal Fraud	1 383 062	1 189 970
External Fraud	129 319	-

- Execution, delivery, and process management constituted provisions raised against model adoption, interest charges and processing failures.
- Internal fraud recovery of M380 000 and M1 763 062 internal fraud from misappropriation of funds were recorded.
- External fraud relates to customer and suppliers account takeover.
- Total operational losses for 2025 amounted to M 14 726 352

7. Compliance Risk

Definition and Background

Compliance risk is defined as the risk of loss arising from legal and/or regulatory sanctions and damage to reputation that the Bank may suffer because of failure to comply with laws, regulations, codes of conduct and applicable standards of good practice. This section provides a structured overview of Compliance Risk developments for the year ended 31 December 2025. The aim is to enhance transparency regarding the Bank's compliance-risk profile, governance, and control environment. The disclosures focus on key risk drivers, material regulatory developments, and enhancements undertaken to strengthen the Compliance function as part of the Bank's overall risk-management framework.

Financial Crime Compliance Developments

In 2025, the Bank implemented material enhancements to its Anti-Financial Crime (AFC) framework. Screening capabilities were upgraded to support real-time customer and transaction screening at First Line of Defence, supplemented by Compliance-led batch screening oversight to ensure risk-based coverage. Following South Africa's earlier placement under the Financial Action Task Force (FATF) Jurisdictions Under Increased Monitoring, commonly referred to as Grey List, regional supervisory expectations intensified, requiring stricter controls and enhanced monitoring effectiveness.

In October 2025, South Africa achieved substantial compliance with FATF requirements and was formally removed from the list. As a subsidiary of a South African banking group, the Bank experienced direct regulatory and operational impacts, including amendments to AML rules, heightened scrutiny of transaction-monitoring processes, and increased reporting expectations.

To maintain alignment with group-wide standards and supervisory expectations, the Bank reinforced capacity in transaction monitoring, sanctions screening, and customer due-diligence (CDD) processes. For ease of reference the

diagram below represents the anti- money laundering and terrorist financing measures.

Emerging trends during the period indicated an increased use of advanced technologies to perpetrate fraud, identity theft, internal misconduct, and coordinated syndicate driven financial crime. Beyond the traditional AML/CFT controls, the Bank's forensic capability played a critical role in identifying, investigating, and disrupting such activities.

Collaboration with law enforcement agencies strengthened case resolution processes, resulting in the interception of multiple syndicate related schemes and the escalation of several matters for prosecution. These outcomes reflect continued progress in enhancing the Bank's investigative resilience and its ability to respond to complex financial crime risks.



Regulatory Compliance Developments

Regulatory compliance activities during 2025 focused on ensuring that the Bank's policies, procedures, new activities and oversight mechanisms remained aligned with evolving prudential and market-conduct requirements. The annual review of the Compliance Risk Management Framework reinforced accountability across departments, ensuring that regulatory obligations were embedded within business processes. A key achievement was the development of a comprehensive risk-management plan to embed Basel II.5 requirements, including complex credit, operational and market risk modelling pursuant to Financial Institutions (Computation of Capital Charge for Credit, Operational and Market Risks) Regulations, 2023. The Board and its subcommittees continued to exercise oversight through routine monitoring, ensuring that the Compliance function remained capacitated, relevant, and responsive to both current and emerging regulatory risks.

Conduct Risk Developments

Conduct-risk metrics remained broadly within acceptable thresholds; however, variations in disclosure quality and escalation timelines indicated the need for heightened oversight. Continuous staff training, improved MIS reporting, and strengthened escalation mechanisms were key focus areas. The Bank maintained efforts to reinforce a proactive compliance culture, prioritising the timely resolution of outstanding matters and enhancing transparency across staff conduct behaviours.

Cross-Border and Sanctions Compliance Developments

Cross-border-risk management remained a critical focus due to the Bank's reliance on international payment corridors and correspondent banking networks. In line with updated sanctions, foreign-exchange, and correspondent-banking expectations, the Bank deepened due-diligence assessments of customers engaged in cross-border activities. Risk-based reclassification, enhanced monitoring, and where necessary, strategic programmes for high-risk customer segments were implemented to ensure alignment with Correspondent Banking risk appetite statement and international compliance obligations.

Compliance Governance and Oversight Enhancements

The Compliance-risk environment continued to mature, supported by improvements in governance structures, reporting processes, and regulatory engagement. The Bank maintained active participation in sectoral regulatory dialogues, enabling alignment with supervisory expectations and early identification of emerging regulatory themes. Ongoing enhancements to training frameworks, documentation standards, and oversight processes strengthened the Bank's ability to meet prudential and conduct-risk expectations in line with Basel Pillar 3 disclosure requirements.

8. Strategic risk

Definition

The risk that future business plans and strategies may be inadequate to prevent financial loss or protect the Bank's competitive position and shareholder value.

Strategic risk may arise from changes in the competitive landscape, legal frameworks or ineffective positioning in the macroeconomic environment. Strategic risk could also arise due to a failure to execute strategy and/or failure to effectively take actions to address underperformance and unintended strategic consequences.

Strategy position risk

Risks relating to strategic choices like value proposition, product, consumer segment and channel that result in unexpected variability of earnings and other business value drivers as the following:

- unexpected changes in the intensity or nature of competition within the financial services industry like aggressive action from competitors in the form of new entrants, price wars, technology innovation and substitute products.
- adverse and unexpected changes in the external stakeholder sentiments. This includes changes in the company's reputation in the public opinion of consumers, media, analysts, politicians, rating agencies, regulator and investors.
- unexpected changes in partnerships, joint ventures or subsidiaries and failed strategic relationships.

Strategy execution risk

Risks relating to strategy implementation failures where management execution capability and operational decisions do not meet strategic objectives such as the following:

- failed execution of strategic direction or strategic initiatives.
- changes in the business environment of foreign countries, government attitude towards foreign companies, change of tariffs and the rules that make doing business for foreign companies difficult.
- unexpected changes in the third party's environment including change of production or service capacity and quality, business failure, change of costs and reputation.
- corporate governance practices not functioning as designed and expected.
- unanticipated changes in laws and regulations that may cause the business value to change from expectations.

9. Reputational Risk

Definition

Reputational risk is the risk of potential or actual damage to the Bank's image which may impair its profitability and/or sustainability of its business.

Banking is a business of trust, and thus, reputation remains an intangible asset that bolsters the profitability of the Bank and sustainability of its business. The Bank continues to implement the "Always On" strategy that is aimed at enhancing client communication in a manner that is fast, reliable and proactive, particularly in instances where the Bank experiences unplanned systems downtime, ultimately promoting improved client experience and convenience.

Key developments:

- **Enhanced System Stability:** The "Always On" initiative successfully addressed stability challenges, fostering trust and positive brand perception.
- **Stronger Community Presence:** Continued dedication to Corporate and Social Investment (CSI) initiatives, solidified the Bank's reputation as a responsible community partner; addressing key social, economic, and environmental issues.
- **Stakeholder Engagement:** Continued commitment to forging and maintaining harmonious relationships with stakeholders at all levels, secured ongoing support and cooperation.
- **Cybersecurity Awareness:** Regular fraud awareness campaigns, particularly focusing on cybercrime, educated customers and the public, promoting safe digital banking practices. This initiative was also done as a collective of all financial services providers in Lesotho during the Money Week campaign, in collaboration with the Central Bank of Lesotho.
- **Social Media Engagement:** Increased participation in social media platforms facilitated closer client engagement, provided key updates and information, and addressed customer queries promptly, fostering positive brand image.
- **Industry Awards:** In recognition of these positive developments, the Bank has been recognised internationally and was awarded "Bank of the Year 2025" by the Banker Magazine, further demonstrating that Standard Lesotho Bank has a solid reputation for excellence in the industry.

Looking ahead:

The Bank remains dedicated to enhancing system stability, strengthening community engagement, and providing exceptional customer service. Continuous innovation and stakeholder collaboration will underpin future success, solidifying the Bank's position as a trusted and reliable financial partner.

Financial and Other Definitions

TERM	DEFINITION
• Basic earnings per ordinary share (cents)	• Earnings attributable to the ordinary shareholder divided by the weighted average number of ordinary shares in issue.
• Capital adequacy ratio (%)	• Capital as a percentage of risk-weighted assets.
• Cost-to-income ratio (%)	• Operating expenses as a percentage of total income including share of profits/(losses) from associates and joint ventures.
• Credit loss ratio (%)	• Total impairment charges on loans and advances per the income statements a percentage of average gross loans and advances.
• Effective taxation rate (%)	• Direct and indirect taxation as a percentage of income before taxation.
• Headline earnings (M'000)	• Earnings attributable to the ordinary shareholder excluding capital profits and losses, and profits and losses on available for-sale financial instruments transferred to profit or loss.
• Headline earnings per ordinary share (cents)	• Headline earnings divided by the weighted average number of ordinary shares in issue.
• International Financial Reporting Standards (IFRS)	• International accounting standards issued by the International Accounting Standards Board.
• IRRBB (Interest rate risk in the Banking book)	• The risk that movements in interest rates will adversely affect a bank's earnings or the economic value of its banking-book positions.
• Loans-to-deposits ratio (%)	• Loans and advances as a percentage of deposit and current accounts.
• Loss given default (LGD)	• Amount of a counterparty's obligation to the Bank that is not expected to be recovered after default and is expressed as a percentage of the exposure at default.
• Net asset value (M'000)	• Equity attributable to the ordinary shareholder.
• Net asset value per ordinary share (cents)	• Net asset value divided by the number of ordinary shares in issue at year end.
• Non-interest revenue to total income (%)	• Non-interest revenue as a percentage of total income.
• Portfolio credit impairments (M'000)	• Impairment for latent losses inherent in banks of loans and advances that have not yet been specifically impaired.
• Probability of default (PD)	• Probability of a counterparty not making full and timely repayment of credit obligations over a specific time horizon.
• Profit attributable to the ordinary shareholder (M'000)	• Profit for the year attributable to the ordinary shareholder.
• Return on average risk-weighted assets (%)	• Headline earnings as a percentage of average risk-weighted assets.
• Return on equity (ROE) (%)	• Headline earnings as a percentage of average ordinary shareholder's funds.
• Risk-weighted assets (M'000)	• Determined by applying prescribed risk weightings to on- and off-balance sheet exposures according to the relative credit risk of the counterparty.
• Specific credit impairments (M'000)	• Impairment for specific identified credit losses on loans and advances, net of the present value of estimated recoveries.
• Weighted average number of ordinary shares	• The weighted average number of ordinary shares in issue during the year.

Acknowledgements

Governance & Leadership

We thank the Board of Directors, led by Board Chairman Ms. Neo Foulo, and the Country Leadership Council, led by Chief Executive Mr. Samuel Seboka, for their oversight, guidance and stewardship.

Our People

All Standard Lesotho Bank employees for their resilience, dedication and contribution during a demanding year.

Our Stakeholders

Our clients, shareholders, regulators, government, communities and partners for their trust, constructive engagement and continued support.

Publication Credits

Report Coordination Editorial and Design

Legal, Risk and Compliance

Contributions

Finance and Value Management, Credit, Brand and Marketing, People and Culture, Personal and Private Banking, Business and Commercial Banking, Corporate and Investment Banking.

Independent Auditors

Sheeran and Associates Chartered Accountants



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Lesotho is our home.
We drive her growth.