



FINANCIAL SOUNDNESS INDICATORS

Q4 of 2023



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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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The Financial Soundness Indicators – Q4 of 2023 focuses on data ending December 2023. Moreover, the data for Q4 of 2023 are provisional. Data may include calculations made specifically for this publication.

Banking Sector Assets*

01

The banking sector recorded a y-o-y asset growth of 5.1 per cent at end Q4 of 2023, mainly due to the increase in investments in the form of Rupee denominated Government securities by banks.

Table 1 Banking Sector Assets (Rs. billion)

Indicators	2022 Q4	2023 Q4	% Change (Y-o-Y)
Total Assets	19,416.6	20,406.0	5.1
Gross Loans & Receivables	11,312.5	11,017.6	(2.6)
Investments	5,931.7	7,314.0	23.3

Chart 1 Total Assets

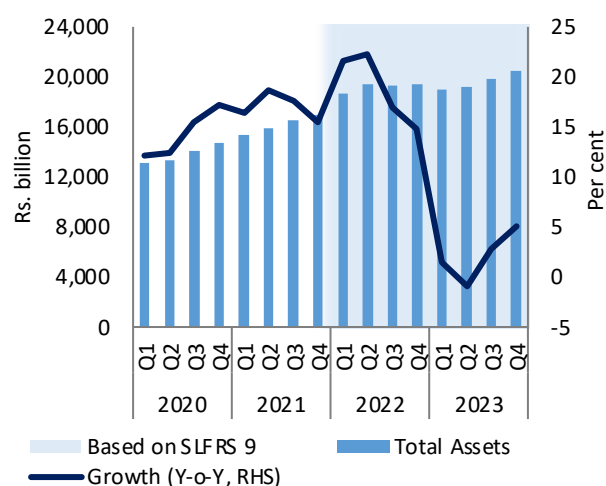


Chart 2 Gross Loans & Receivables

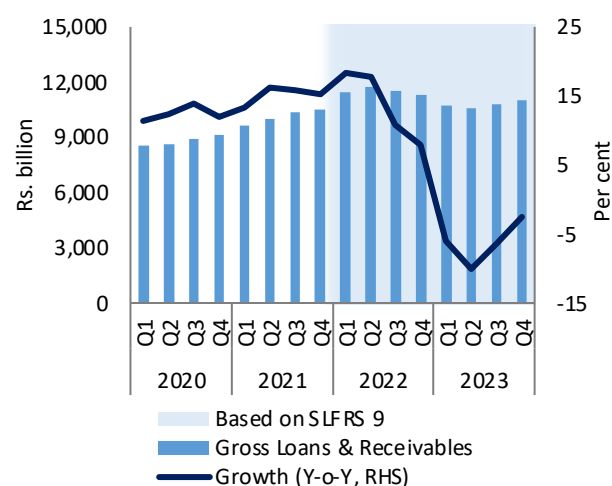


Chart 3 Investments

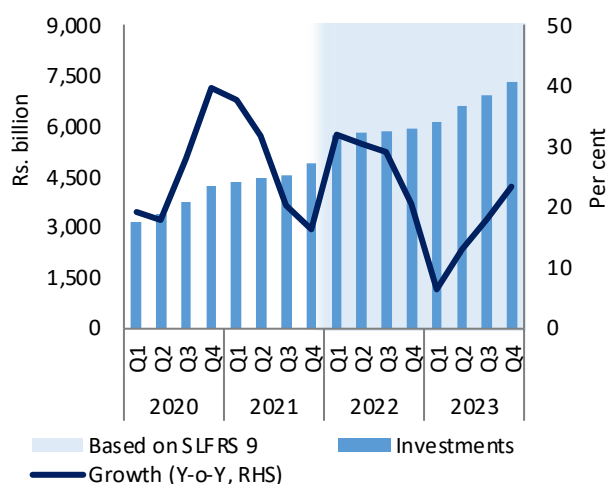
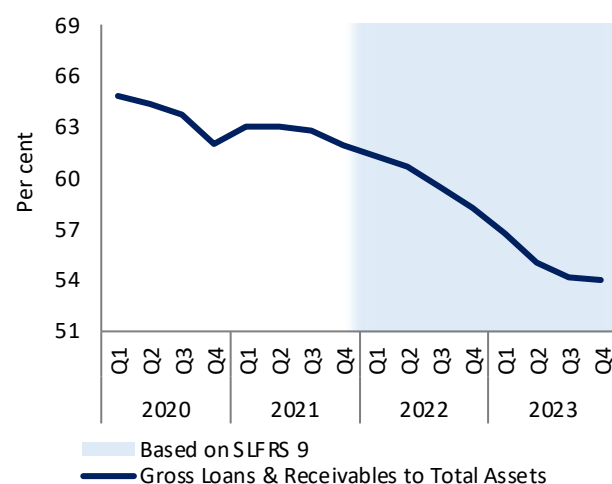


Chart 4 Gross Loans to Total Assets



* Banking sector indicators to be interpreted by factoring that Financial Statements have been prepared based on SLFRS-9 from 01.01.2022 onwards.

Banking Sector Liabilities & Equity*

02

Total liabilities of the banking sector grew by 4.6 per cent y-o-y at end Q4 of 2023, mainly due to the gradual improvement in deposit growth.

Table 2 Liabilities & Equity (Rs. billion)

Indicators	2022 Q4	2023 Q4	% Change (Y-o-Y)
Total Liabilities	17,827.4	18,639.3	4.6
Deposits	15,298.7	16,623.6	8.7
Borrowings	1,871.6	1,389.0	(25.8)
Equity Capital & Reserves	1,598.1	1,766.9	10.6

Chart 5 Total Liabilities

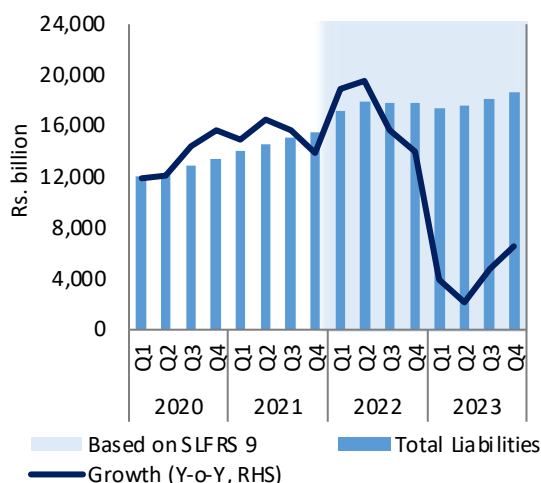


Chart 6 Deposits

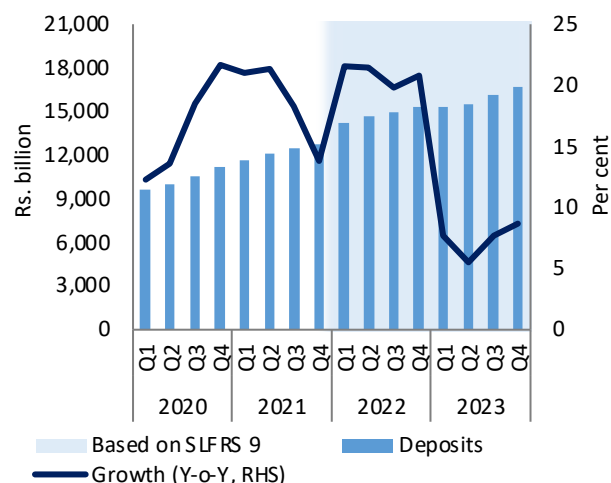


Chart 7 Borrowings

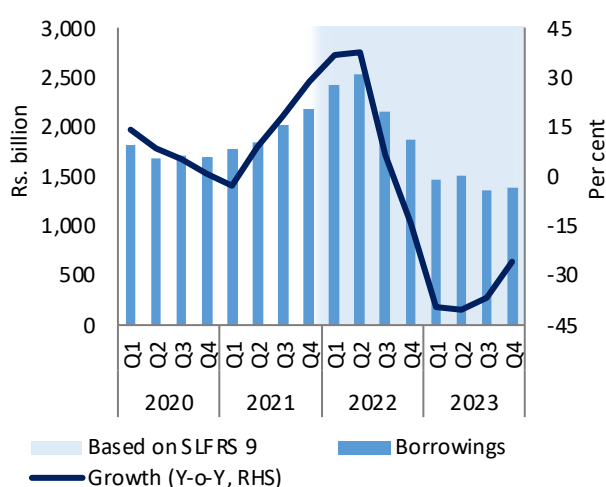
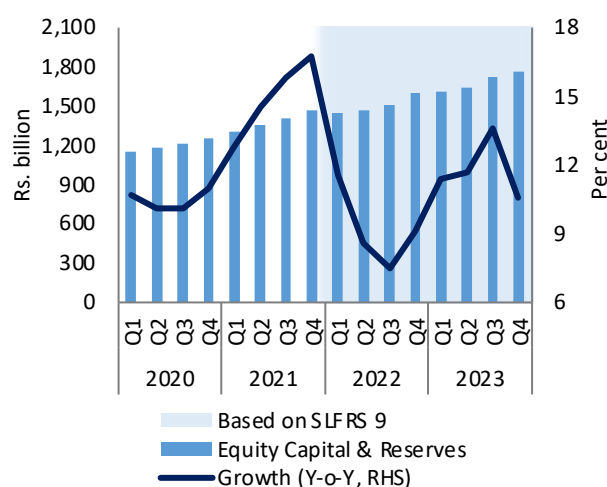


Chart 8 Equity Capital & Reserves



* Banking sector indicators to be interpreted by factoring that Financial Statements have been prepared based on SLFRS-9 from 01.01.2022 onwards.

Banking Sector Capital Adequacy

03

Regulatory Capital to Risk Weighted Assets (RWA) of the banking sector improved to 16.9 per cent at end Q4 of 2023 compared to 16.2 per cent at end Q4 of 2022, due to the contraction in RWA and increase in regulatory capital on a y-o-y basis.

Table 3 Regulatory Capital (Rs. billion)

Indicators	2022 Q4	2023 Q4	% Change (Y-o-Y)
Total Regulatory Capital	1,523.8	1,551.8	1.8
Tier 1 Capital	1,245.1	1,261.6	1.3
Risk Weighted Assets (RWA)	9,399.5	9,164.2	(2.5)
Leverage Exposure	18,120.8	19,185.9	5.9

Chart 9 Regulatory Capital to RWA

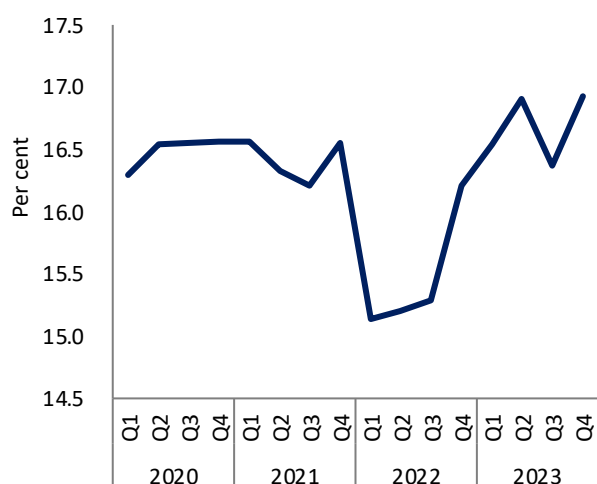


Chart 10 Tier-1 Capital to RWA

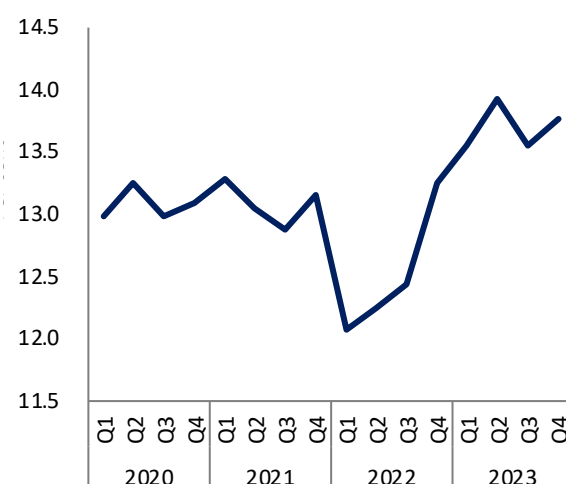


Chart 11 CET-1 Capital to RWA

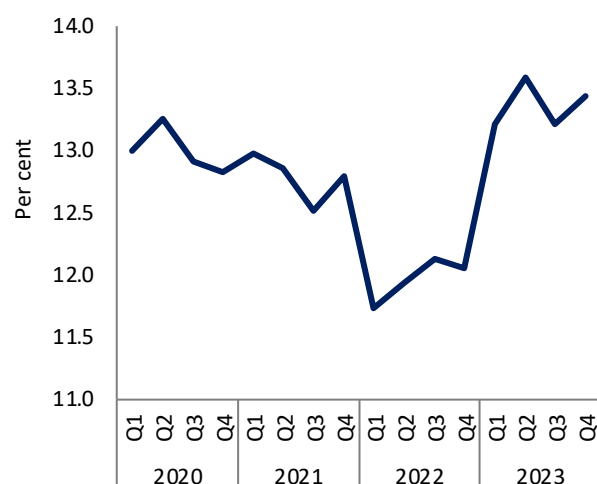
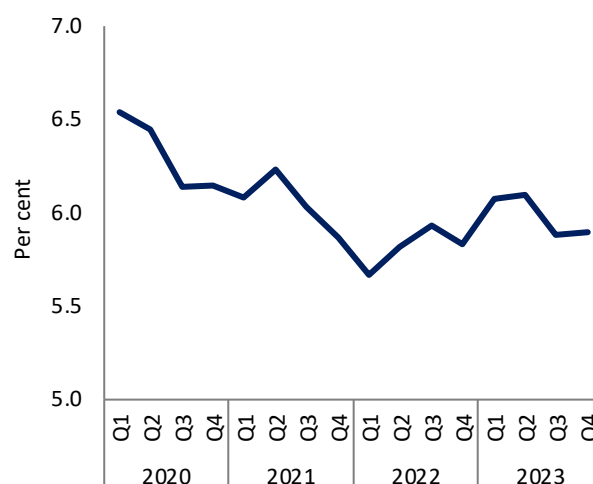


Chart 12 Leverage Ratio



Banking Sector Asset Quality*

04

Stage 3 Loans to Total Loans^(a) of the banking sector increased to 12.8 per cent at end Q4 of 2023 compared to 11.3 per cent at end Q4 of 2022, due to expansion in gross stage 3 loans and contraction in credit on y-o-y basis.

Table 4 Asset Quality (Rs. billion)

Indicators	2022 Q4	2023 Q4	% Change (Y-o-Y)
Stage 3 Loans	1,313.9	1,394.5	6.1
Impairment for Total Loans	913.7	961.2	5.2
Impairment for Stage 3 Loans ^(a)	577.2	683.6	18.4

Chart 13 Stage 3 Loans to Total Loans

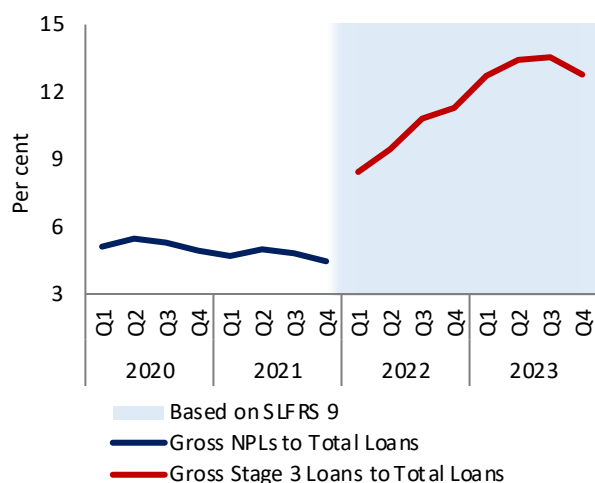


Chart 14 Stage 3 Impairment Coverage

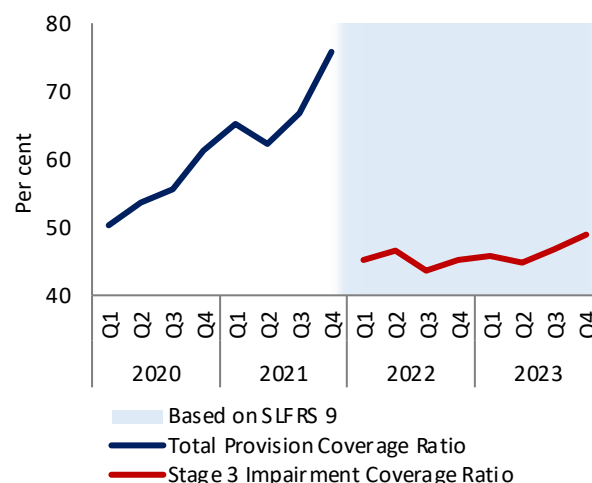


Chart 15 Net Stage 3 Loans to Capital

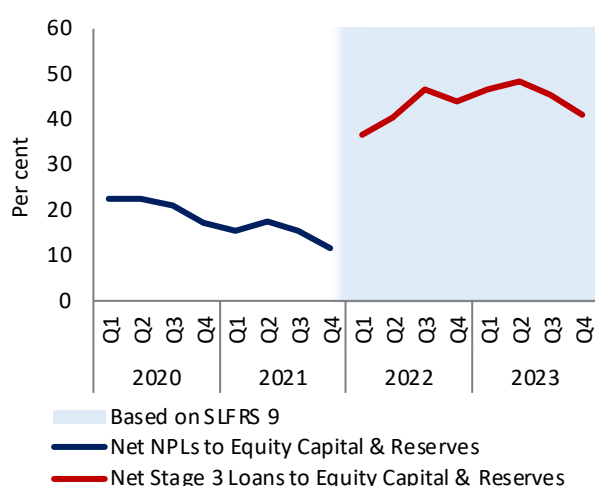
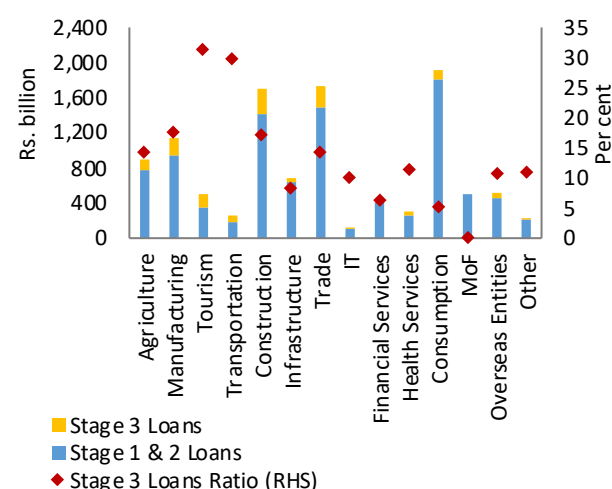


Chart 16 Loan Concentration by Economic Activity



(a) Including undrawn portion.

* Banking sector indicators to be interpreted by factoring that Financial Statements have been prepared based on SLFRS-9 from 01.01.2022 onwards.

Banking Sector Earnings & Profitability*

05

The banking sector reported a cumulative profit after tax of Rs. 188.9 billion for the year 2023, recording an increase of 22.8 per cent y-o-y, mainly due to the decline in new impairment allocation by banks.

Table 5 Earnings and Profitability (Rs. billion)

Indicators	2022 Q4	2023 Q4	% Change (Y-o-Y)
Net Interest Income	750.8	713.8	(4.9)
Gross Income ^(b)	1,031.4	920.5	(10.7)
Profit Before Corporate Tax	177.8	294.4	65.6
Profit After Corporate Tax	153.8	188.9	22.8

Chart 17 Return on Assets (before tax)

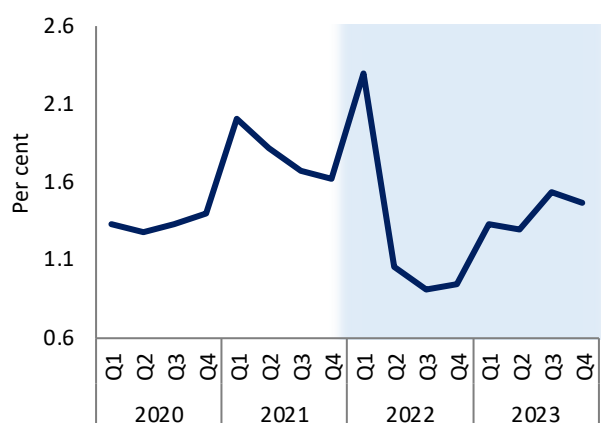


Chart 18 Return on Equity (after tax)

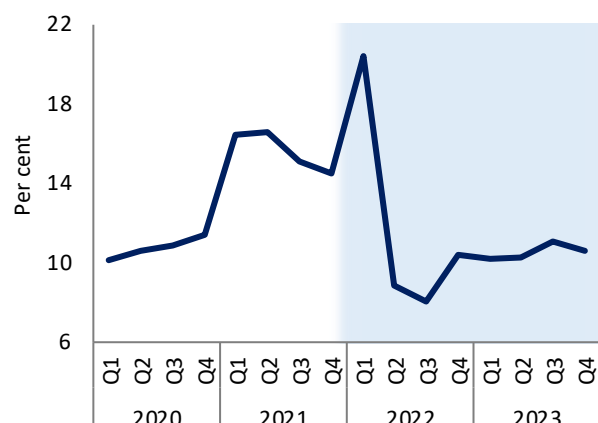


Chart 19 Net Interest Income to Gross Income

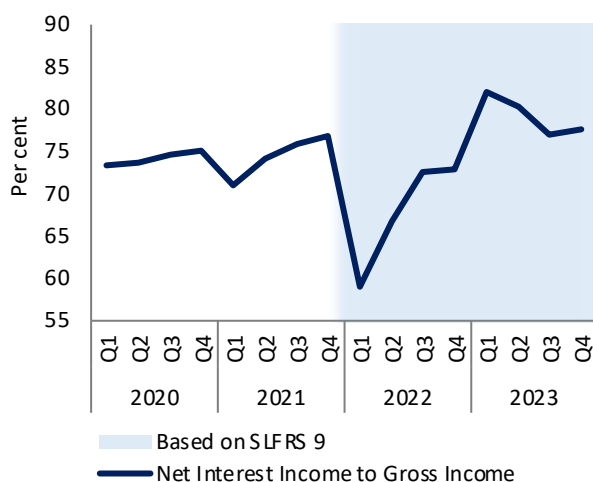
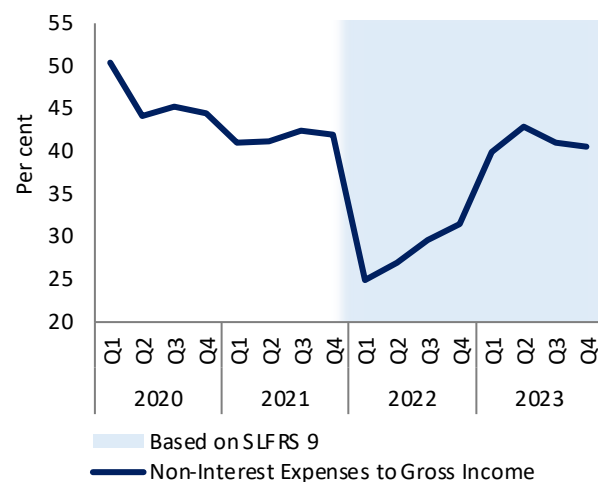


Chart 20 Non-Interest Expense to Gross Income



(b) Gross income includes net interest income and non-interest income.

* Banking sector indicators to be interpreted by factoring that Financial Statements have been prepared based on SLFRS-9 from 01.01.2022 onwards.

Banking Sector Liquidity

06

Liquidity of the banking sector in terms of Statutory Liquid Assets Ratio, Liquidity Coverage Ratios, and Net Stable Funding Ratio significantly improved at end Q4 of 2023 compared to end Q4 of 2022.

Table 6 Liquidity (Per cent)

Indicators	2022 Q4	2023 Q4
Statutory Liquid Assets Ratio (DBUs) ^(c)	33.8	44.9
Liquidity Coverage Ratio - Rupee	236.0	340.9
Liquidity Coverage Ratio - All Currency	190.5	286.4
Net Stable Funding Ratio	140.6	158.4

Chart 21 Statutory Liquid Assets Ratio (DBUs)

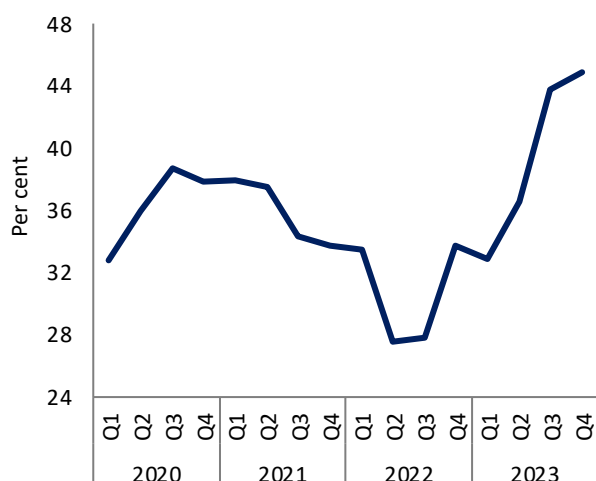


Chart 22 Liquidity Coverage Ratio - Rupee

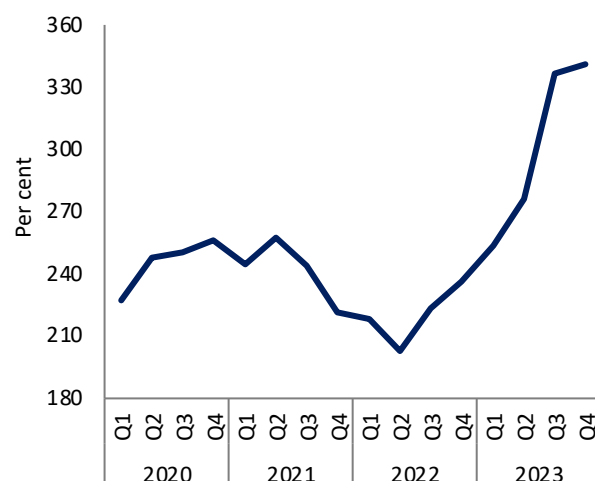


Chart 23 Liquidity Coverage Ratio - All Currency

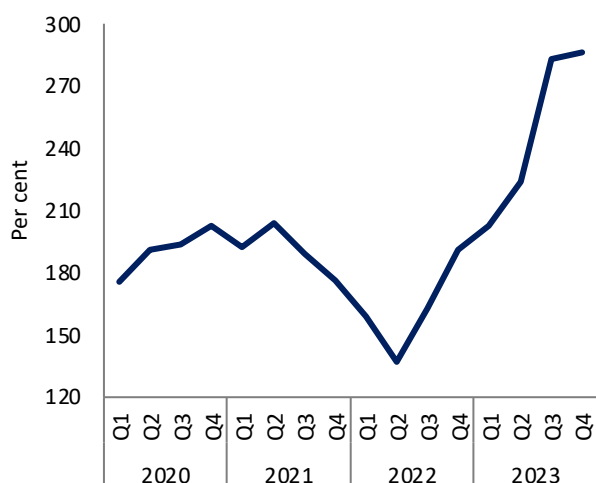
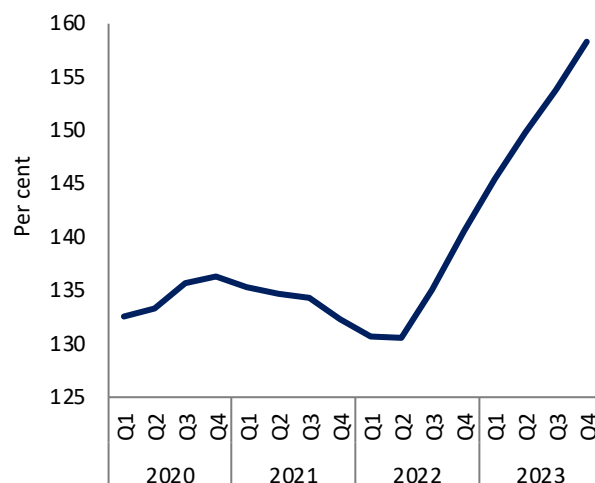


Chart 24 Net Stable Funding Ratio



(c) Domestic Banking Units.

Banking Sector Foreign Currency Operations*

07

Core FC assets (loans & receivables and investments) and core FC liabilities (deposits and borrowings) contracted on a y-o-y basis at end Q4 of 2023, indicating the restricted FC operations of the banking sector.

Table 7 Foreign Currency (FC) Operations (Rs. billion)

Indicators	2022 Q4	2023 Q4	% Change (Y-o-Y)
FC Loans & Receivables	2,955.3	2,398.0	(18.9)
FC Investments	842.9	469.6	(44.3)
FC Borrowings	555.2	328.6	(40.8)
FC Deposits	3,726.0	3,589.5	(3.7)

Chart 25 FC Loans to Total Loans

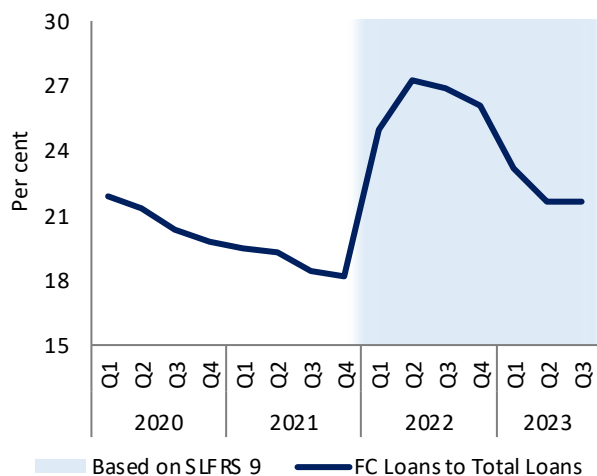


Chart 26 FC Investments to Total Investments

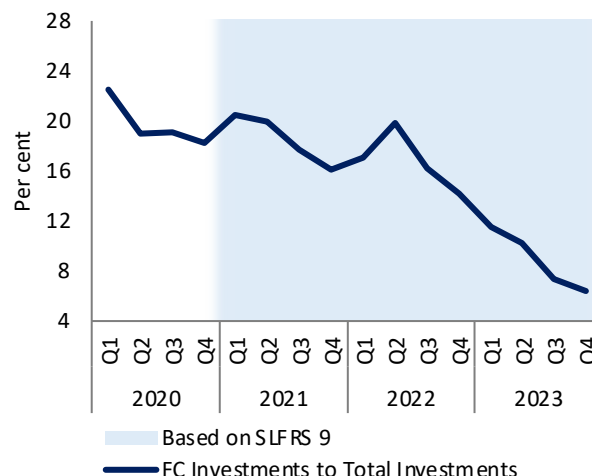


Chart 27 FC Borrowings to Total Borrowings

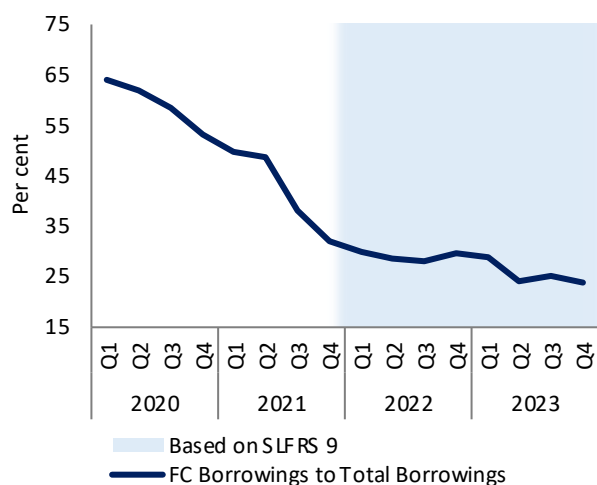
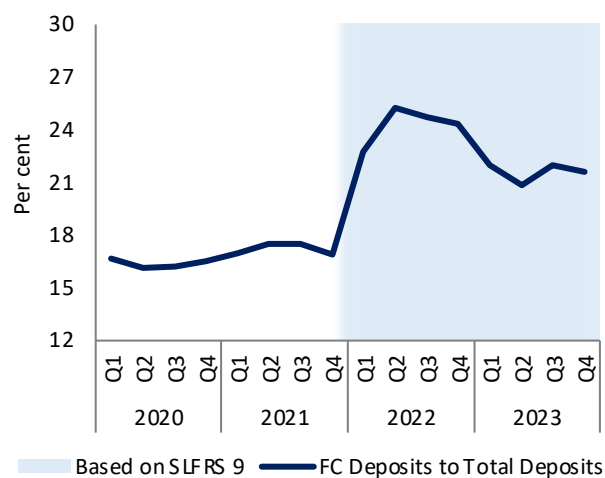


Chart 28 FC Deposits to Total Deposits



* Banking sector indicators to be interpreted by factoring that Financial Statements have been prepared based on SLFRS-9 from 01.01.2022 onwards.

LFCs Sector Assets

08

Total assets of the sector grew by 5.1 per cent, y-o-y, at end Q4 of 2023 due to increased investments in Government securities.

Table 8 Assets (Rs. billion)

Indicators	2022 Q4	2023 Q4	% Change (Y-o-Y)
Total Assets	1,610.2	1,692.0	5.1
Loans & Advances (Net)	1,198.4	1,160.4	(3.2)
Investments	199.6	312.7	56.6

Chart 29 Total Assets

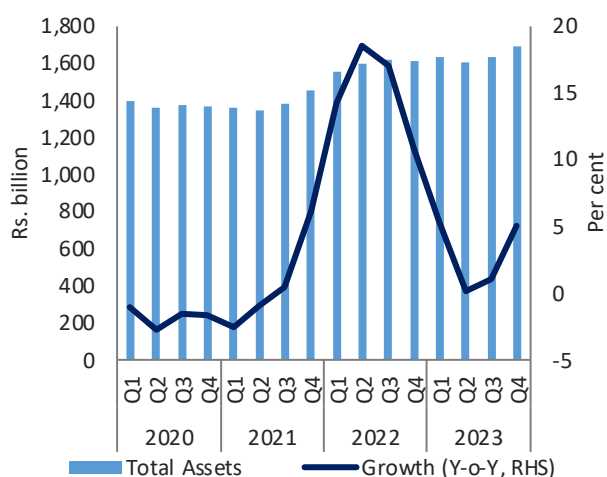


Chart 30 Loans & Advances

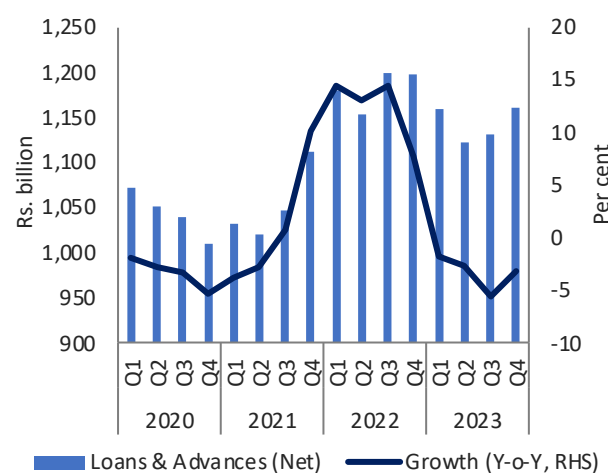


Chart 31 Investments

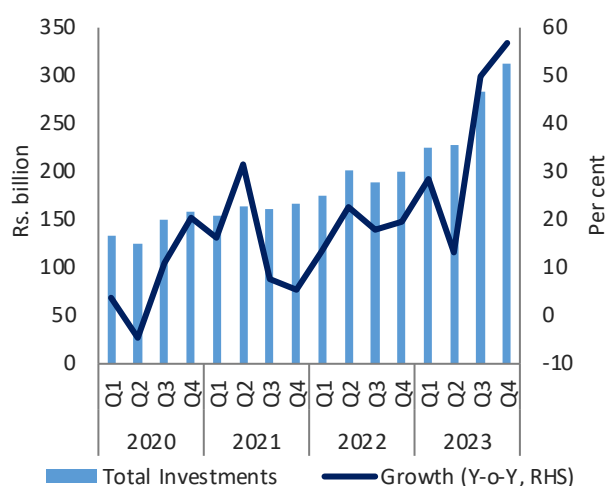
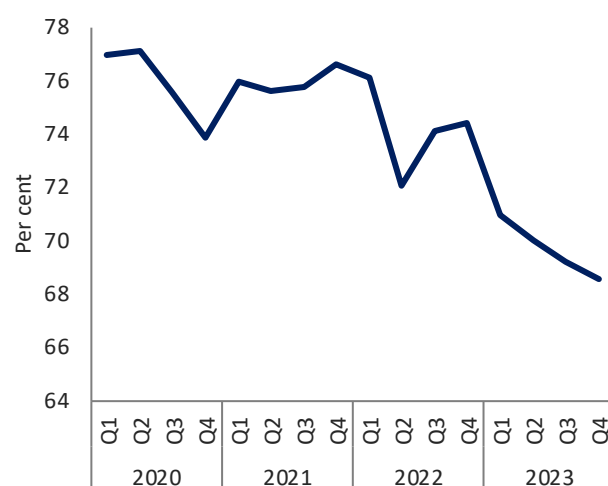


Chart 32 Loans & Advances to Total Assets



LFCs Sector Liabilities & Equity

09

Total liabilities of the sector increased at a moderate level with the increase in equity and deposits while borrowings declined by 17.9 per cent, y-o-y, at end Q4 of 2023.

Table 9 Liabilities & Equity (Rs. billion)

Indicators	2022 Q4	2023 Q4	% Change (Y-o-Y)
Total Liabilities	1,246.7	1283.9	3.0
Deposits	864.5	935.3	8.2
Borrowings	322.3	264.6	(17.9)
Equity Fund	363.4	408.1	12.3

Chart 33 Total Liabilities

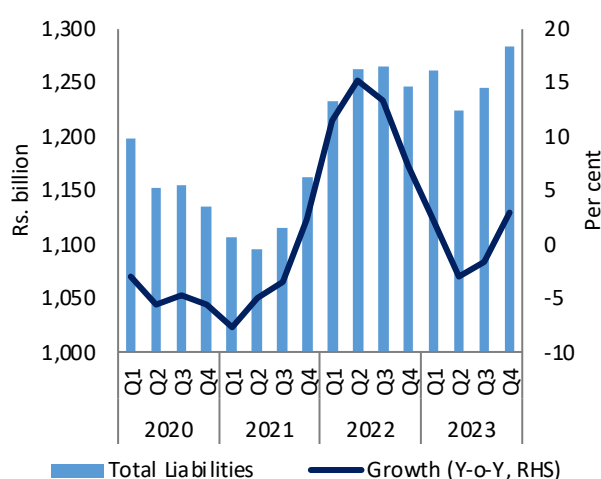


Chart 34 Deposits

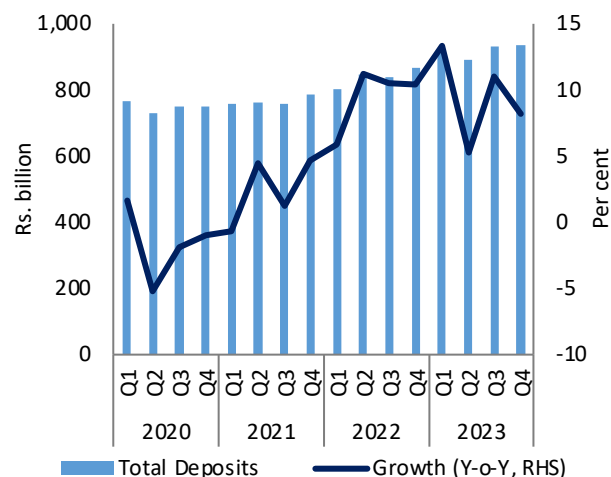


Chart 35 Borrowings

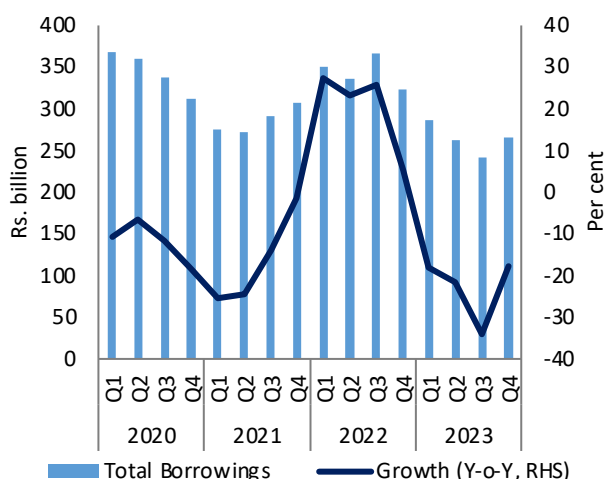
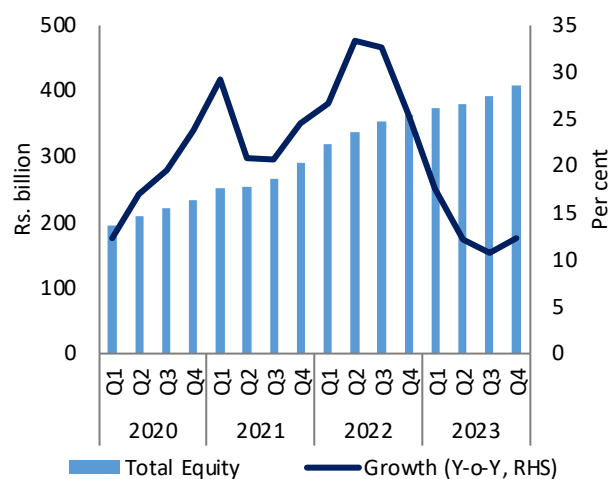


Chart 36 Equity



LFCs Sector Capital Adequacy

10

Total regulatory capital to RWA of the LFCs sector increased to 22.3 per cent in Q4 of 2023 from 22.0 per cent in Q4 of 2022. Meanwhile, total borrowings to equity declined to 0.6 times from 0.9 times during the same reference period.

Table 10 Regulatory Capital (Rs. billion)

Indicators	2022 Q4	2023 Q4	% Change (Y-o-Y)
Regulatory Capital	316.9	329.1	3.8
Tier 1 Capital	296.2	311.3	5.1
Risk Weighted Assets	1,441.0	1,473.4	2.3

Chart 37 Regulatory Capital to RWA

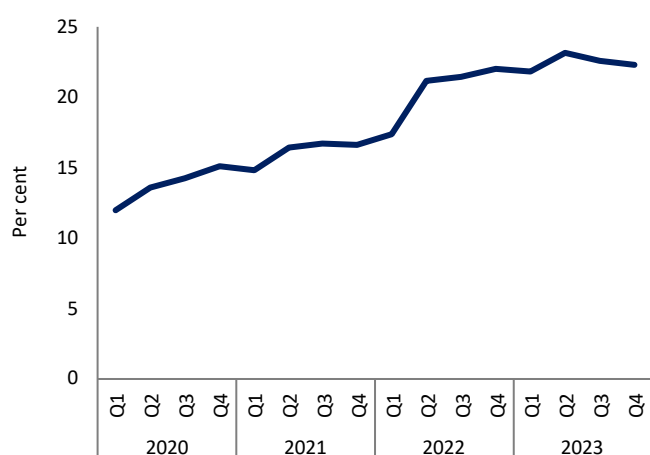


Chart 38 Tier-1 Capital to RWA

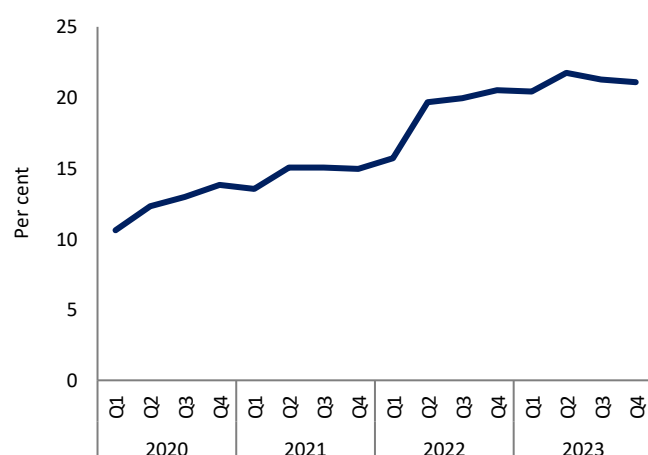


Chart 39 Regulatory Capital to Assets

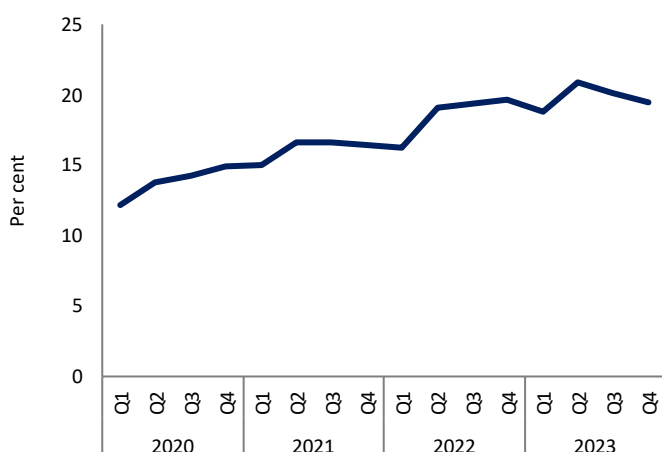
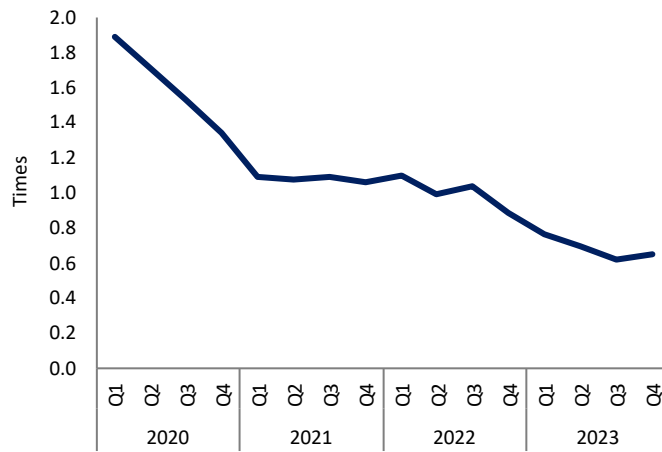


Chart 40 Borrowings to Equity



LFCs Sector Asset Quality*

11

Gross stage 3 loans ratio increased to 17.8 per cent at end Q4 of 2023 compared to 17.4 per cent at end Q4 of 2022. Impairment coverage for stage 3 loans increased to 32.5 per cent at end Q4 of 2023 from 29.6 per cent at end Q4 of 2022.

Table 11 Asset Quality (Rs. billion)

Indicators	2022 Q4	2023 Q4	% Change (Y-o-Y)
Gross Stage 3 Loans	229.4	226.7	(1.2)
Impairment for Stage 3 Loans	67.8	73.7	8.8
Net Stage 3 Loans	161.6	153.0	(5.3)

Chart 41 Gross Stage 3 Loans to Total Loans

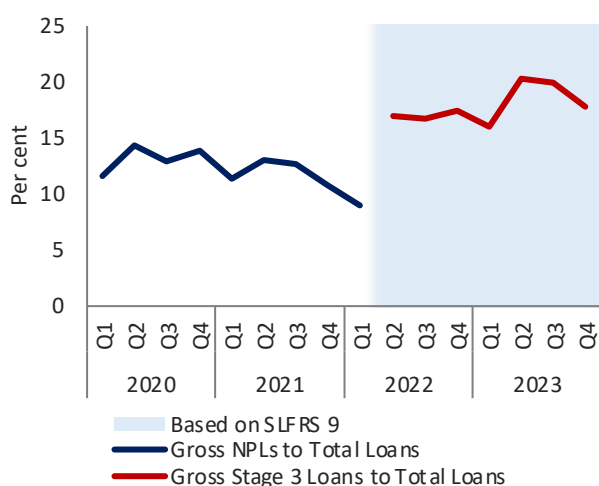


Chart 42 Stage 3 Impairment Coverage

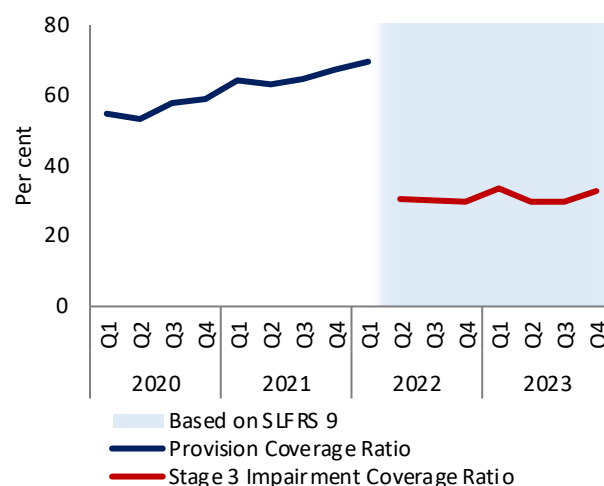


Chart 43 Net Stage 3 Loans to Capital

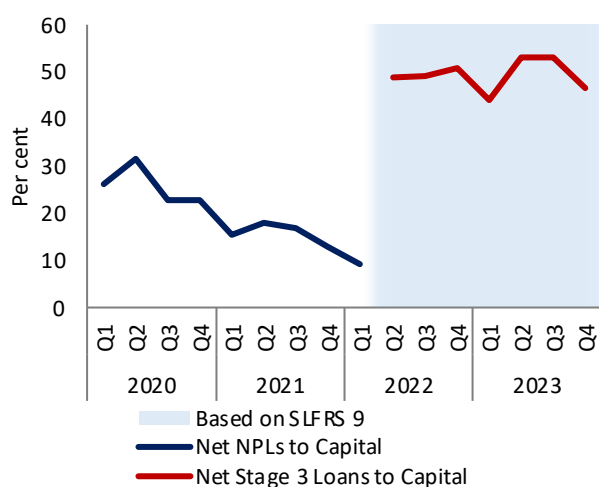
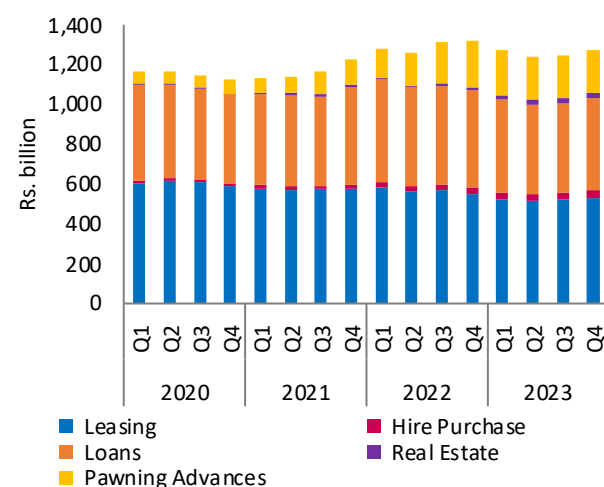


Chart 44 Loan Concentration by Product



* LFCs sector adopted the Finance Business Act Direction No.01 of 2020 on Classification and Measurement of Credit Facilities, with effect from 01.04.2022.

LFCs Sector Earnings & Profitability

12

The LFCs sector reported a cumulative profit after tax of Rs. 34.8 billion during the first 9 months of 2023. Profitability indicators, ROA and ROE of the sector increased to 4.2 per cent and 12.1 per cent, respectively, at end Q4 of 2023.

Table 12 Earnings & Profitability (Rs. billion)

Indicators	2022 Q4	2023 Q4	% Change (Y-o-Y)
Net Interest Income	84.7	101.5	19.9
Gross Income ^(d)	117.3	145.2	23.8
Profit Before Tax	32.4	55.4	71.0
Profit After Tax	18.6	34.8	87.2

Chart 45 Return on Assets (before tax)

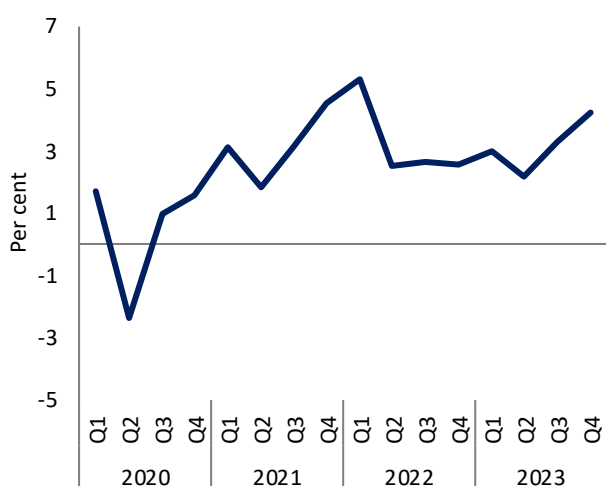


Chart 46 Return on Equity (after tax)

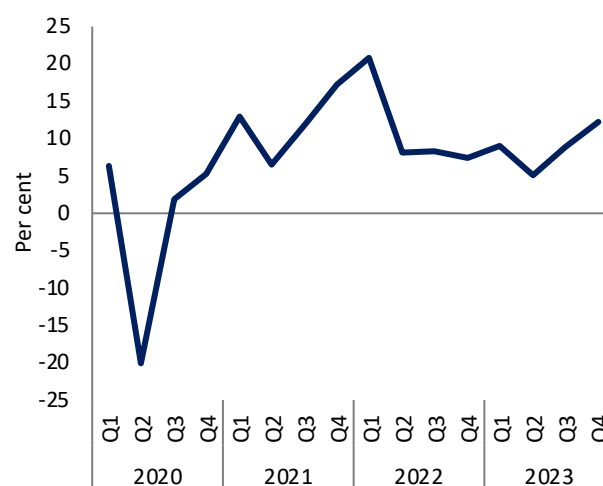


Chart 47 Net Interest Income to Gross Income

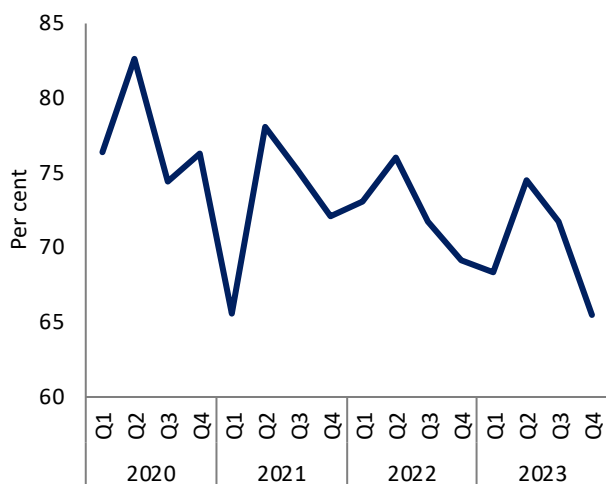
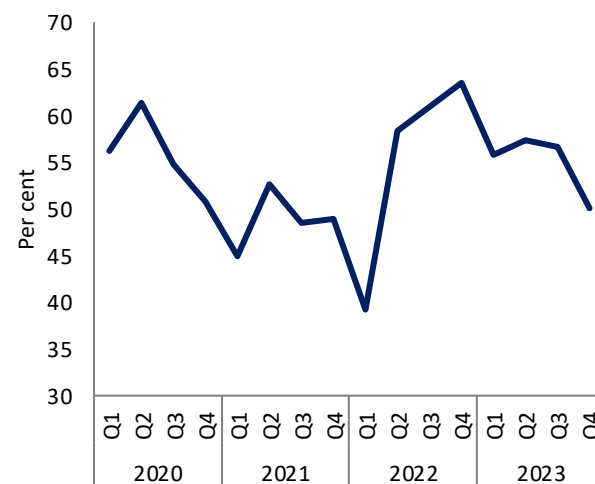


Chart 48 Non-interest Expenses to Gross Income



(d) Gross income includes net interest income and non-interest income.

LFCs Sector Liquidity

13

Sector maintained a liquidity buffer above the regulatory requirement. Ratio of liquid assets to total assets improved to 14.1 per cent by end Q4 of 2023 compared to a year ago.

Table 13 Liquidity (Per cent)

Indicators	2022 Q4	2023 Q4
Liquid Assets to Total Assets Ratio	10.7	14.1
Credit to Deposit Ratio	138.6	124.1
Liquid Assets to Deposits & Borrowings	15.6	21.2

Chart 49 Liquid Assets

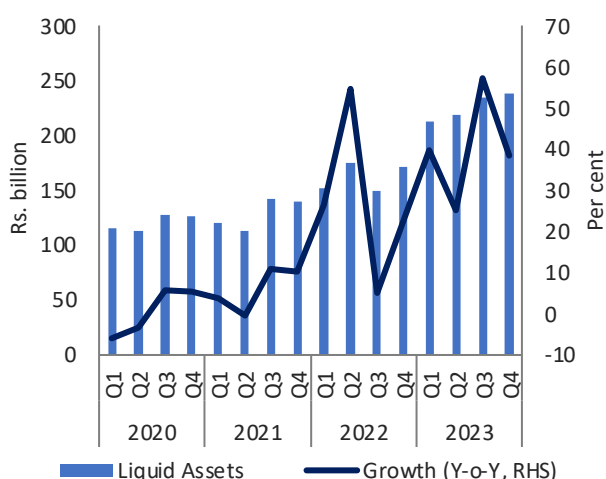


Chart 50 Liquid Assets to Total Assets Ratio

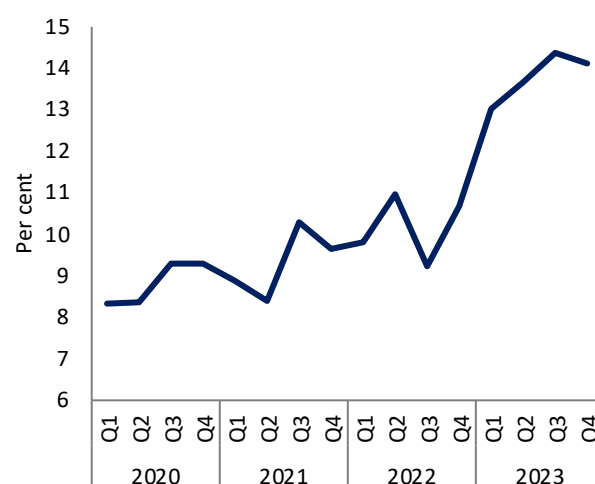


Chart 51 Liquid Assets to Deposits & Borrowings

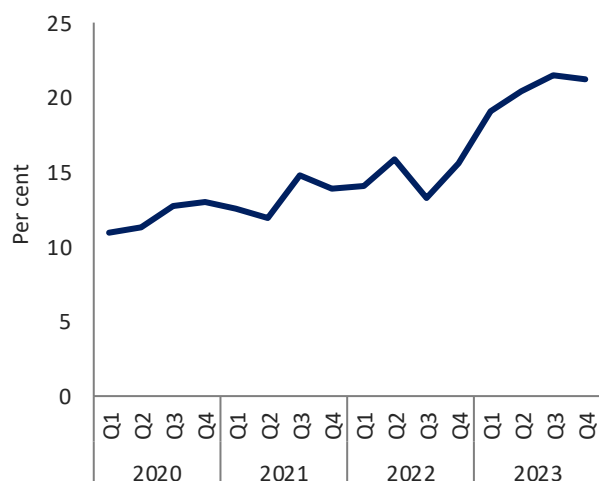


Chart 52 Credit to Deposits Ratio

