



CENTRAL BANK OF SRI LANKA

17 July 2025 CENTRAL BANK OF SRI LANKA ACT DIRECTIONS No. 02 of 2025

LOAN TO VALUE RATIOS FOR CREDIT FACILITIES GRANTED IN RESPECT OF MOTOR VEHICLES

Issued under Section 105(1) of the Central Bank of Sri Lanka Act, No. 16 of 2023.

The Central Bank of Sri Lanka, as the Macroprudential Authority, hereby issues Directions to Licensed Commercial Banks and Licensed Specialised Banks (hereinafter referred to as “licensed banks”), Licensed Finance Companies (LFCs) and Registered Finance Leasing Establishments (RFLEs) for the implementation of maximum caps on loan-to-value (LTV) ratio in respect of credit facilities granted for the purpose of purchase or utilisation of motor vehicles. These Directions aim to enhance the efficacy of macroprudential policymaking and mitigating systemic risks, by harmonising existing caps on LTV ratio to a large extent and reinforcing prudential credit standards in financial institutions regulated and supervised by the Central Bank.

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| 1. Empowerment under the Central Bank Act | 1.1 In terms of Section 105(1) read with 64(1)(e) and 66(1)(g) of the Central Bank of Sri Lanka Act, No. 16 of 2023, the Central Bank is empowered to adopt and apply the macroprudential instruments to financial institutions regulated and supervised by the Central Bank. |
| 2. Maximum LTV Ratio | 2.1 With effect from 18 July 2025, credit facilities granted by every licensed bank, LFC and RFLE for the purpose of purchase or utilisation of motor vehicles shall not exceed the following percentages of the value of such vehicles.

(i) 70 per cent in respect of registered vehicles which have been used in Sri Lanka for more than one year after the first registration. |



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- (ii) (a) In respect of unregistered vehicles and registered vehicles which have been used in Sri Lanka for less than one year after the first registration;

Table 1: Loan to Value Ratios

Vehicle Category	Vehicle Class of Department of Motor Traffic	Maximum LTV Ratio
Commercial vehicles	C1, C, CE, D1, D, DE, G1, G, J and Light trucks categorised under B	80%
Motor Cars, SUVs and Vans	B (other than light trucks & single cabs)	60%
Three wheelers	B1	50%
Any other vehicle	A1, A and single cabs categorised under B	70%

- (b) In respect of Letters of Credit (LCs) opened prior to the effective date of this Direction, for which credit facilities have not yet been availed under Direction 2.1(ii)(a) above for unregistered vehicles, transitional provisions in Annexure I shall apply.

3. Other Credit Facilities for Vehicles

- 3.1 Licensed banks, LFCs, and RFLEs shall not grant credit facilities for the purpose of purchase or utilisation of motor vehicles, other than credit facilities granted in accordance with the Directions 2 above.



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4. Interpretations
- 4.1 Credit facilities shall include finance leases, hire purchase facilities, vehicle loans and any other type of credit facilities or accommodation granted for the purpose of purchase or utilisation of vehicles by end-users.
- 4.2 (a) Licensed Commercial Banks and Licensed Specialised Banks shall have the meanings assigned to such terms under the Banking Act, No. 30 of 1988
- (b) Licensed Finance Companies shall mean finance companies licensed in terms of the Finance Business Act, No. 42 of 2011 to carry on finance business
- (c) Registered Finance Leasing Establishments shall mean companies registered within the meaning of the Finance Leasing Act, No. 56 of 2000 to carry on finance leasing business
- 4.3 For the purpose of these Directions, the value of the vehicle shall be the market value. Licensed banks, LFCs and RFLEs may use the following in determining the value of vehicles:
- (i) Unregistered Vehicles:
- (a) Brand new vehicles – Value confirmed by authorised agents
- (b) Reconditioned vehicles - Valuation considered at the time of Customs clearance or invoice value given by the dealer
- (ii) Registered/used vehicles – Valuation provided by a professional valuer



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- 4.4 Licensed banks, LFCs and RFLEs shall ensure that the valuation obtained at the time of granting credit facilities provides a true and fair value.

A handwritten signature in blue ink, which appears to read "Nandalal Weerasinghe", is written over a horizontal line.

Dr. P Nandalal Weerasinghe

*Chairperson of the Governing Board and
Governor of the Central Bank of Sri Lanka*

Annexure I

Transitional Provisions for Direction 2.1(ii)(b)

In respect of Letters of Credit (LCs) opened prior to the effective date of these Directions, (i.e. prior to 18 July 2025), for which credit facilities have not yet been availed under Direction 2.1(ii)(a) for unregistered vehicles, licensed banks, LFCs and RFLEs shall not exceed the following percentages referred to in Table I.1 on the value of such vehicles, when granting credit facilities.

Table I.1 Maximum Loan to Value Ratios Applicable for Transitional Provisions

Vehicle Category	Vehicle Class of Department of Motor Traffic	Electric Vehicles	Other Vehicles
Commercial vehicles	C1, C, CE, D1, D, DE, G1, G, J	90%	90%
Motor Cars, SUVs and Vans	B (other than light trucks & single cabs)	90%	50%
Three wheelers	B1	90%	25%
Light trucks	B	90%	90%
Any other vehicle	A1, A and single cabs categorised under B	90%	70%
Hybrid Motor Cars, SUVs and Vans	B (Other than light trucks and single cabs)	50%	