



FINANCIAL SOUNDNESS INDICATORS

Q1 of 2024



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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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The Financial Soundness Indicators – Q1 of 2024 focuses on data ending March 2024. Moreover, the data for Q1 of 2024 are provisional. Data may include calculations made specifically for this publication.

LFCs sector data for Q1 of 2023 based on the SLFRS – 9 do not include financials of one LFC that merged with another LFC in 2023.

Banking Sector Assets*

01

The banking sector recorded a y-o-y asset growth of 7.0 per cent at end Q1 of 2024, 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	2023 Q1	2024 Q1	% Change (Y-o-Y)
Total Assets	18,932.4	20,260.8	7.0
Gross Loans & Receivables	10,749.5	10,853.3	1.0
Investments	6,120.4	7,596.0	24.1

Chart 1 Total Assets

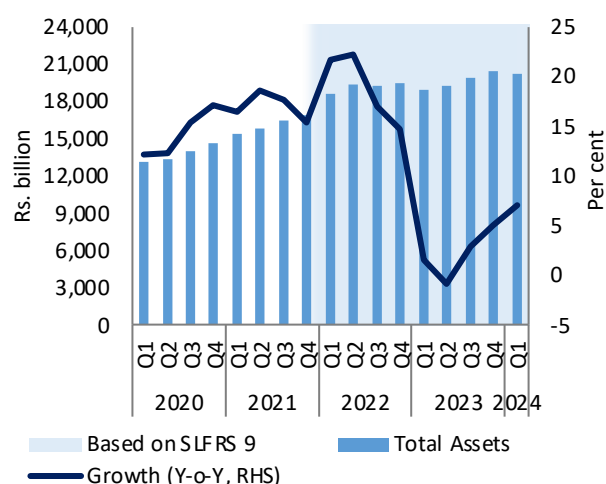


Chart 2 Gross Loans & Receivables

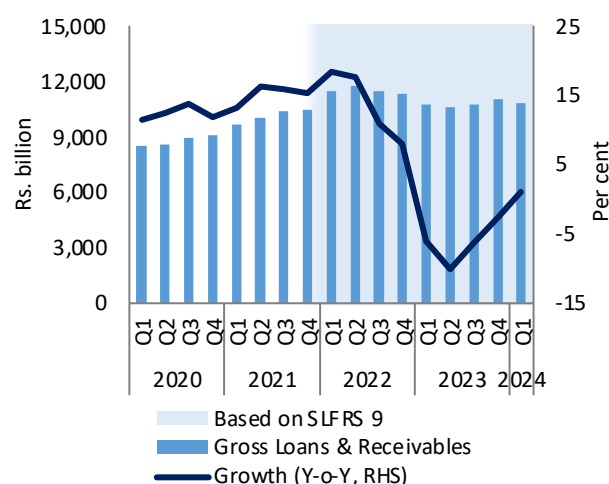


Chart 3 Investments

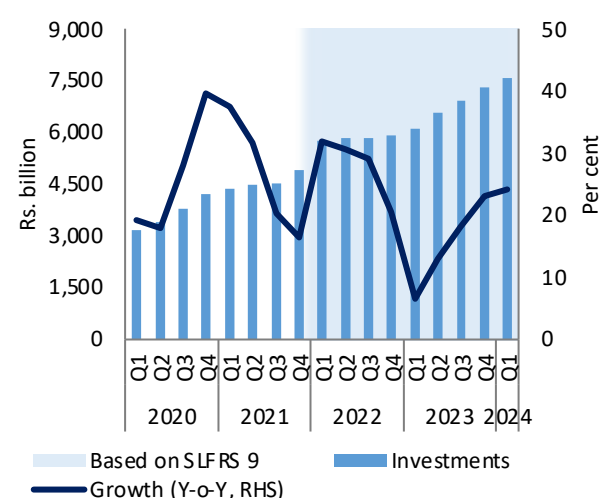
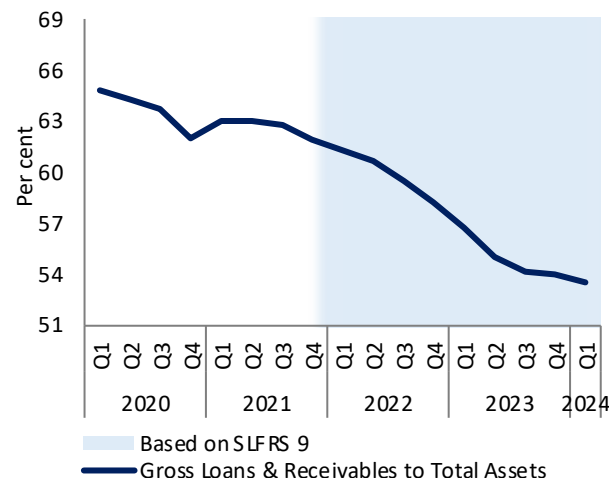


Chart 4 Gross Loans to Total Assets



* 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 6.7 per cent y-o-y at end Q1 of 2024, mainly due to the improvement in deposit growth.

Table 2 Liabilities & Equity (Rs. billion)

Indicators	2023 Q1	2024 Q1	% Change (Y-o-Y)
Total Liabilities	17,316.4	18,477.4	6.7
Deposits	15,235.4	16,568.3	8.7
Borrowings	1,469.6	1,244.9	(15.3)
Equity Capital & Reserves	1,616.1	1,783.4	10.4

Chart 5 Total Liabilities

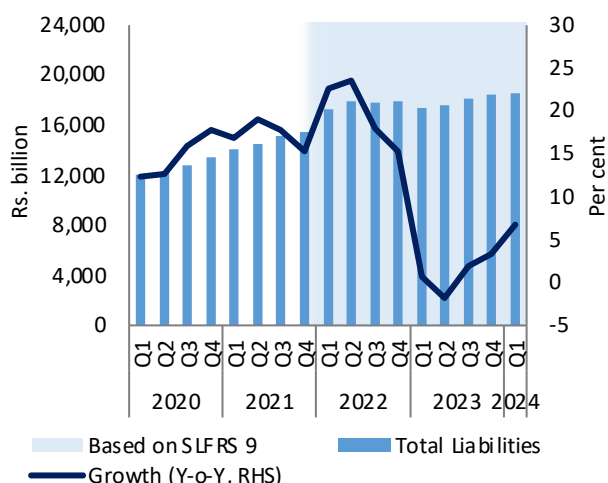


Chart 6 Deposits

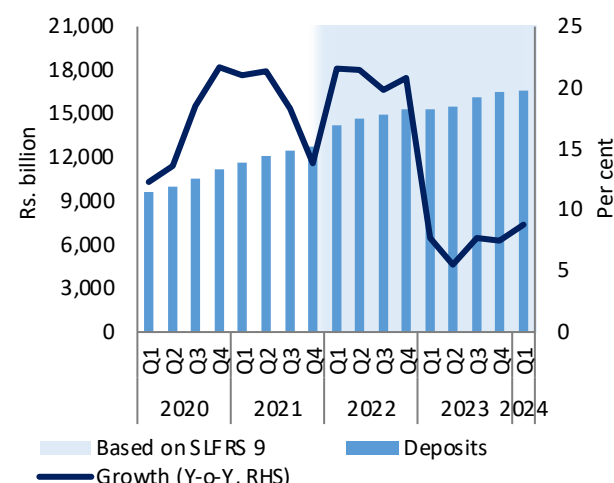


Chart 7 Borrowings

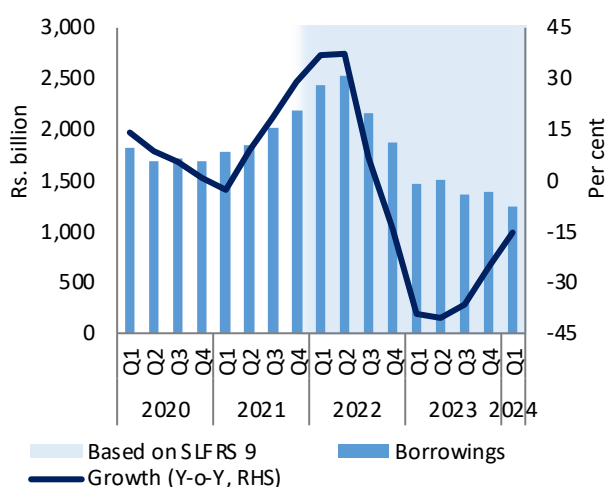
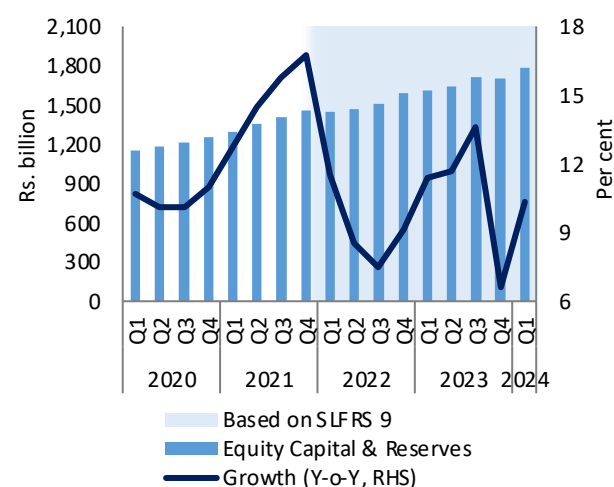


Chart 8 Equity Capital & Reserves



* 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 17.7 per cent at end Q1 of 2024 compared to 16.5 per cent at end Q1 of 2023, due to the increase in regulatory capital on a y-o-y basis.

Table 3 Regulatory Capital (Rs. billion)

Indicators	2023 Q1	2024 Q1	% Change (Y-o-Y)
Total Regulatory Capital	1,490.5	1,634.9	9.7
Tier 1 Capital	1,220.1	1,344.1	10.2
Risk Weighted Assets (RWA)	9,007.6	9,250.2	2.7
Leverage Exposure	18,061.1	19,696.1	9.1

Chart 9 Regulatory Capital to RWA

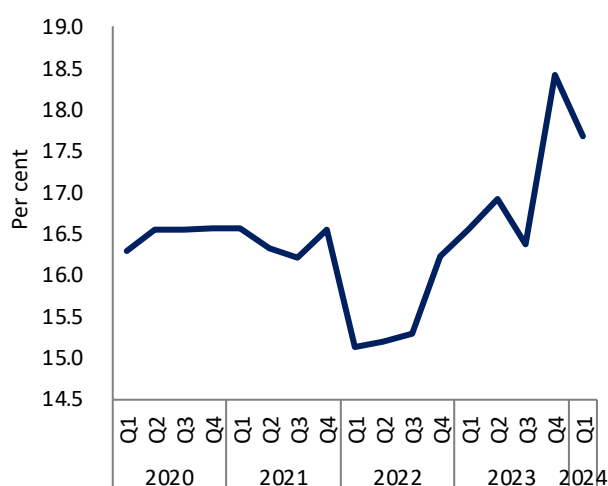


Chart 10 Tier-1 Capital to RWA

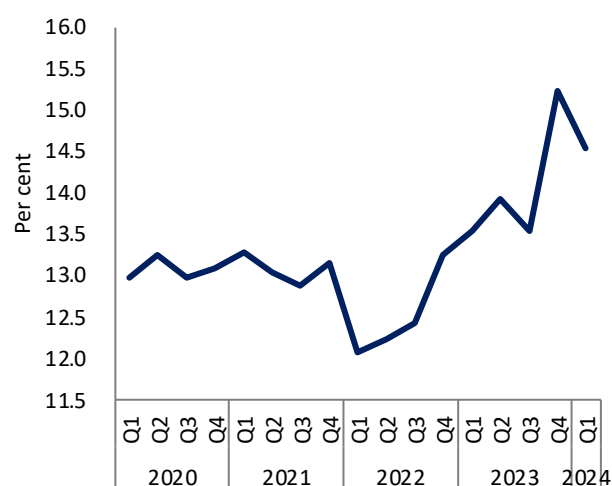


Chart 11 CET-1 Capital to RWA

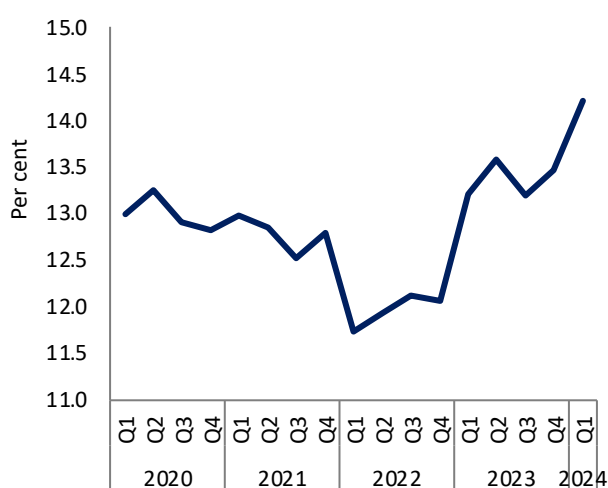
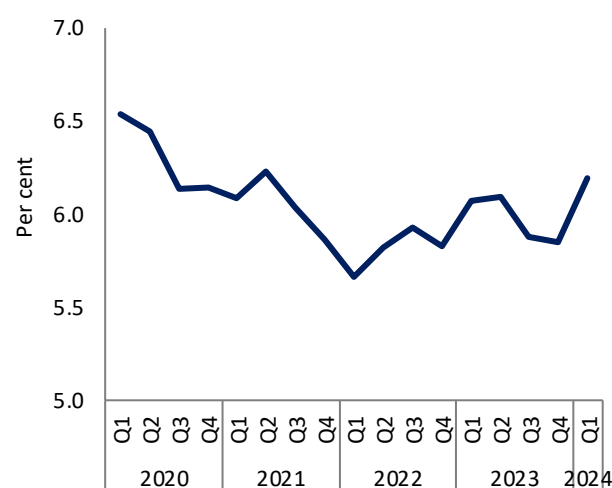


Chart 12 Leverage Ratio



Banking Sector Asset Quality*

04

Stage 3 Loans to Total Loans^(a) of the banking sector slightly increased to 13.0 per cent at end Q1 of 2024 compared to 12.7 per cent at end Q1 of 2023, due to the marginal expansion in gross stage 3 loans.

Table 4 Asset Quality (Rs. billion)

Indicators	2023 Q1	2024 Q1	% Change (Y-o-Y)
Stage 3 Loans	1,385.8	1,391.0	0.4
Impairment for Total Loans	929.7	958.8	3.1
Impairment for Stage 3 Loans ^(a)	637.0	712.6	11.9

Chart 13 Stage 3 Loans to Total Loans

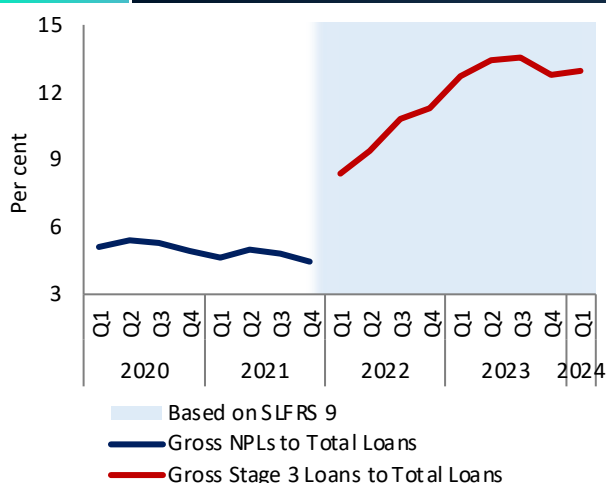


Chart 14 Stage 3 Impairment Coverage

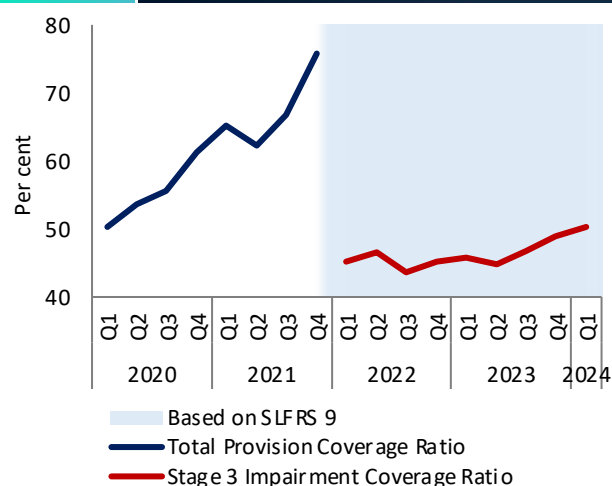


Chart 15 Net Stage 3 Loans to Capital

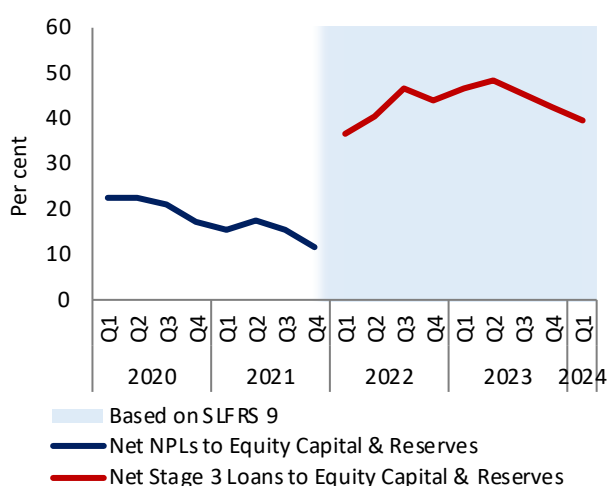
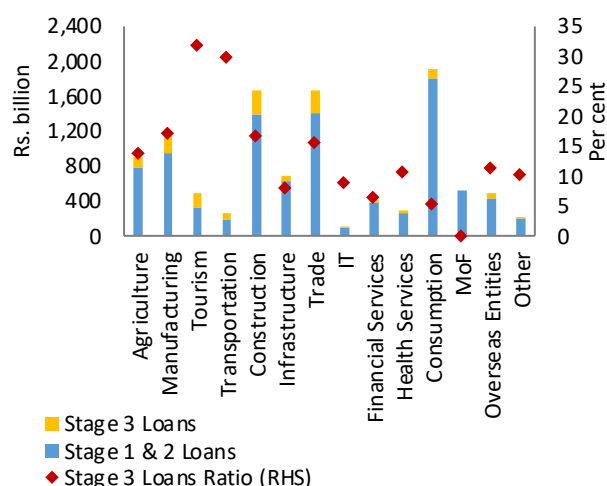


Chart 16 Loan Concentration by Economic Activity



(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*

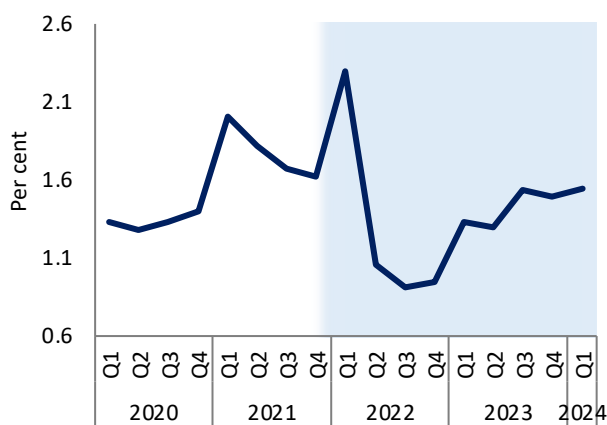
05

The banking sector reported a profit after tax of Rs. 47.5 billion at end Q1 of 2024, recording an increase of 21.9 per cent y-o-y, mainly due to the decline in new impairment allocations by banks.

Table 5 Earnings and Profitability (Rs. billion)

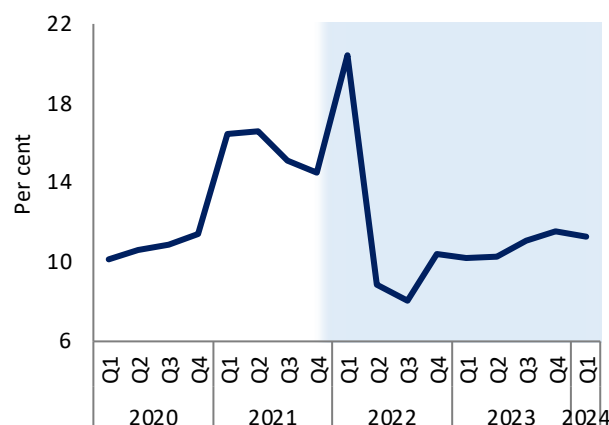
Indicators	2023 Q1	2024 Q1	% Change (Y-o-Y)
Net Interest Income	180.4	187.6	4.0
Gross Income ^(b)	220.2	228.7	3.9
Profit Before Corporate Tax	64.1	76.2	18.9
Profit After Corporate Tax	39.0	47.5	21.9

Chart 17 Return on Assets (before tax)



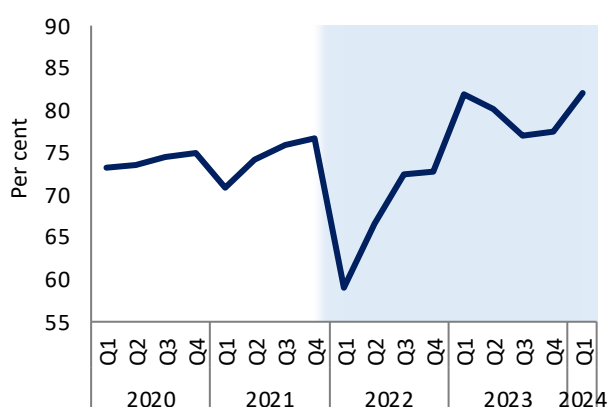
Based on SLFRS 9 — Return on Assets (Before Tax)

Chart 18 Return on Equity (after tax)



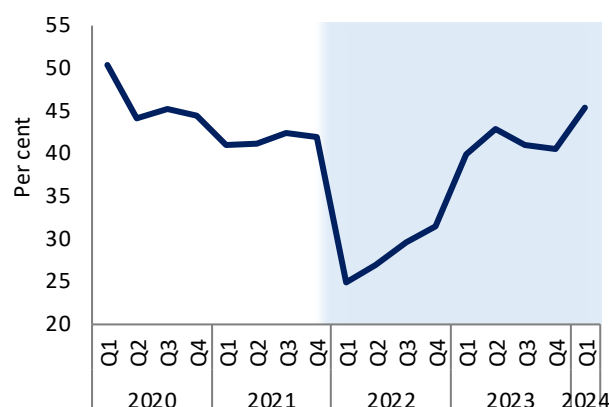
Based on SLFRS 9 — Return on Equity (After Tax)

Chart 19 Net Interest Income to Gross Income



Based on SLFRS 9 — Net Interest Income to Gross Income

Chart 20 Non-Interest Expense to Gross Income



Based on SLFRS 9 — Non-Interest Expenses 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 Q1 of 2024 compared to end Q1 of 2023.

Table 6 Liquidity (Per cent)

Indicators	2023 Q1	2024 Q1
Statutory Liquid Assets Ratio (DBUs) ^(c)	32.9	46.2
Liquidity Coverage Ratio - Rupee	253.6	352.3
Liquidity Coverage Ratio - All Currency	202.3	294.0
Net Stable Funding Ratio	145.5	165.0

Chart 21 Statutory Liquid Assets Ratio (DBUs)

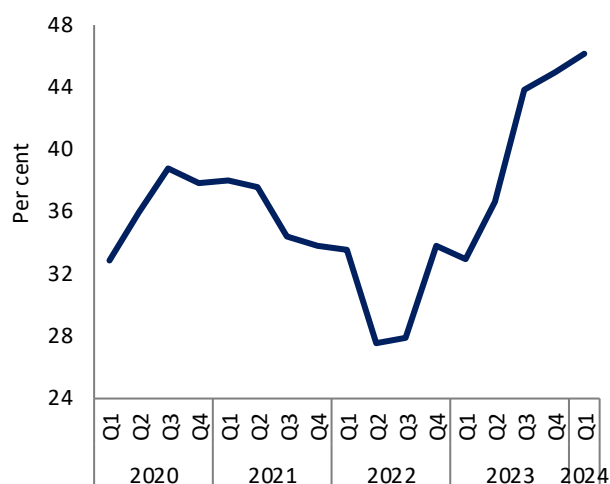


Chart 22 Liquidity Coverage Ratio - Rupee

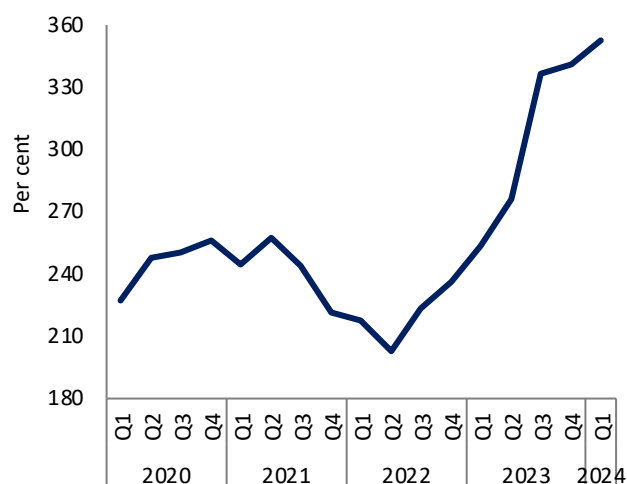


Chart 23 Liquidity Coverage Ratio - All Currency

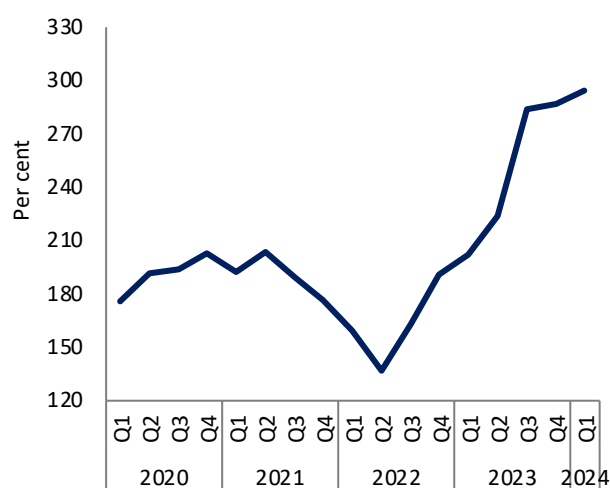
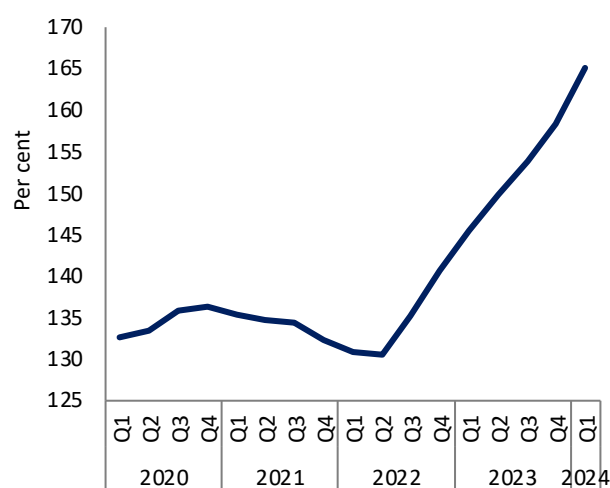


Chart 24 Net Stable Funding Ratio



(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 Q1 of 2024, indicating the appreciation of the exchange rate as well as lowered FC operations of the banking sector.

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

Indicators	2023 Q1	2024 Q1	% Change (Y-o-Y)
FC Loans & Receivables	2,492.6	2,233.2	(10.4)
FC Investments	701.4	493.2	(29.7)
FC Borrowings	423.7	264.7	(37.5)
FC Deposits	3,350.8	3,334.5	(0.5)

Chart 25 FC Loans to Total Loans

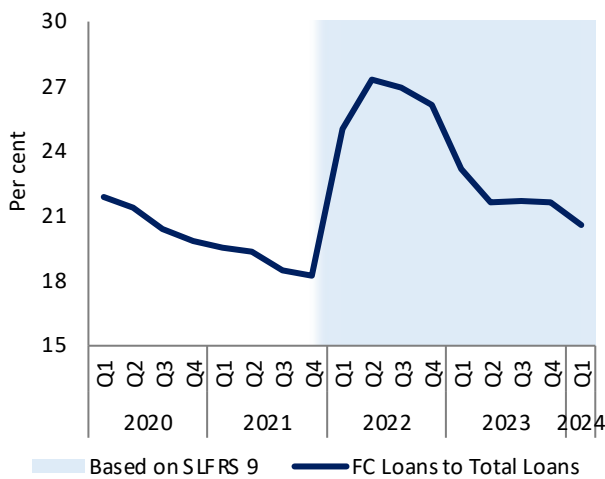


Chart 26 FC Investments to Total Investments

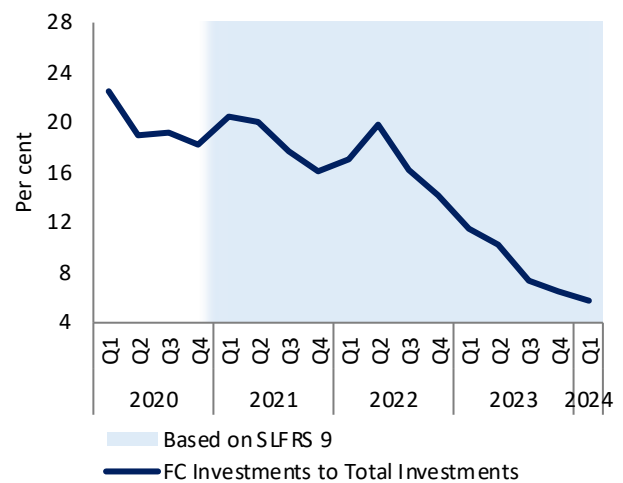


Chart 27 FC Borrowings to Total Borrowings

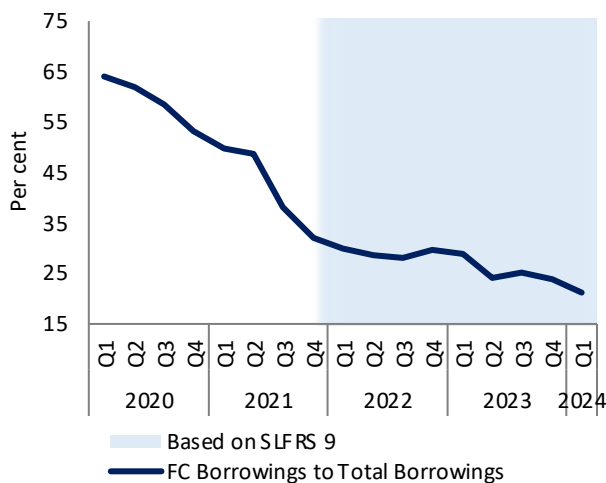
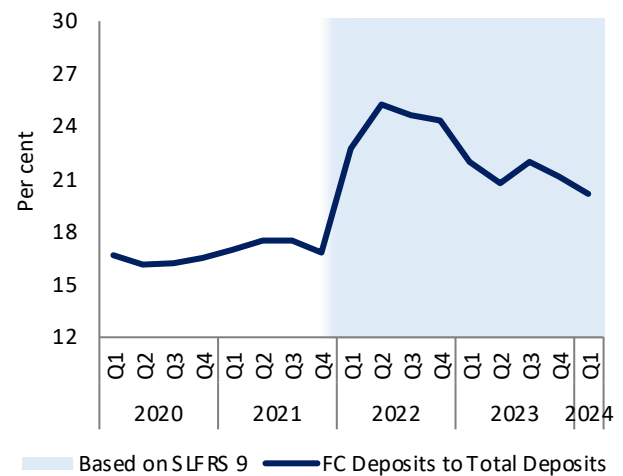


Chart 28 FC Deposits to Total Deposits



* 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 8.0 per cent, y-o-y, at end Q1 of 2024 mainly due to increased loans and advances and investments.

Table 8 Assets (Rs. billion)

Indicators	2023 Q1	2024 Q1	% Change (Y-o-Y)
Total Assets	1,630.3	1,760.7	8.0
Loans & Advances (Net)	1,162.8	1,214.7	4.5
Investments	329.8	399.7	21.2

Chart 29 Total Assets

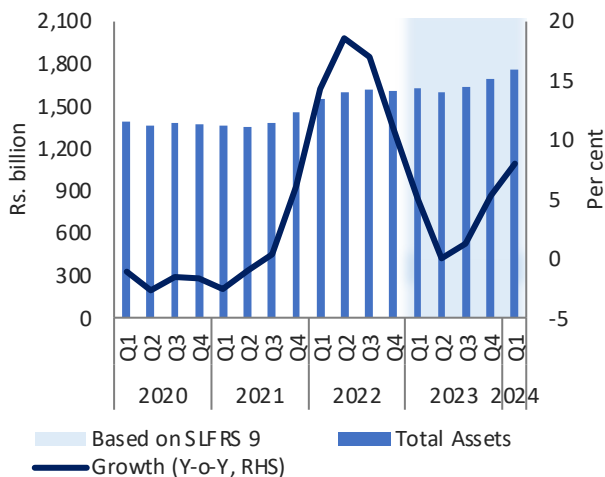


Chart 30 Loans & Advances

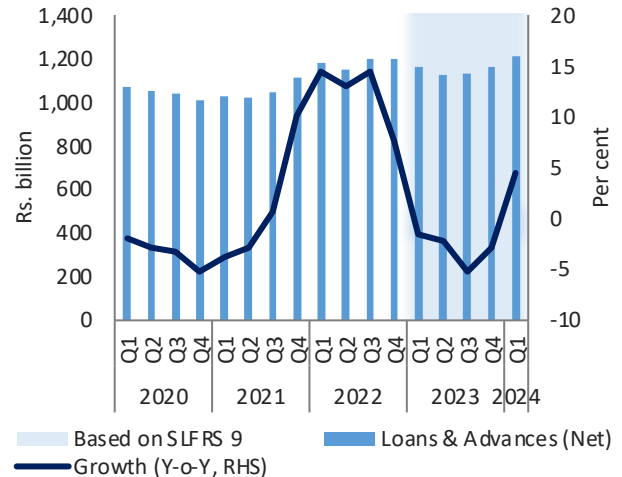


Chart 31 Investments

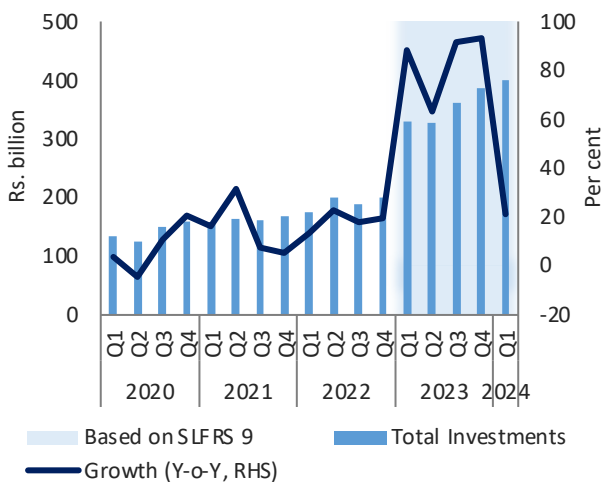
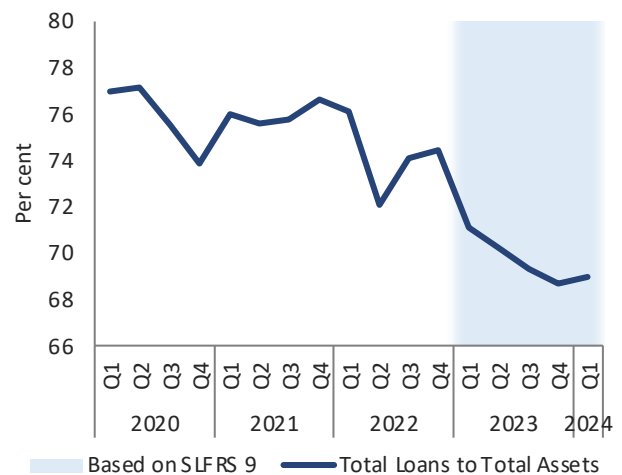


Chart 32 Loans & Advances to Total Assets



* LFCs sector indicators to be interpreted by factoring that Financial Statements have been prepared based on SLFRS-9 from Q1 of 2023 onwards.

LFCs Sector Liabilities & Equity*

09

Total liabilities of the sector increased by 6.1 per cent y-o-y, at end Q1 of 2024 mainly due to increased deposits. However, borrowings declined by 11.9 per cent, y-o-y, at end Q1 of 2024 while equity funds grew by 14.2 per cent, y-o-y.

Table 9 Liabilities & Equity (Rs. billion)

Indicators	2023 Q1	2024 Q1	% Change (Y-o-Y)
Total Liabilities	1,253.2	1,330.1	6.1
Deposits	907.3	987.0	8.8
Borrowings	282.2	248.5	(11.9)
Equity Fund	377.1	430.7	14.2

Chart 33 Total Liabilities

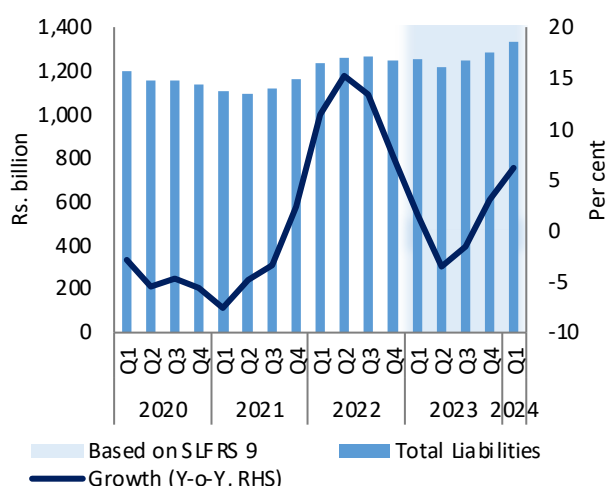


Chart 34 Deposits

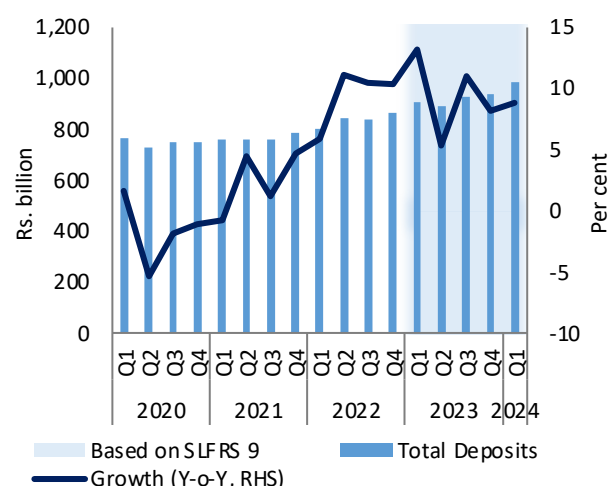


Chart 35 Borrowings

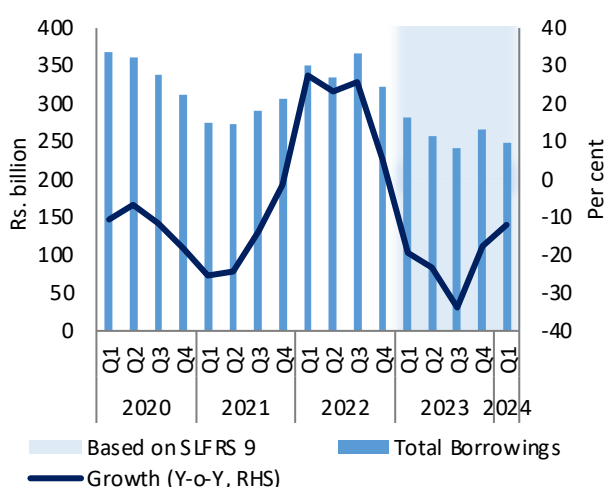
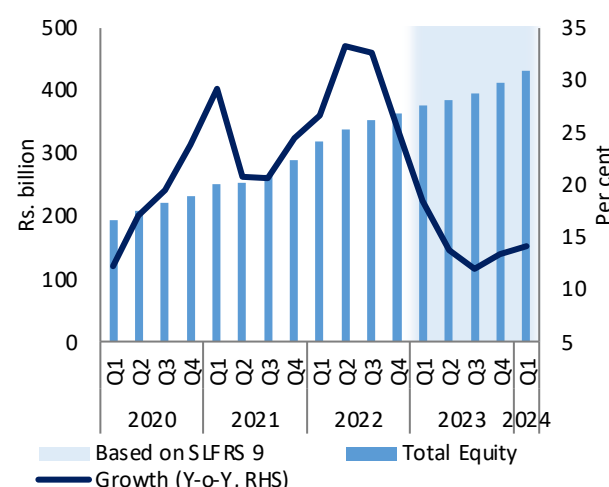


Chart 36 Equity



* LFCs sector indicators to be interpreted by factoring that Financial Statements have been prepared based on SLFRS-9 from Q1 of 2023 onwards.

LFCs Sector Capital Adequacy*

10

Total regulatory capital to RWA of the LFCs sector decreased marginally to 21.9 per cent in Q1 of 2024 from 22.0 per cent in Q1 of 2023. Total borrowings to equity declined to 0.6 times from 0.8 times during the same reference period.

Table 10 Regulatory Capital (Rs. billion)

Indicators	2023 Q1	2024 Q1	% Change (Y-o-Y)
Regulatory Capital	308.9	329.3	6.6
Tier 1 Capital (Eligible)	289.8	316.3	9.1
Risk Weighted Assets	1,403.1	1,506.2	7.4

Chart 37 Regulatory Capital to RWA

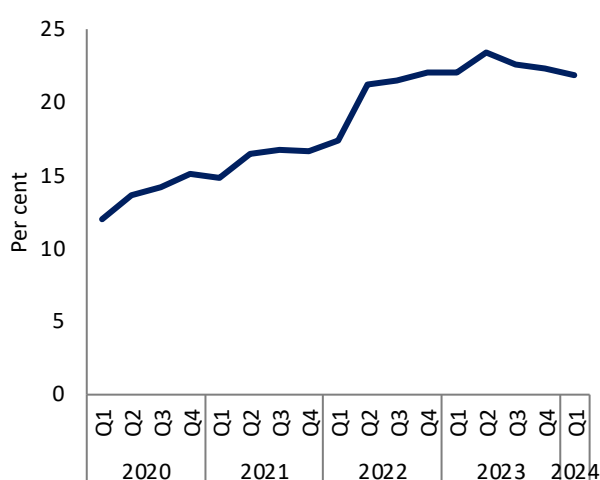


Chart 38 Tier-1 Capital to RWA

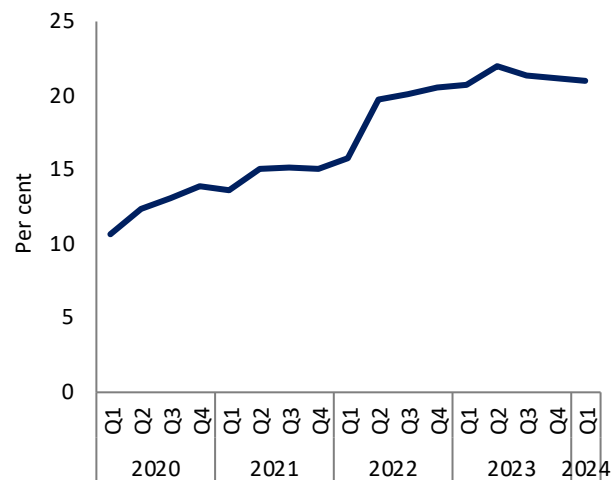


Chart 39 Regulatory Capital to Assets

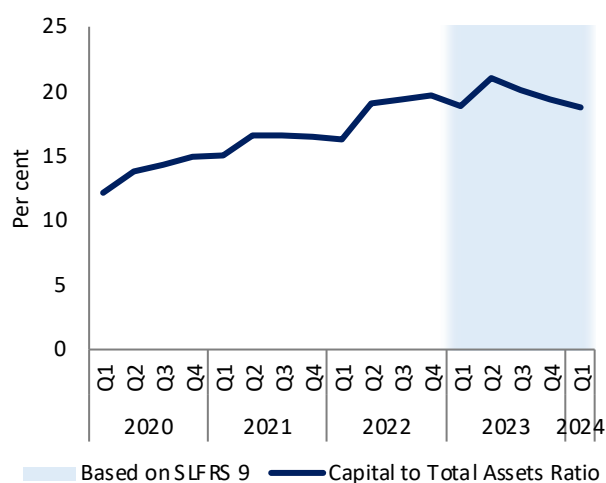
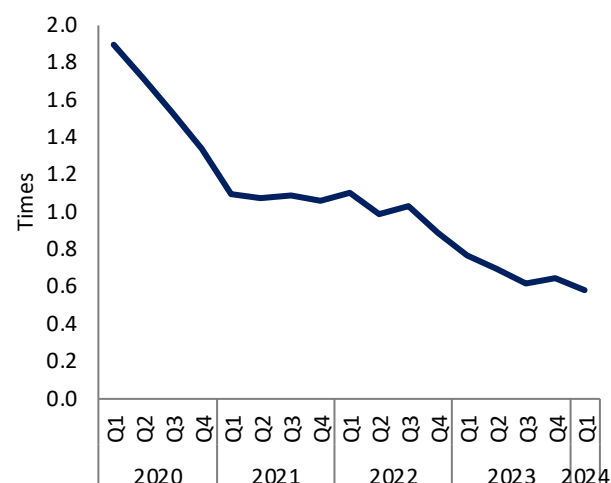


Chart 40 Borrowings to Equity



* LFCs sector indicators to be interpreted by factoring that Financial Statements have been prepared based on SLFRS-9 from Q1 of 2023 onwards.

LFCs Sector Asset Quality*

11

Gross stage 3 loans ratio decreased to 14.7 per cent at end Q1 of 2024 compared to 15.9 per cent at end Q1 of 2023. Impairment coverage for stage 3 loans increased to 35.8 per cent at end Q1 of 2024 from 33.3 per cent at end Q1 of 2023.

Table 11 Asset Quality (Rs. billion)

Indicators	2023 Q1	2024 Q1	% Change (Y-o-Y)
Gross Stage 3 Loans	200.2	191.9	(4.1)
Impairment for Stage 3 Loans	66.6	68.6	3.0
Net Stage 3 Loans	133.6	123.3	(7.7)

Chart 41 Gross Stage 3 Loans to Total Loans

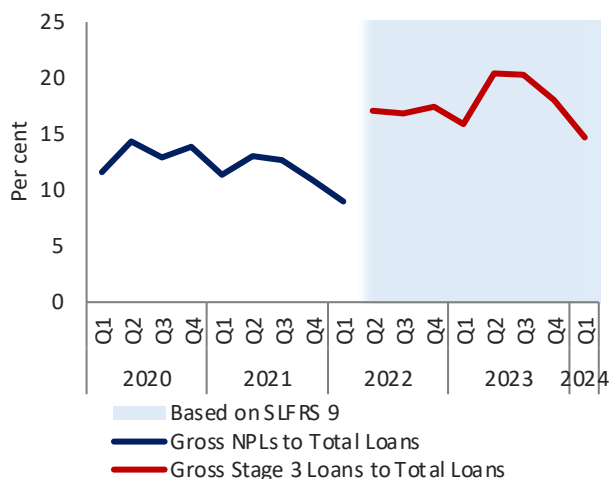


Chart 42 Stage 3 Impairment Coverage

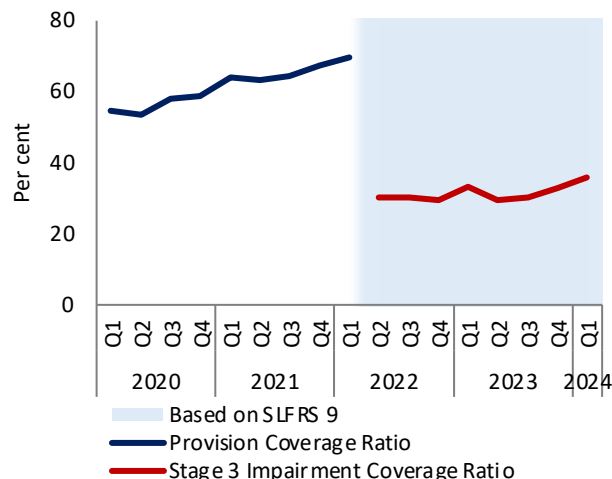


Chart 43 Net Stage 3 Loans to Capital

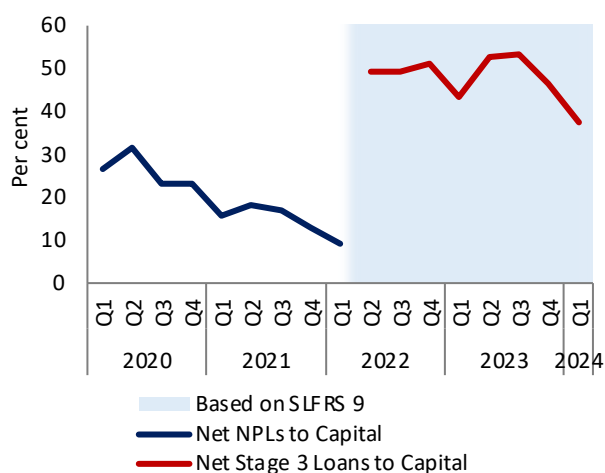
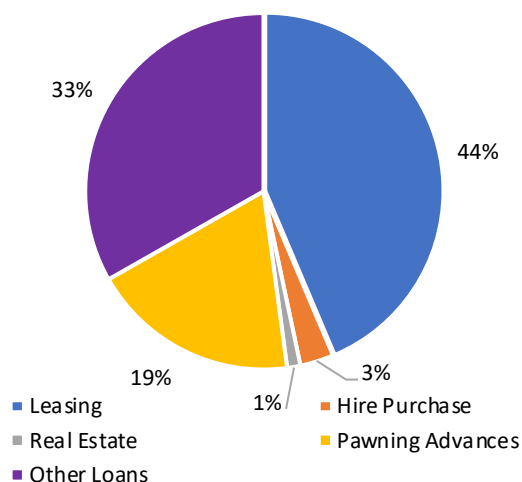


Chart 44 Loan Concentration by Product at end Q1 of 2024



* 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 profit after tax of Rs. 51.5 billion for the financial year 2023/24. Profitability indicators, ROA and ROE of the sector increased to 5.5 per cent and 12.9 per cent respectively, at end Q1 of 2024 from 3.7 per cent and 9.2 per cent respectively, at end Q1 of 2023.

Table 12 Earnings & Profitability (Rs. billion)

Indicators	2022 Q1- 2023 Q1	2023 Q1- 2024 Q1	% Change (Y-o-Y)
Net Interest Income	135.6	165.5	22.0
Gross Income ^(d)	159.4	199.6	25.2
Profit Before Tax	45.8	71.3	55.6
Profit After Tax	33.3	51.5	54.7

Chart 45 Return on Assets (before tax)

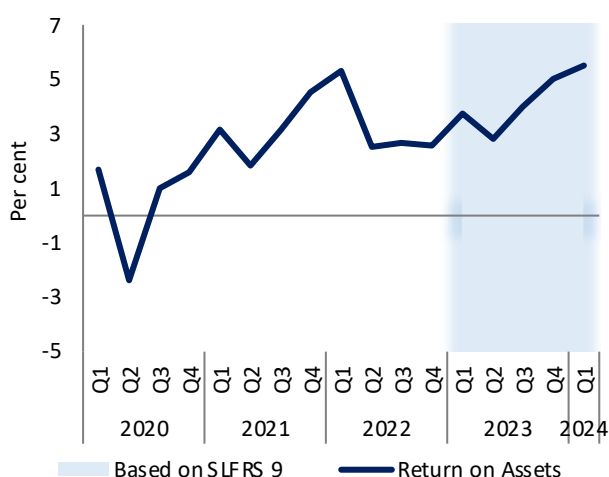


Chart 46 Return on Equity (after tax)

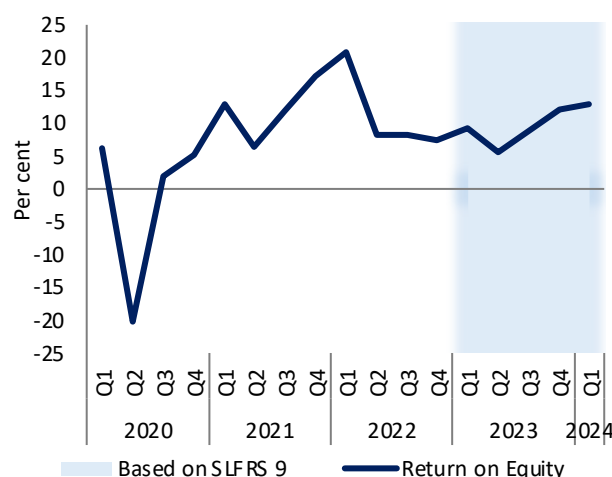


Chart 47 Net Interest Income to Gross Income

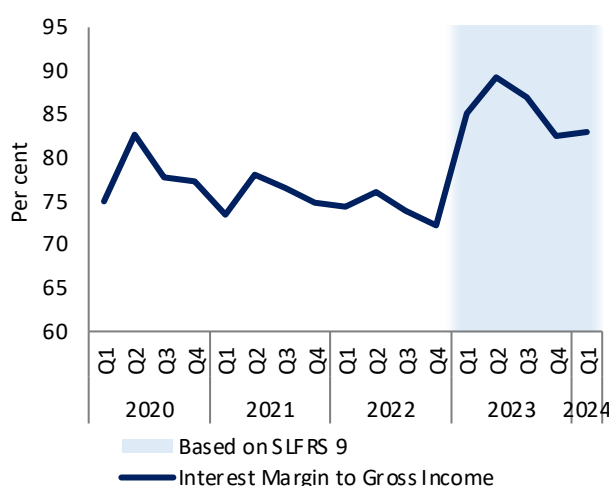
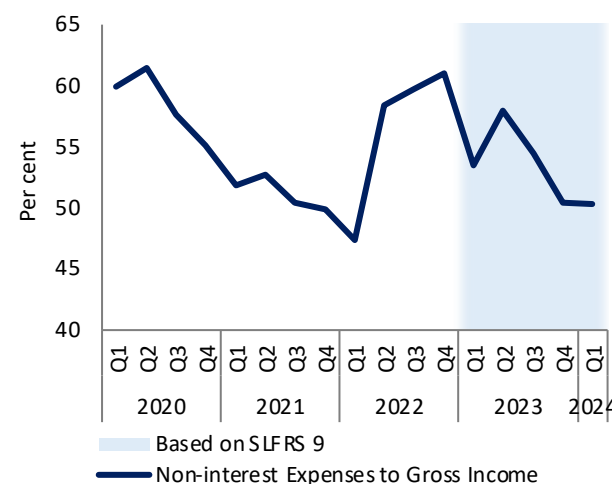


Chart 48 Non-interest Expenses to Gross Income



* LFCs sector indicators to be interpreted by factoring that Financial Statements have been prepared based on SLFRS-9 from Q1 of 2023 onwards.

(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 14.8 per cent by end Q1 of 2024 compared to a year ago.

Table 13 Liquidity (Per cent)

Indicators	2023 Q1	2024 Q1
Liquid Assets to Total Assets Ratio	14.0	14.8
Credit to Deposit Ratio	128.2	123.1
Liquid Assets to Deposits & Borrowings	19.1	21.0

Chart 49 Liquid Assets

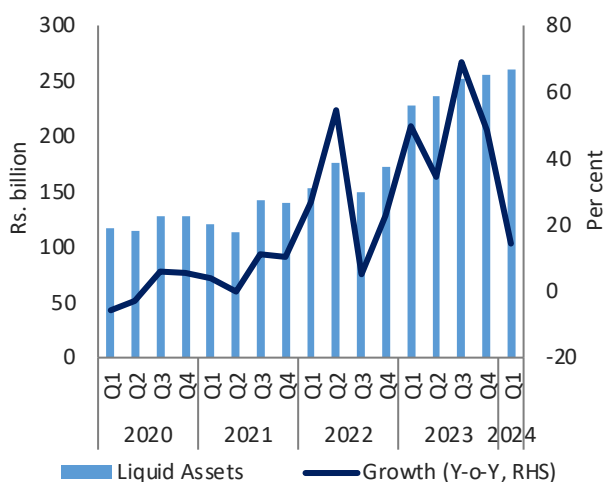


Chart 50 Liquid Assets to Total Assets Ratio

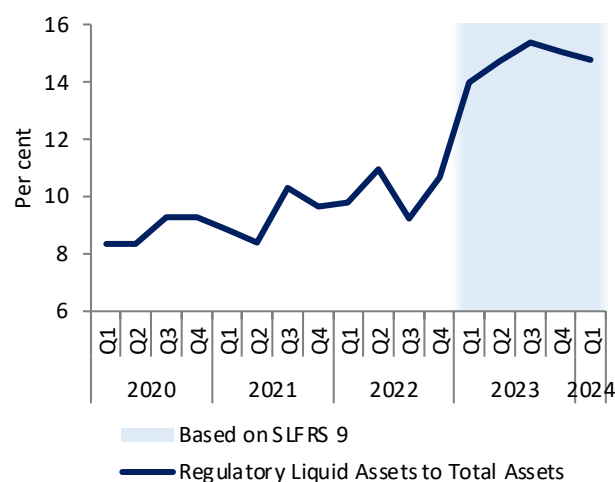


Chart 51 Liquid Assets to Deposits & Borrowings

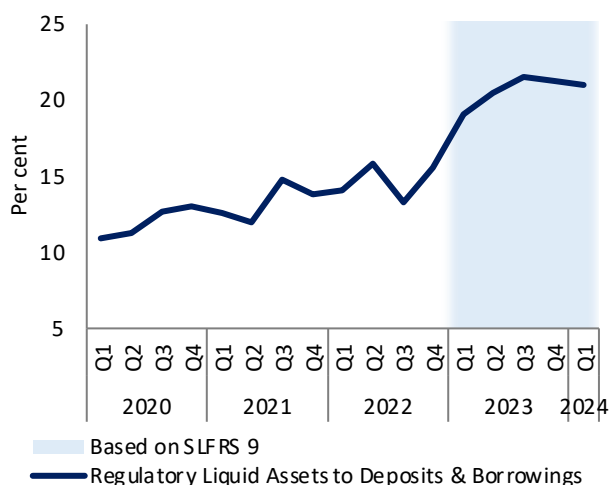
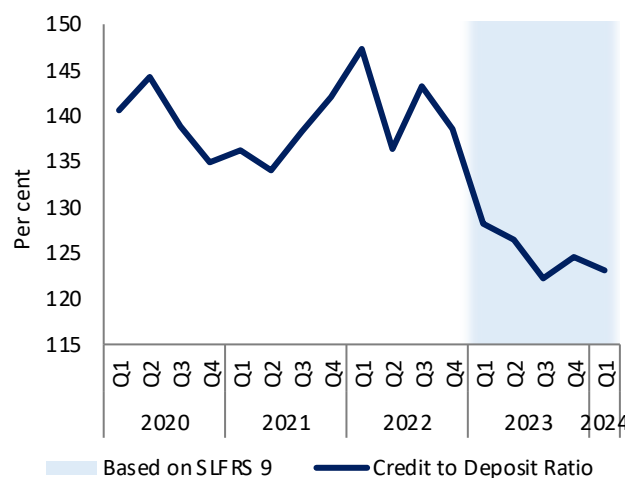


Chart 52 Credit to Deposits Ratio



* LFCs sector indicators to be interpreted by factoring that Financial Statements have been prepared based on SLFRS-9 from Q1 of 2023 onwards.