



Occasional Analytical Note

Analytical Report — **Quarter Ended March 2026**

Other Financial Corporations Survey

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1. Background

The financial sector of Lesotho comprises the central bank, other depository corporations (ODCs), and other financial corporations (OFCs) engaged in financial intermediation. Currently, the primary published statistical framework is the Depository Corporations Survey (DCS), which consolidates the balance sheets of the Central Bank of Lesotho and commercial banks. To achieve a comprehensive view of the entire financial sector, the Monetary and Financial Statistics (MFS) Section is expanding coverage towards a full Financial Corporations Survey (FCS). A key pillar in this transition is the Other Financial Corporations Survey (OFCS), which captures non-depository financial institutions, including insurance corporations, microfinance institutions (MFIs), collective investment schemes (CIS), and pension funds.

In line with international statistical standards, data collection and methodological development for the OFCS have progressed across these subsectors. To date, statistics for insurance corporations and MFIs have reached a level of maturity suitable for formal integration into the OFCS framework. Meanwhile, statistics for CIS and pension funds remain under development, currently at the piloting and compilation stages, respectively. Ongoing work focuses on strengthening reporting frameworks, enhancing data quality, and ensuring methodological consistency to facilitate their future consolidation into the FCS.

The remainder of this report presents a detailed analysis of the Other Financial Corporations

Survey, which currently comprises insurance corporations and MFIs, and the analysis that follows covers their quarterly and annual developments as at March 2026.

The following table presents the asset size of Lesotho's financial sector by industry as at end-March 2026:

	Number	Maloti (in Million)	% of GDP	% of financial system
Banks	4	31,841.96	68.30	45.39
State-owned bank	1	3,170.13	6.08	4.04
Private banks	3	28,671.84	62.22	41.35
Non-bank Deposit-taking Institutions		5.83	0.01	0.01
Savings and credit cooperatives (SACCOs) ¹	1	5.83	0.01	0.01
Non-Deposit taking Micro finance institutions	134	2,365.37	5.75	3.82
Tier II	6	2,078.88	5.05	3.36
Tier III	3	286.49	0.70	0.46
Insurance companies	10	12,982.64	27.97	17.17
Long-term/Life	6	11,906.00	25.65	16.15
Short-term/Non-life	4	1,076.63	2.32	1.02
Retirement funds²		22,606.57	48.49	29.73
Statutory / Public Funds	2	17,037.67	36.55	22.72
Private pension funds*	5	1,461.39	3.13	1.90
Umbrella funds**	5	4,107.50	8.81	5.11
Capital markets Intermediaries		4,873.04	10.22	7.70
Collective investment schemes	4	4,873.04	10.22	7.70
Total		61,918.82	132.81	100

¹ Phuthalichaba Savings & Credit Cooperative Society for the year ended 30 June 2024

Overview

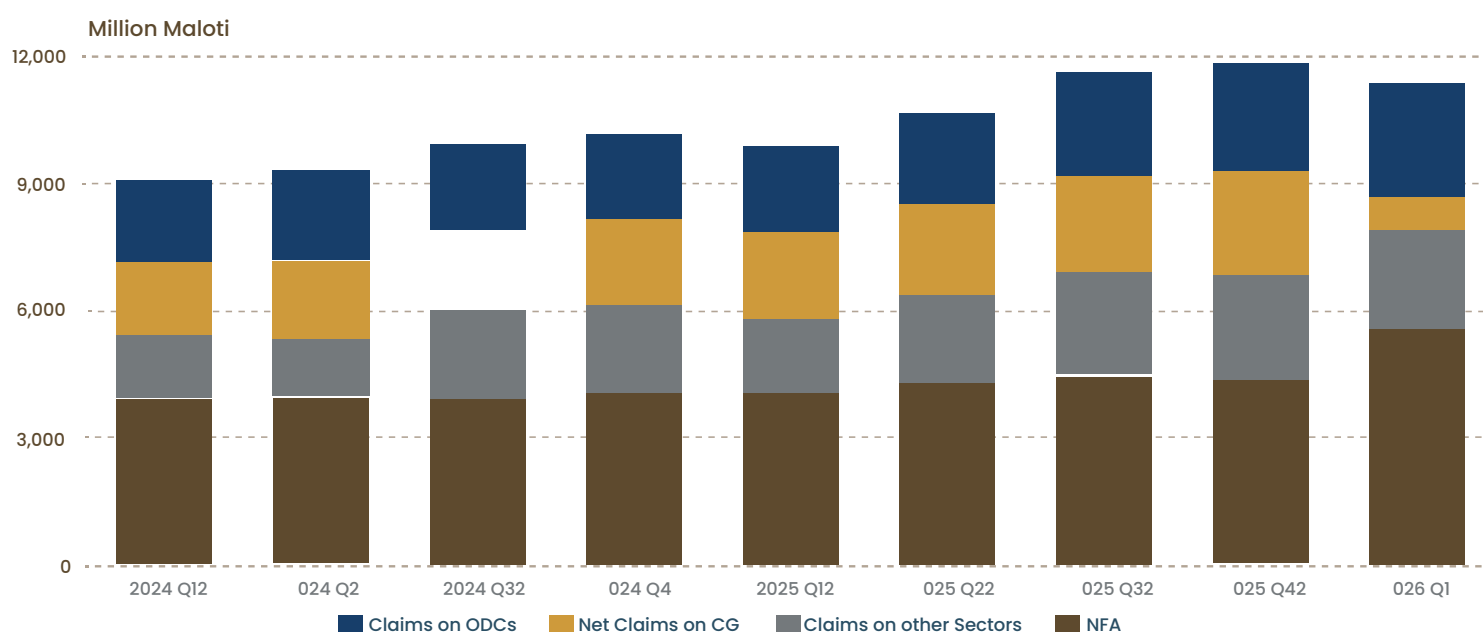
The overall OFC sector expanded over the twelve months to March 2026, but its balance sheet contracted in the most recent quarter. Total OFC assets stood at M15,339.8 million at end-March 2026, down 3.9 per cent from the December 2025 quarter-end, but up by 12.0 per cent from March 2025.

The analytical survey indicates that claims on depository corporations continued their upward trend, growing both annually and quarterly. Domestic claims showed a mixed picture over the quarter, with net claims on central government declining, while claims on the private sector recorded strong annual

growth despite moderating during the quarter. Net foreign assets (NFA) also declined on a quarter-on-quarter basis, although, together with net claims on central government, they remained above their March 2025 levels.

On the liability side, funding remained concentrated in insurance technical reserves and shares and other equity, reflecting the sector's role in long-term contractual savings and capital accumulation. Insurance technical reserves increased by 5.8 per cent year-on-year, while shares and other equity rose by 49.5 per cent, although both declined marginally from the previous quarter.

Figure 1: Assets of OFCS



Source: Central Bank of Lesotho

Analytical Balance Sheet

Claims on Depository Corporations

Claims on depository corporations grew by 5.5 per cent on a quarterly basis, and surged by 32.7 per cent annually, largely on the back of higher currency and deposits, which remained the dominant component of OFCs' liquid assets. Currency and deposits rose by over 30 per cent year-on-year to the end of March 2026, mainly driven by higher deposit balances held within commercial banks, particularly by insurance corporations, while currency holdings remained negligible. The quarterly growth was also strong at 8.1 per cent. Other claims, which constituted mainly trade credits of the short-term insurance sub-sector on the banking sector, fell sharply by 75.5 per cent on the quarter and by 74.7 per cent annually, although they covered only a meagre 0.6 per cent of overall claims on the banking sector.

Insurance corporations accounted for 92.9 per cent of currency and deposits, which totalled M3,326.09 million at end-March 2026. ICs' transferable deposits represented 66.2 per cent, while other deposits accounted for the remaining 33.8 per cent. On a quarter-on-quarter basis, transferable deposits increased by 4.1 per cent, while other deposits rose by 8.7 per cent. Year-on-year, transferable deposits grew sharply by 34.5 per cent, compared with a 12.0 per cent increase in other deposits. In contrast, other deposits were held almost entirely in national currency. These developments reflected the use of bank deposits for claims settlement, operating liquidity, and short-term portfolio

management. The dominance of deposits, alongside negligible currency holdings, is consistent with the cashless nature of insurance operations.

Microfinance institutions held a smaller deposit position of M234.5 million in March 2026, equating to 7.1 per cent of the overall OFCs deposit holdings with the banking sector. This value was, however, 56.8 per cent higher than December 2025 position. Transferable deposits of MFIs within commercial banks totalled 79.7 per cent of their overall deposits. This position supports the operational role of MFIs, where deposits are used to manage loan disbursements, repayments, and short-term liquidity needs. The relatively strong growth in MFI deposit balances over the review period is consistent with the broader expansion in MFI balance sheets, although their currency and deposit holdings remained modest compared with those of insurance corporations.

Overall, the rise in currency and deposits points to stronger liquidity positions among OFCs, especially insurance corporations. Nonetheless, the concentration of these balances in commercial banks also highlights the close financial linkages between non-bank financial institutions and the banking sector.

Domestic Claims

Other claims, comprising claims on central government and the private sector, stood at 3046.70 million maloti in March 2026. Compared to the preceding quarter, this was 11.9 per cent lower than the figure observed by close of 2025. Annually, domestic claims grew by 10.4 per cent.

Claims on Central Government

Overall net claims on central government declined by 25.5 per cent during the quarter. This mainly reflected a 24.2 per cent fall in claims on central government, while liabilities to central government declined only marginally by 0.6 per cent. The movement was consistent with the decline in the stock of government bonds, following net redemptions during the quarter. On an annual basis, net claims on central government decreased by 26.9 per cent, due mainly to a fall in claims on the central government. Although liabilities to central government rose by 23.1 per cent over the same period, their relatively small size meant that the increase did not materially offset the contraction in claims.

Claims on the Private Sector (Credit Extension)

Overall private sector credit stood at M2,275.00 million, 93.8 per cent of which was extended to households and the remainder to business enterprises. This overall credit extension position was however 6.0 per cent lower than that recorded in December 2025. On the contrary, it rose by 33.6 per cent on annual basis.

Insurance companies' (ICs) loans stood at M326.7 million in March 2026, accounting for only 2.5 per cent of their total assets. This figure was 1.1 per cent lower than in December 2025. Credit extended to the households declined by 3.4 per cent, whereas credit to the business sector grew by 2.1 per cent. The distribution of credit extension between households and businesses was approximately 60/40 throughout the reporting period. Households borrowed mainly against their existing policies, while sister companies and/or subsidiaries of the relevant insurance companies were mostly the recipients of credit to businesses. On an annual basis, credit extended to both households and businesses declined by 7.0 and 7.2 per cent, respectively.

In contrast, MFI loans dominated their asset book, reaching M1,948.3 million in March 2026 and accounting for 83.9 per cent of total assets, a pattern typical of credit-focused institutions. This figure was however 6.8 per cent lower than the one registered a quarter earlier, due to a decline in both businesses and households credit extension. On the contrary, year-on-year private sector credit extended by the MFIs grew sharply by 44.2 per cent. Households were the major recipients of MFIs credit extension, accounting to almost the entirety of the total loan book.

Net Foreign Assets (NFA)

Overall net foreign assets (NFA) stood at M5,558.81 million at end-March 2026, reflecting mainly holdings of non-resident securities, shares and other equity. These

Table 1: Total Claims

	Mar-25	Jun-25	Sept-25	Dec-25	Mar-26	Q/Q %	Y/Y %
Net Claims on Central Govt	1,056.17	1,035.70	1,064.92	1,036.45	771.70	-25.5	-26.9
Claims on CG	1,105.27	1,107.22	1,129.74	1,097.22	832.13	-24.2	-24.7
Liabilities to CG	49.10	71.52	64.82	60.76	60.43	-0.6	23.1
Claims on Pvt Sector	1,702.92	2,168.78	2,371.50	2,420.44	2,275.00	-6.0	33.6
ICs	351.72	339.17	323.61	330.45	326.72	-1.1	-7.1
Business Enterprises	149.70	150.40	137.33	136.12	138.93	2.1	-7.2
Households	202.02	188.77	186.28	194.32	187.79	-3.4	-7.0
MFIs	1,351.19	1,829.60	2,047.89	2,089.99	1,948.28	-6.8	44.2
Business Enterprises	3.37	3.00	2.10	2.10	1.74	-17.1	-48.3
Households	1,347.82	1,826.60	2,045.79	2,087.89	1,946.54	-6.8	44.4
Total Claims	2,759.08	3,204.48	3,436.42	3,456.89	3,046.70	-11.9	10.4

Source: Central Bank of Lesotho

claims were partly offset by liabilities to non-residents, including loans, trade credits and other accounts payable.

The stock of NFA declined marginally by 0.2 per cent from the previous quarter, mainly reflecting a 0.4 per cent fall in insurance companies' NFA. This decline was partly offset by a 1.3 per cent narrowing of MFIs' negative NFA position. The fall in ICs' NFA was driven by a 0.6 per cent decline in claims on non-residents, although this was partly cushioned by a 13.3 per cent reduction in liabilities to non-residents. MFIs' liabilities, constituting mostly external loans from parent companies, fully explained developments in NFA during both the quarter and the year,

as MFIs did not hold any foreign assets over the reporting period. On an annual basis, the stock of NFA grew by 10.9 per cent, supported by a 15.5 per cent increase in ICs' NFA. Although MFIs' NFA position worsened by 56.6 per cent, its effect on total NFA was limited by the relatively small size of MFIs' foreign position.

Relative to the banking sector, OFCs' NFA remained modest, equivalent to only 15.4 per cent of banks' overall NFA.

Table 2: Net Foreign Assets

	Mar-25	Jun-25	Sept-25	Dec-25	Mar-26	Q/Q %	Y/Y %
ICs	5,574.30	5,710.57	6,108.16	6,464.31	6,440.62	-0.4	15.5
Claims on Non-residents	5,693.79	5,821.48	6,252.51	6,600.41	6,558.62	-0.6	15.2
Liabilities to Non-residents	119.49	110.91	144.35	136.11	117.99	-13.3	-1.3
MFIs	-563.23	-508.99	-402.88	-893.31	-881.81	1.3	-56.6
Claims on Non-residents	-	-	-	-	-		
Liabilities to Non-residents	563.23	508.99	402.88	893.31	881.81	-1.3	56.6
Total NFA	5,011.07	5,201.58	5,705.28	5,571.00	5,558.81	-0.2	10.9

Source: Central Bank of Lesotho

Sources of Funds

The sources of funding for OFCs varied during the review period, largely reflecting the nature of their respective business models. As at March 2026, insurance companies were financed mainly through insurance technical reserves, which accounted for 73.4 per cent of their total liabilities. By contrast, microfinance institutions relied more heavily on owners' equity.

As at March 2026, insurance technical reserves (ITRs) were predominantly composed of long-term insurance, which accounted for 92.7 per cent of total ITRs, with the remainder attributable to short-term insurance. Within long-term insurance, life insurance and annuity entitlements represented 84.5 per cent of ITRs, while pension entitlements of households accounted for a further 13.1 per cent. The remaining 2.4 per cent was attributed to outstanding claims of households. In the case of short-term insurance, prepaid premiums of households accounted for the entire balance. The stock of ITRs declined

by 1.0 per cent relative to the December 2025 position, driven mainly by a fall in short-term insurance ITRs. Contrarily, on an annual basis, ITRs recorded a 5.8 per cent increment compared with March 2025, reflecting continued growth in policyholder-related liabilities.

Within the microfinance industry, shares and other equity remain heavily dominated by retained earnings, which accounted for 86.2 per cent of total equity. Given that credit-only MFIs rely primarily on internal equity to finance loan portfolio growth, retained earnings serve as their core capital foundation. Quarter-on-quarter, total equity fell by 12.7 per cent from M933.42 million in December 2025 to M815.13 million in March 2026, reflecting the contraction in retained earnings. Conversely, total equity registered a robust growth of 67.3 per cent. This annual surge was driven by accumulated earnings, complemented by moderate increases in current-year net profit, general and special reserves, and fresh capital injections; the latter boosted by the onboarding of Platinum Credit into MFI statistical coverage in September 2025.

Table 3: OFCs Sources of Funds

	Mar-25	Jun-25	Sept-25	Dec-25	Mar-26	Q/Q %	Y/Y %
Loans	26.23	28.58	26.32	24.31	22.99	-5.4	-12.4
ICs	21.89	28.58	26.32	24.31	22.99	-5.4	5.0
MFIs	4.34	3.83	0.00	0.00	0.00		-100.0
Insurance Tech Reserves (ICs)	9,025.27	9,087.07	9,497.62	9,645.32	9,551.01	-1.0	5.8
Shares and Equity	2,511.70	2,958.53	3,489.07	3,968.71	3,755.19	-5.4	49.5
ICs	2,024.427	2,343.049	2,594.034	3,035.289	2,940.057	-3.1	45.2
MFIs	487.2761	615.4775	895.0353	933.4204	815.1332	-12.7	67.3

Source: Central Bank of Lesotho



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