



# FINANCIAL SOUNDNESS INDICATORS

Q2 of 2024



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இலங்கை மத்திய வங்கி  
CENTRAL BANK OF SRI LANKA

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The Financial Soundness Indicators – Q2 of 2024 focuses on data ending June 2024. Moreover, the data for Q2 of 2024 are provisional. Data may include calculations made specifically for this publication.

# Banking Sector Assets\*

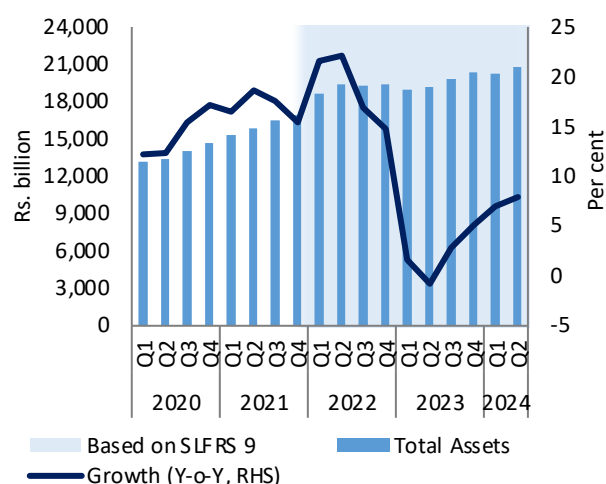
01

The banking sector recorded a y-o-y asset growth of 7.9 per cent at end Q2 of 2024, primarily driven by the increased investments and loans & receivables.

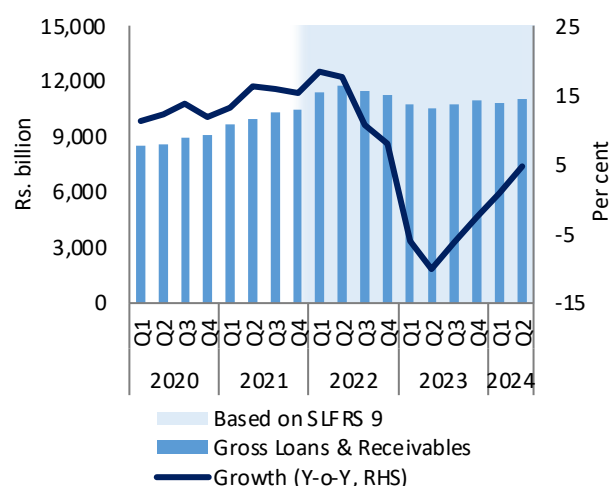
**Table 1** Banking Sector Assets (Rs. billion)

Indicators	2023 Q2	2024 Q2	% Change (Y-o-Y)
Total Assets	19,199.4	20,724.7	7.9
Gross Loans & Receivables	10,573.1	11,081.9	4.8
Investments	6,589.6	7,849.1	19.1

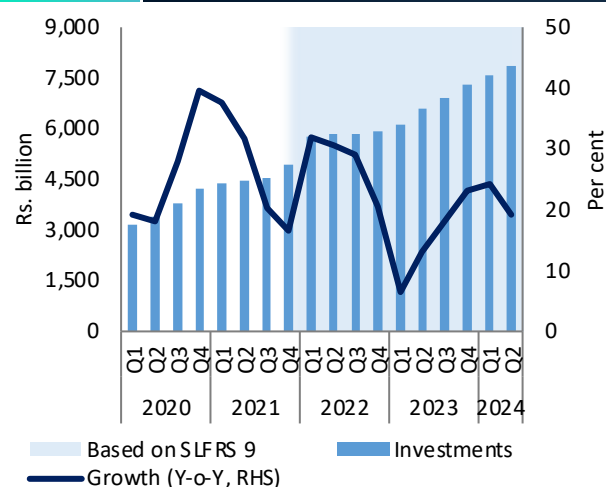
**Chart 1** Total Assets



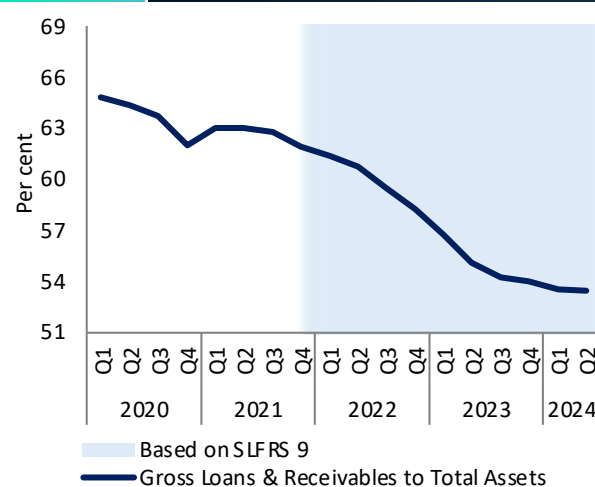
**Chart 2** Gross Loans & Receivables



**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\*

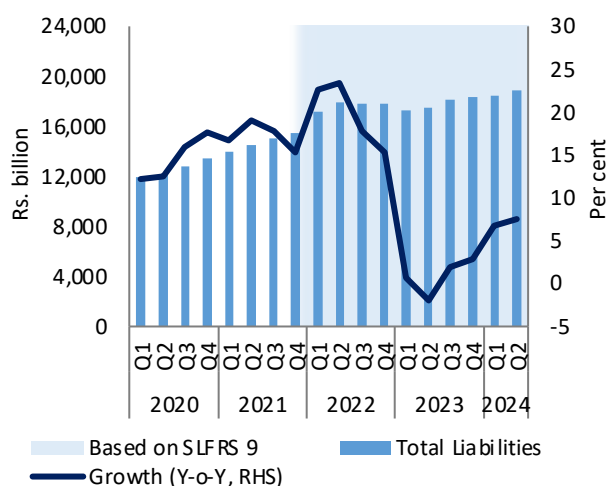
02

Liabilities of the banking sector grew by 7.6 per cent y-o-y at end Q2 of 2024, due to the growth in deposits. Furthermore, equity capital and reserves recorded a growth of 11.5 per cent y-o-y at end Q2 of 2024.

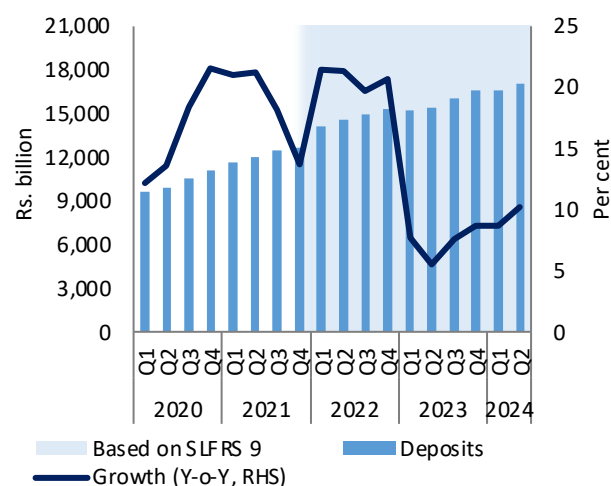
**Table 2** Liabilities & Equity (Rs. billion)

Indicators	2023 Q2	2024 Q2	% Change (Y-o-Y)
Total Liabilities	17,556.0	18,892.6	7.6
Deposits	15,444.5	17,023.6	10.2
Borrowings	1,505.6	1,273.8	-15.4
Equity Capital & Reserves	1,643.3	1,832.1	11.5

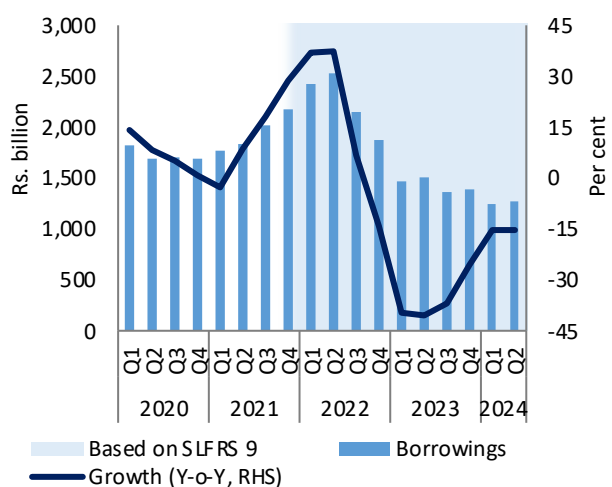
**Chart 5** Total Liabilities



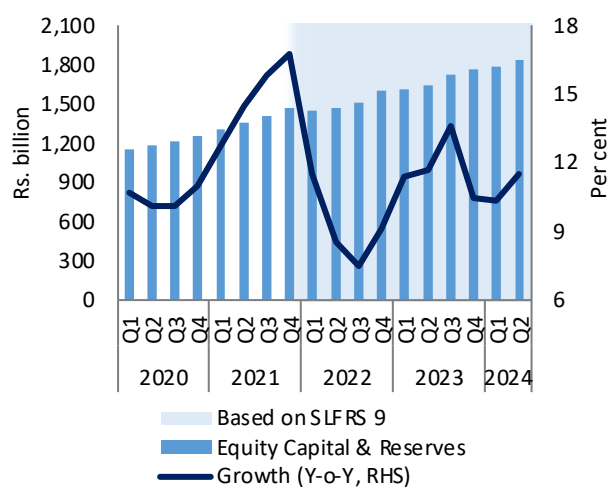
**Chart 6** Deposits



**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

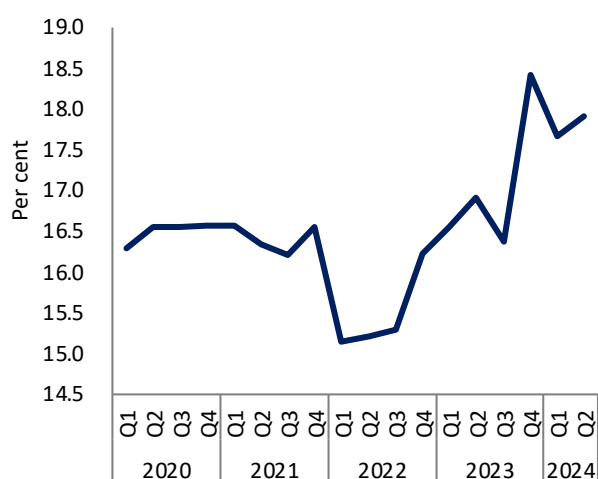
03

Regulatory Capital to Risk Weighted Assets (RWA) of the banking sector improved to 18.0 per cent at end Q2 of 2024 compared to 16.9 per cent at end Q2 of 2023, due to the increase in regulatory capital.

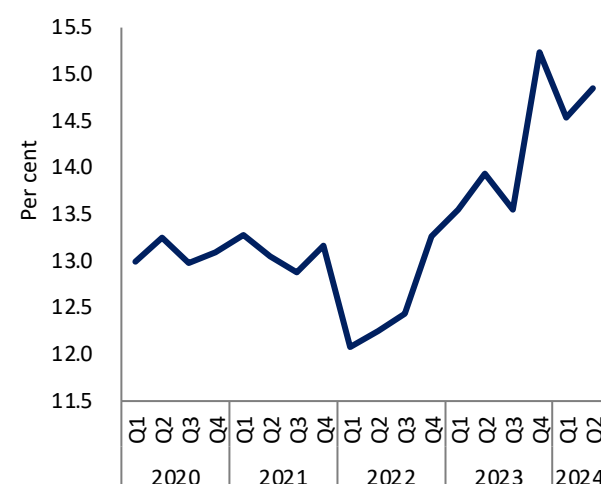
**Table 3** Regulatory Capital (Rs. billion)

Indicators	2023 Q2	2024 Q2	% Change (Y-o-Y)
Total Regulatory Capital	1,506.3	1,678.6	11.4
Tier 1 Capital	1,240.1	1,392.7	12.3
Risk Weighted Assets (RWA)	8,906.4	9,301.3	4.4
Leverage Exposure	19,891.8	21,485.7	8.0

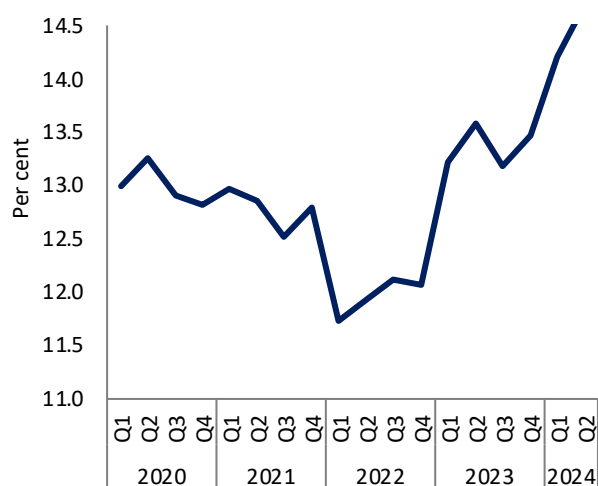
**Chart 9** Regulatory Capital to RWA



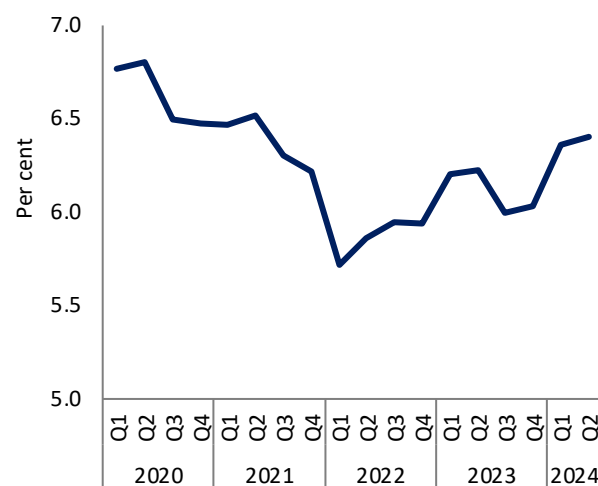
**Chart 10** Tier-1 Capital to RWA



**Chart 11** CET-1 Capital to RWA



**Chart 12** Leverage Ratio



# Banking Sector Asset Quality\*

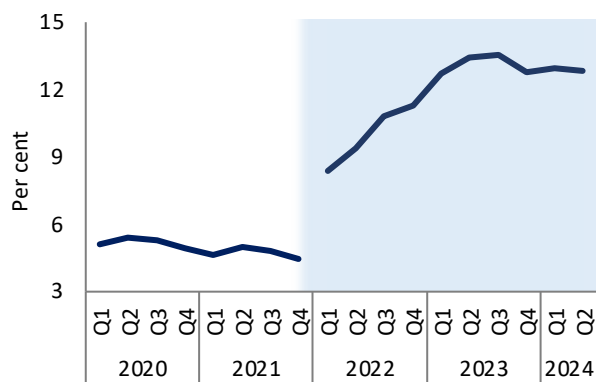
04

Non-Performing Loans to Total Loans<sup>(a)</sup> of the banking sector declined to 12.8 per cent at end Q2 of 2024 compared to 13.5 per cent at end Q2 of 2023, indicating a gradual decline in default risk of the banking sector.

**Table 4** Asset Quality (Rs. billion)

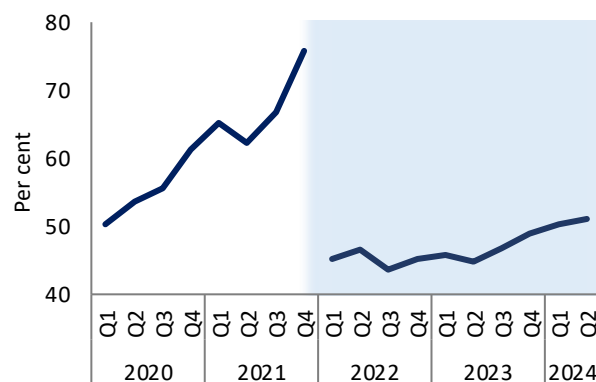
Indicators	2023 Q2	2024 Q2	% Change (Y-o-Y)
Non-Performing Loans (NPLs)	1,421.4	1,401.6	-1.4
Provision for Total Loans	929.5	968.6	4.2
Provision for Non-Performing Loans <sup>(a)</sup>	653.3	729.3	11.6

**Chart 13** Non-Performing Loans to Total Loans



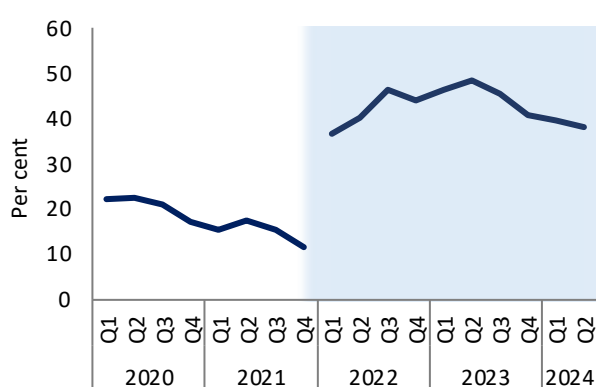
Based on SLFRS 9 Gross NPLs to Total Loans

**Chart 14** Provision Coverage



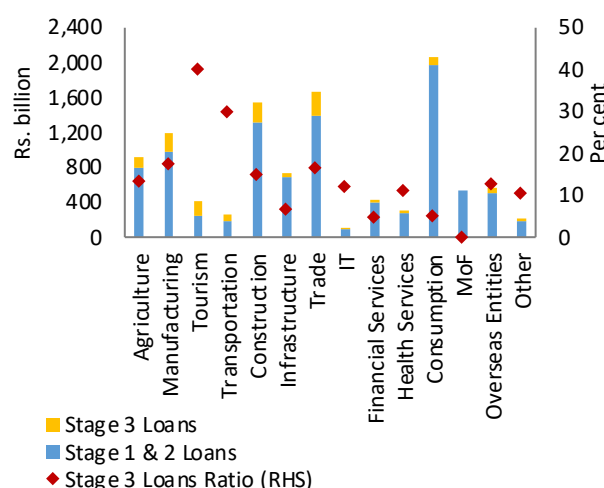
Based on SLFRS 9 Total Provision Coverage Ratio

**Chart 15** Net Non-Performing Loans to Capital



Based on SLFRS 9  
Net NPLs to Equity Capital & Reserves

**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. Accordingly, Non-Performing Loans and Provision Coverage from 01.01.2022 would reflect Stage 3 Loans and Impairment Coverage, respectively.

# Banking Sector Earnings & Profitability\*

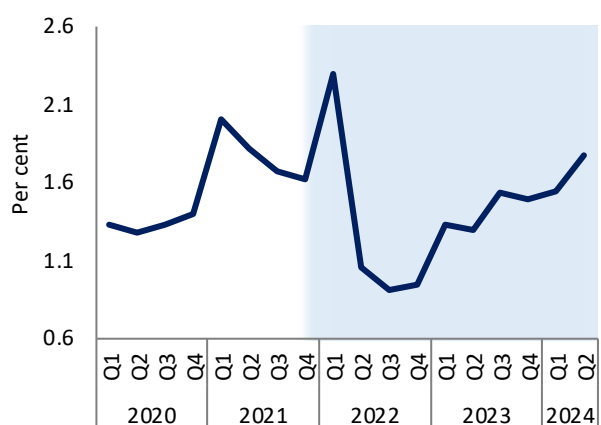
05

The banking sector reported a profit after tax of Rs. 111.8 billion at end Q2 of 2024, recording an increase of 38.8 per cent y-o-y, mainly due to the increase in net interest income.

**Table 5** Earnings and Profitability (Rs. billion)

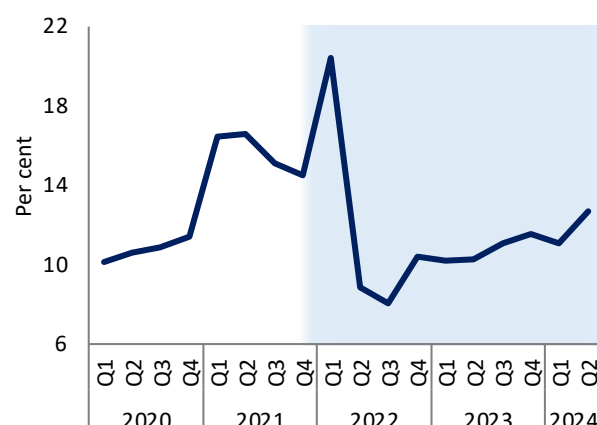
Indicators	2023 Q2	2024 Q2	% Change (Y-o-Y)
Net Interest Income	336.4	395.1	17.5
Gross Income <sup>(b)</sup>	419.4	491.3	17.1
Profit Before Corporate Tax	124.2	178.4	43.6
Profit After Corporate Tax	80.5	111.8	38.8

**Chart 17** Return on Assets (before tax)



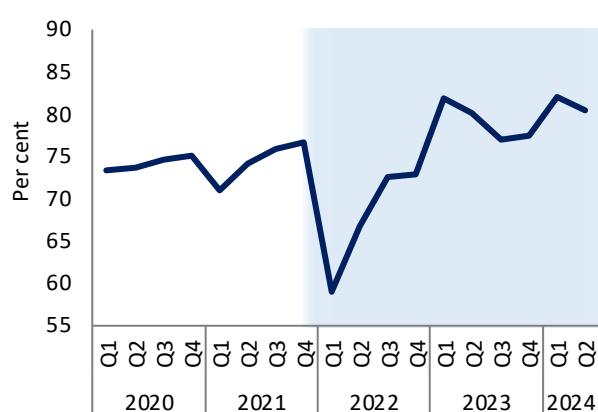
Based on SLFRS 9 — Return on Assets (Before Tax)

**Chart 18** Return on Equity (after tax)



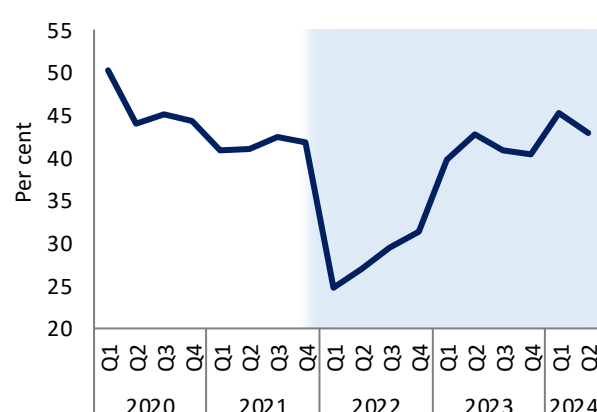
Based on SLFRS 9 — Return on Equity (After Tax)

**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

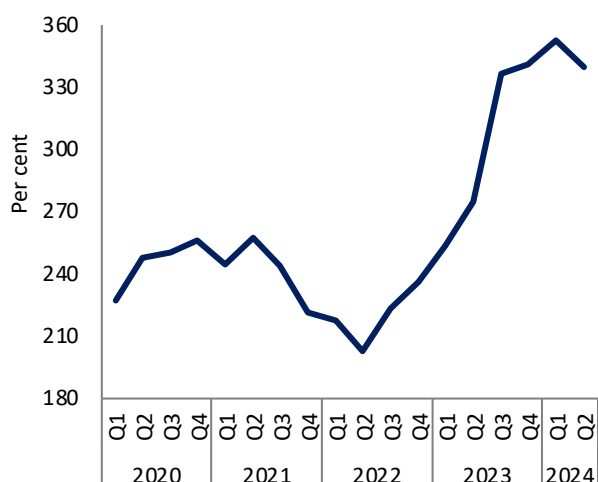
06

Liquidity of the banking sector in terms of Liquidity Coverage Ratios, and Net Stable Funding Ratio significantly improved at end Q2 of 2024 compared to end Q2 of 2023.

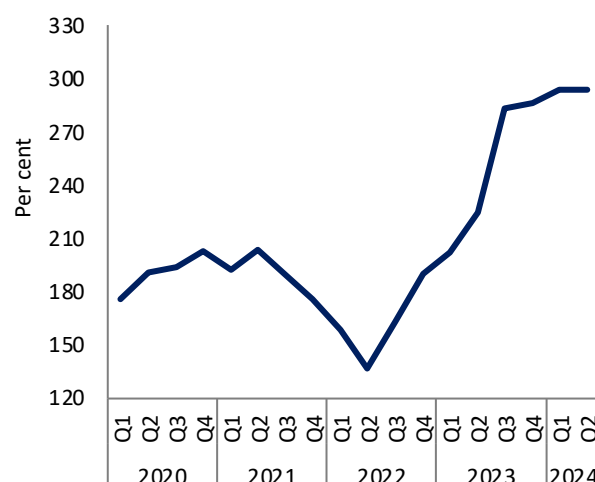
**Table 6** Liquidity (Per cent)

Indicators	2023 Q2	2024 Q2
Liquidity Coverage Ratio - Rupee	274.7	339.9
Liquidity Coverage Ratio - All Currency	224.6	293.5
Net Stable Funding Ratio	149.2	163.6

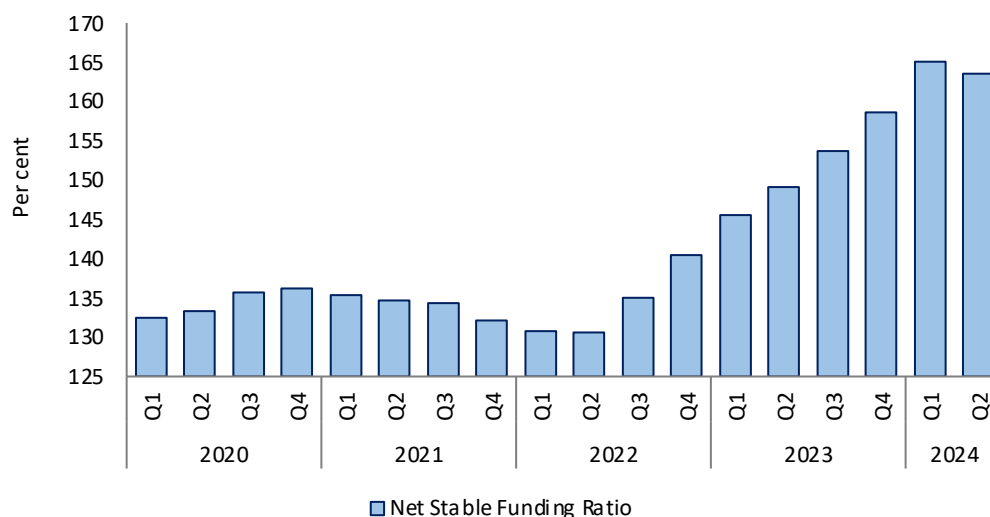
**Chart 21** Liquidity Coverage Ratio - Rupee



**Chart 22** Liquidity Coverage Ratio - All Currency



**Chart 23** Net Stable Funding Ratio





# Banking Sector Foreign Currency Operations\*

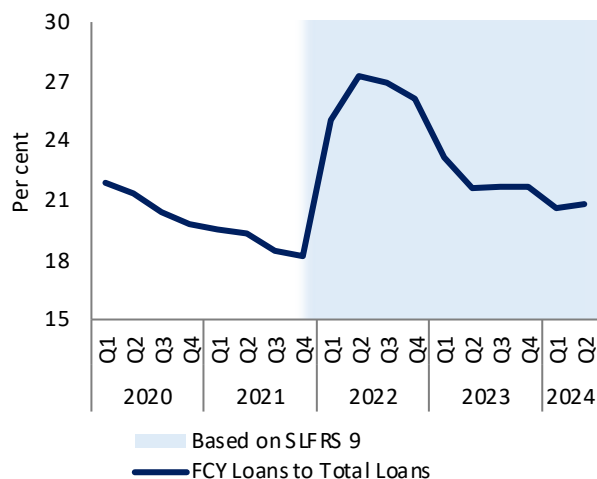
07

FCY loans & receivables marginally improved while FCY investments contracted on a y-o-y basis at end Q2 of 2024, whereas FCY deposits recorded a growth while FCY borrowings contracted at end Q2 of 2024 compared to Q2 of 2023.

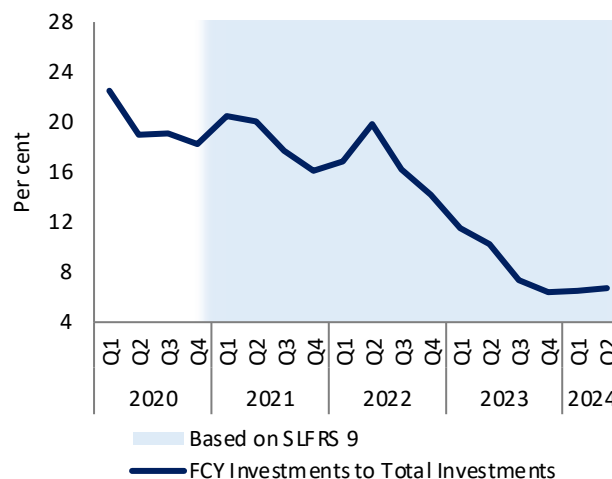
**Table 7** Foreign Currency (FCY) Operations (USD million)

Indicators	2023 Q2	2024 Q2	% Change (Y-o-Y)
FCY Loans & Receivables	7,409.0	7,532.5	1.7
FCY Investments	2,182.0	1,729.9	-20.7
FCY Borrowings	1,174.9	836.0	-28.8
FCY Deposits	10,397.1	11,275.0	8.4

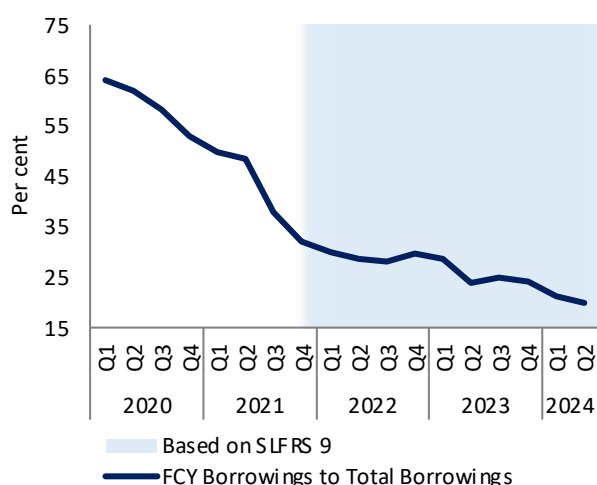
**Chart 24** FCY Loans to Total Loans



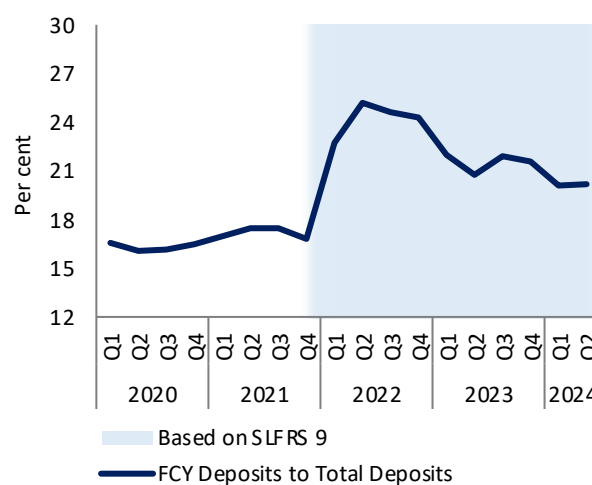
**Chart 25** FCY Investments to Total Investments



**Chart 26** FCY Borrowings to Total Borrowings



**Chart 27** FCY 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.

# Finance Companies Sector Assets\*

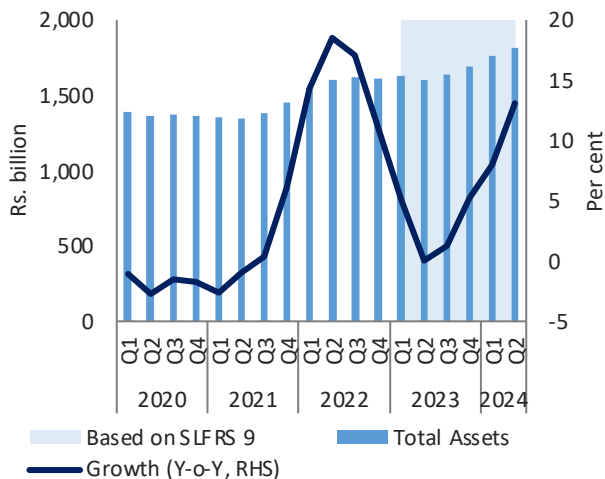
08

Total assets of the sector grew by 13.2 per cent, y-o-y, at end Q2 of 2024 mainly due to increased loans & advances and investments.

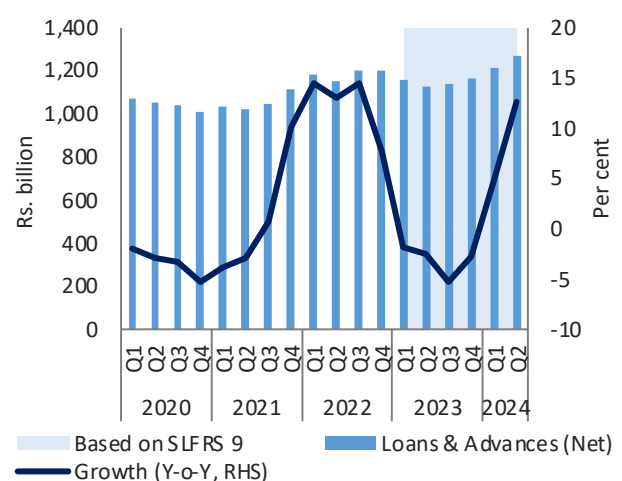
**Table 8** Assets (Rs. billion)

Indicators	2023 Q2	2024 Q2	% Change (Y-o-Y)
Total Assets	1,601.1	1,811.7	13.2
Loans & Advances (Net)	1,124.2	1,265.6	12.6
Investments	327.7	401.7	22.6

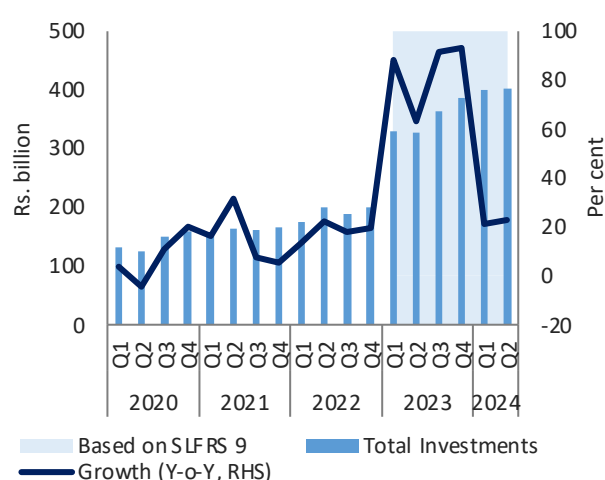
**Chart 28** Total Assets



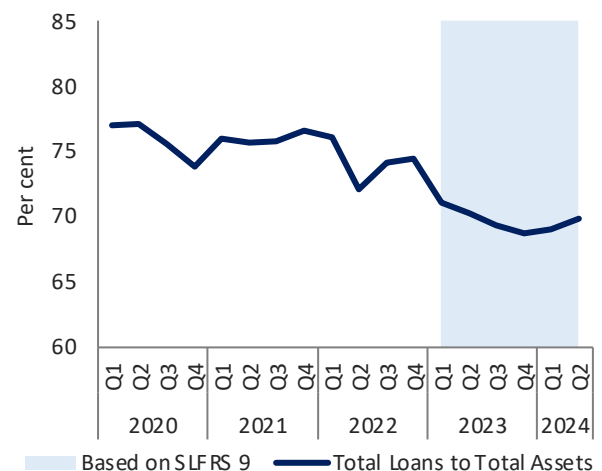
**Chart 29** Loans & Advances



**Chart 30** Investments



**Chart 31** Loans & Advances to Total Assets



\* FCs sector indicators to be interpreted by factoring that financial statements have been prepared based on SLFRS-9 from Q1 of 2023 onwards.

# Finance Companies Sector Liabilities & Equity\*

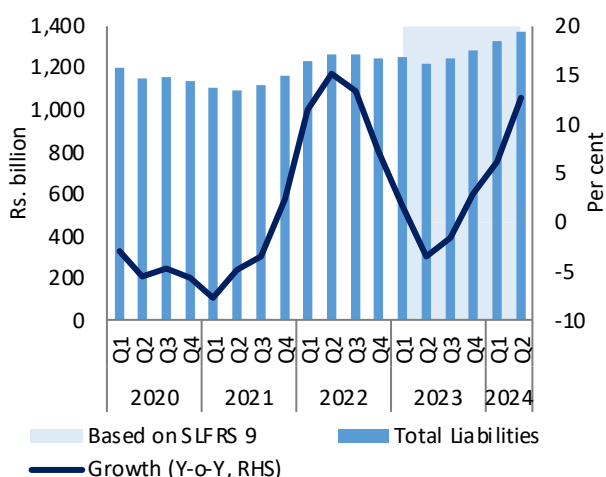
09

Total liabilities of the sector increased by 12.6 per cent y-o-y, at end Q2 of 2024 mainly due to increased deposits. Borrowings improved by 4.7 per cent, y-o-y, at end Q2 of 2024 while equity funds grew by 14.8 per cent, y-o-y.

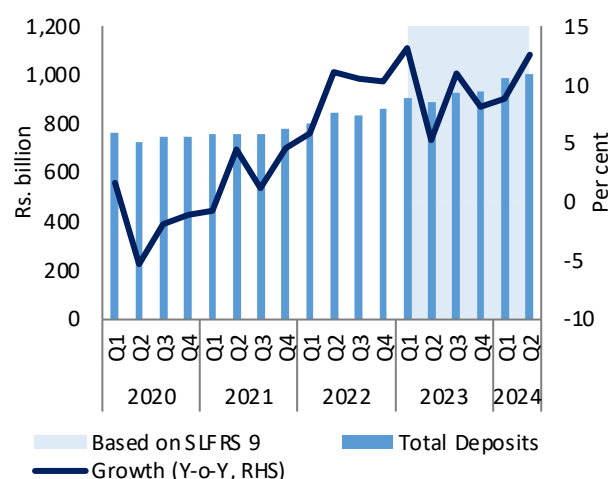
**Table 9** Liabilities & Equity (Rs. billion)

Indicators	2023 Q2	2024 Q2	% Change (Y-o-Y)
Total Liabilities	1,217.3	1,371.1	12.6
Deposits	890.9	1,002.9	12.6
Borrowings	256.4	268.4	4.7
Equity Fund	383.7	440.6	14.8

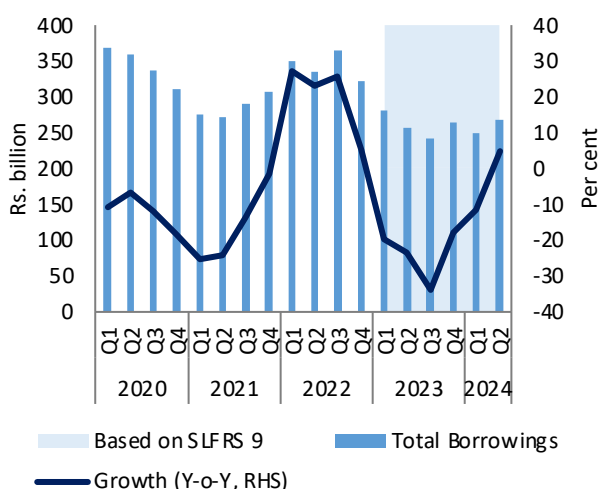
**Chart 32** Total Liabilities



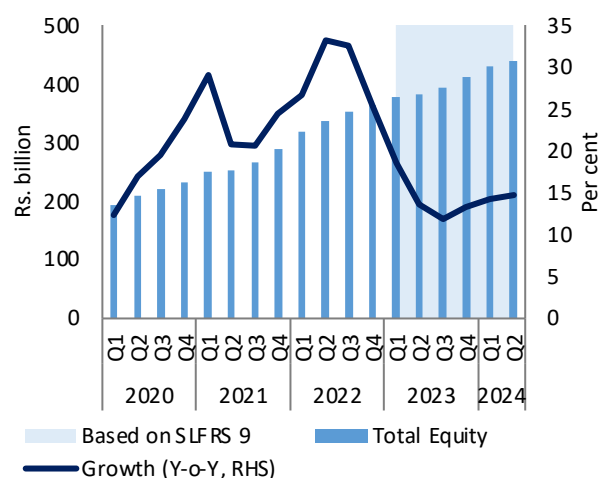
**Chart 33** Deposits



**Chart 34** Borrowings



**Chart 35** Equity



\* FCs sector indicators to be interpreted by factoring that financial statements have been prepared based on SLFRS-9 from Q1 of 2023 onwards.

# Finance Companies Sector Capital Adequacy\*

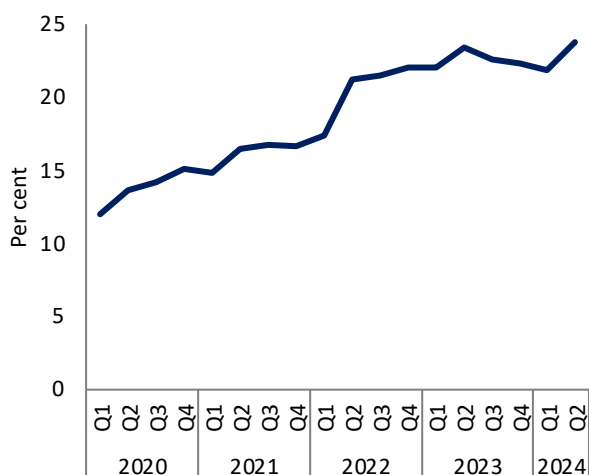
10

Total regulatory capital to RWA of the FCs sector increased marginally to 23.8 per cent in Q2 of 2024 from 23.4 per cent in Q2 of 2023. Total borrowings to equity declined to 0.6 times from 0.7 times during the same reference period.

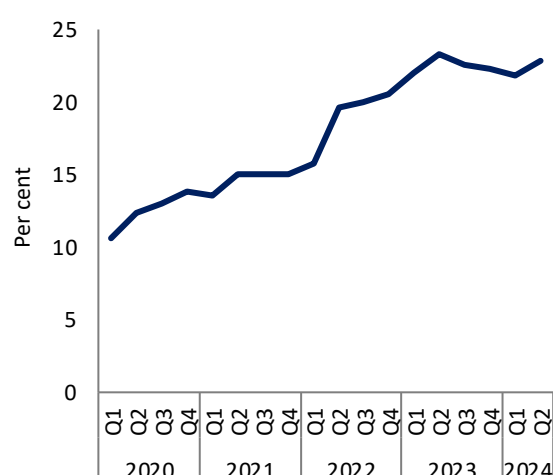
**Table 10** Regulatory Capital (Rs. billion)

Indicators	2023 Q2	2024 Q2	% Change (Y-o-Y)
Regulatory Capital	336.6	367.0	9.0
Tier 1 Capital (Eligible)	316.5	352.8	11.5
Risk Weighted Assets	1,440.9	1,542.8	7.1

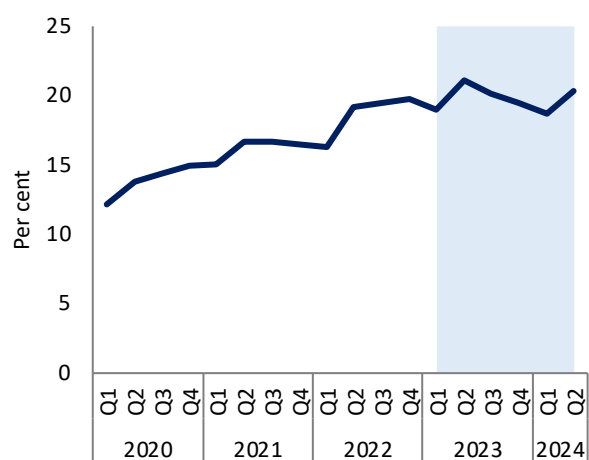
**Chart 36** Regulatory Capital to RWA



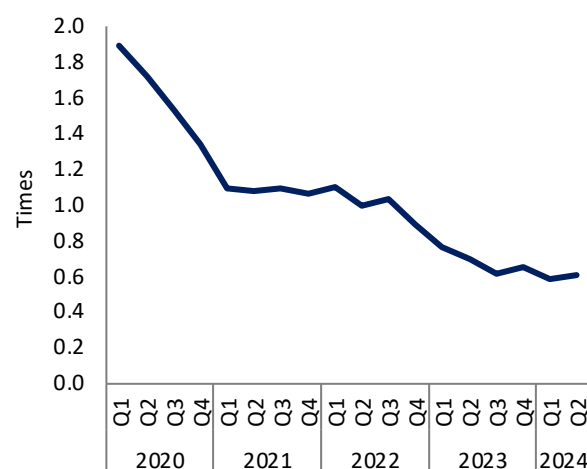
**Chart 37** Tier-1 Capital to RWA



**Chart 38** Regulatory Capital to Assets



**Chart 39** Borrowings to Equity



\* FCs sector indicators to be interpreted by factoring that financial statements have been prepared based on SLFRS-9 from Q1 of 2023 onwards.

# Finance Companies Sector

## Asset Quality\*

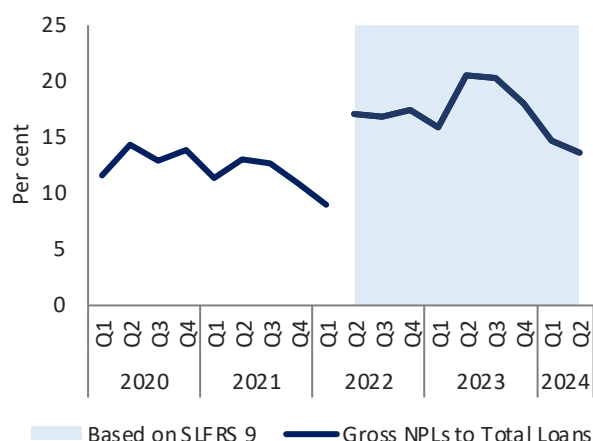
11

Gross non-performing loans (NPLs) ratio decreased to 13.6 per cent at end Q2 of 2024 compared to 20.5 per cent at end Q2 of 2023. Provision coverage for non-performing loans increased to 37.8 per cent at end Q2 of 2024 from 29.3 per cent at end Q2 of 2023.

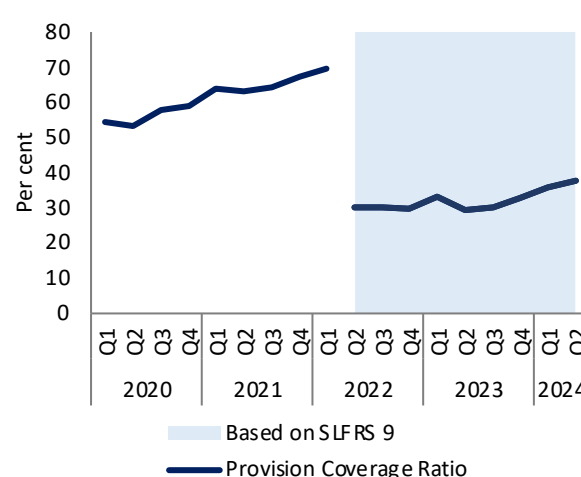
**Table 11** Asset Quality (Rs. billion)

Indicators	2023 Q2	2024 Q2	% Change (Y-o-Y)
Gross Non-Performing Loans	249.8	185.4	(25.8)
Provision for Non-Performing Loans	73.1	70.2	(4.1)
Net Non-Performing Loans	176.7	115.3	(34.7)

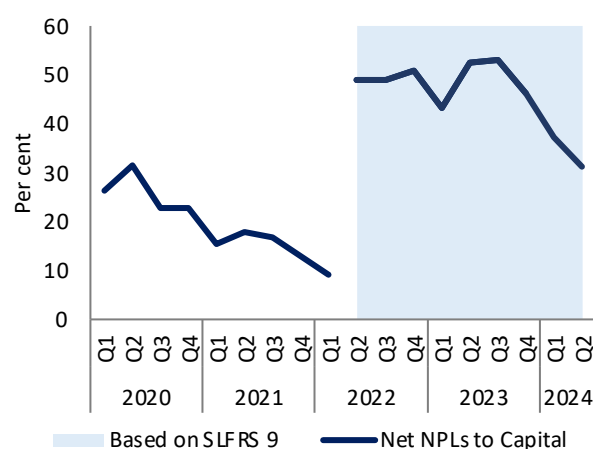
**Chart 40** Gross NPLs to Total Loans



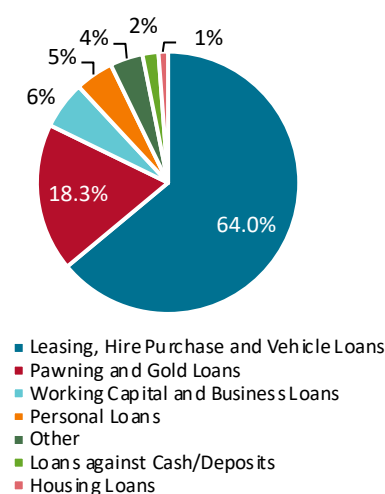
**Chart 41** Provision Coverage for NPLs



**Chart 42** Net NPLs to Capital



**Chart 43** Loan Concentration by Product at end Q2 of 2024



\* FCs sector indicators to be interpreted by factoring that financial statements have been prepared based on SLFRS-9 from Q1 of 2023 onwards. Accordingly, non-performing loans and provision coverage from Q1 of 2023 would reflect stage 3 loans and impairment coverage, respectively.

# Finance Companies Sector Earnings & Profitability\*

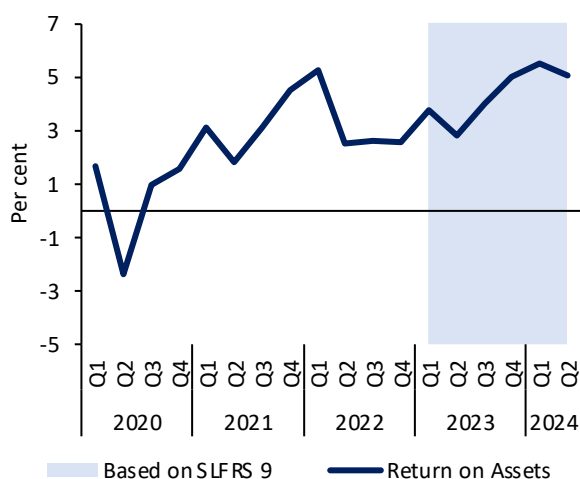
12

The FCs sector reported a profit after tax of Rs. 11.3 billion during the first three months of the financial year 2024/25. Profitability indicators, ROA and ROE of the sector increased to 5.1 per cent and 10.9 per cent respectively, at end Q2 of 2024 from 2.8 per cent and 5.6 per cent respectively, at end Q2 of 2023.

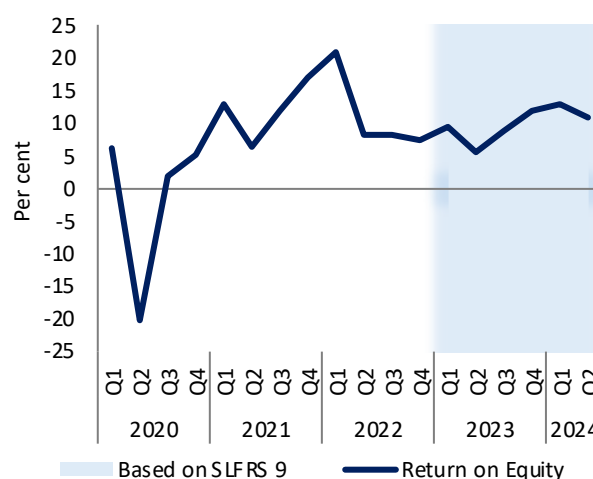
**Table 12** Earnings & Profitability (Rs. billion)

Indicators	2023 Q2	2024 Q2	% Change (Y-o-Y)
Net Interest Income	34.8	44.4	27.6
Gross Income <sup>(d)</sup>	39.0	51.9	33.2
Profit Before Tax	8.1	16.2	100.0
Profit After Tax	5.1	11.3	120.8

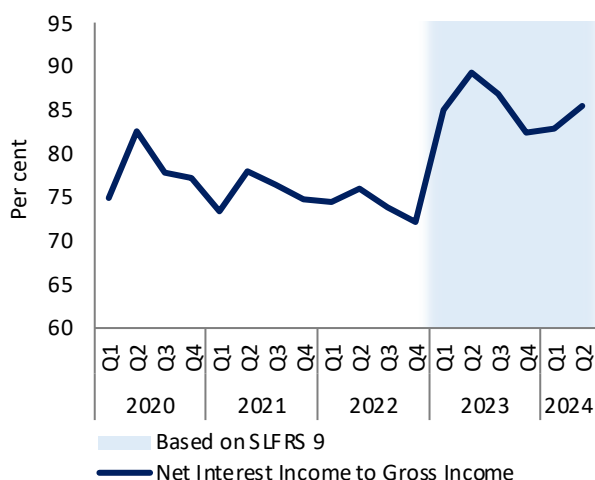
**Chart 44** Return on Assets (before tax)



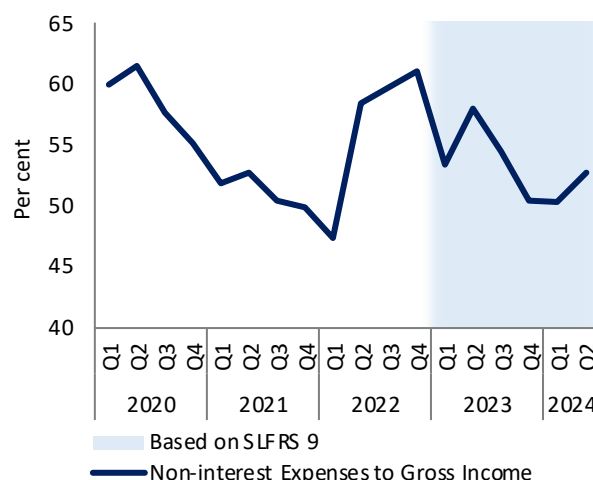
**Chart 45** Return on Equity (after tax)



**Chart 46** Net Interest Income to Gross Income



**Chart 47** Non-interest Expenses to Gross Income



\* FCs 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.



