



FINANCIAL SOUNDNESS INDICATORS

Q3 of 2024



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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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The Financial Soundness Indicators – Q3 of 2024 focuses on data ending September 2024. Moreover, the data for Q3 of 2024 are provisional. Data may include calculations made specifically for this publication.

Banking Sector Assets*

01

Banking sector assets recorded a y-o-y asset growth of 6.9 per cent at end Q3 of 2024, primarily driven by the increased investments. Increased loans & receivables also contributed to the asset growth.

Table 1 Banking Sector Assets (Rs. billion)

Indicators	2023 Q3	2024 Q3	% Change (Y-o-Y)
Total Assets	19,835.2	21,204.7	6.9
Gross Loans & Receivables	10,750.9	11,249.8	4.6
Investments	6,913.4	8,145.8	17.8

Chart 1 Total Assets

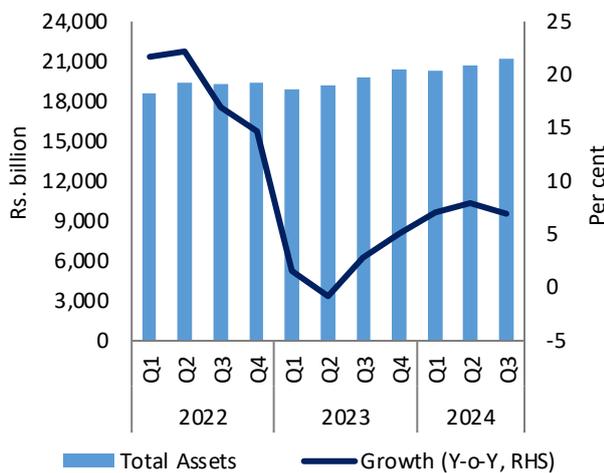


Chart 2 Gross Loans & Receivables

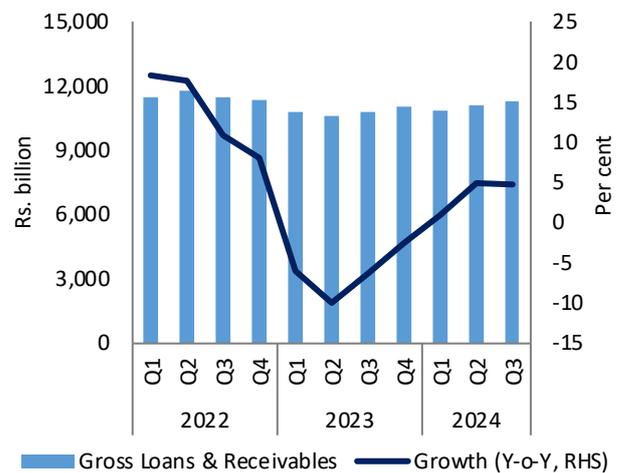
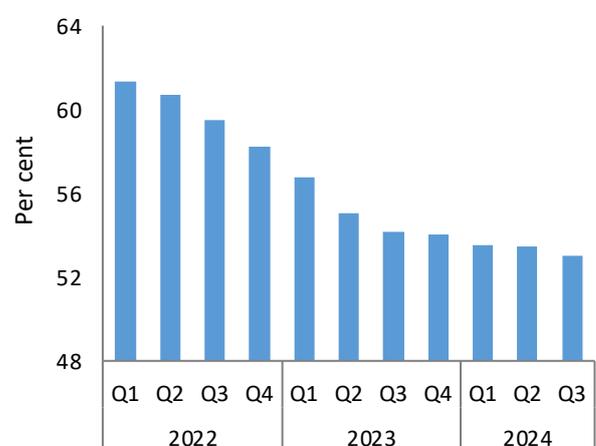


Chart 3 Investments



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 6.6 per cent y-o-y at end Q3 of 2024, due to the growth in deposits. Furthermore, equity capital and reserves recorded a growth of 10.3 per cent y-o-y at end Q3 of 2024.

Table 2 Liabilities & Equity (Rs. billion)

Indicators	2023 Q3	2024 Q3	% Change (Y-o-Y)
Total Liabilities	18,115.7	19,307.4	6.6
Deposits	16,061.4	17,341.3	8.0
Borrowings	1,365.3	1,296.6	-5.0
Equity Capital & Reserves	1,719.4	1,897.3	10.3

Chart 5 Total Liabilities

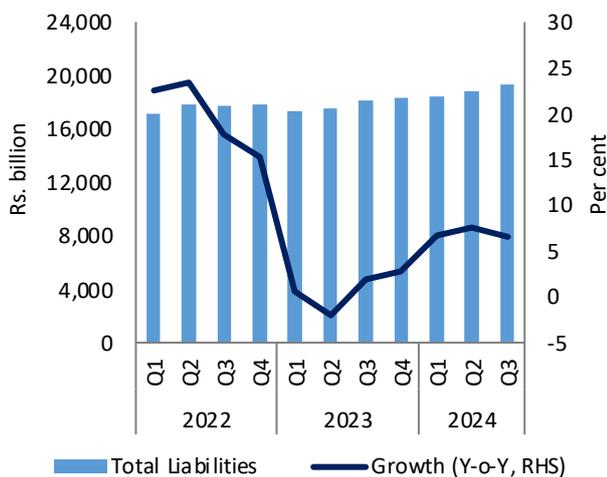


Chart 6 Deposits

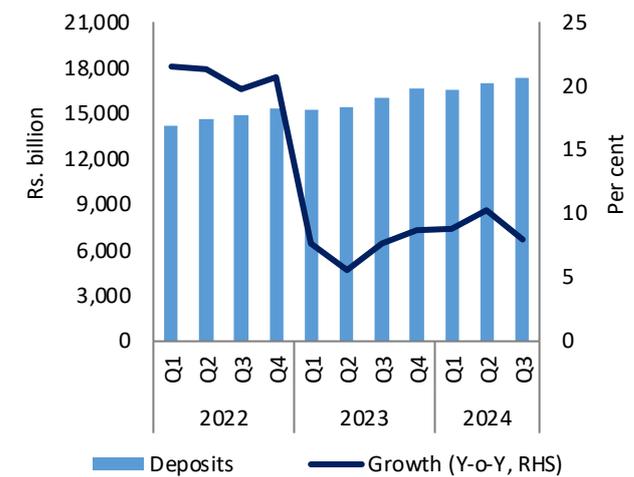


Chart 7 Borrowings

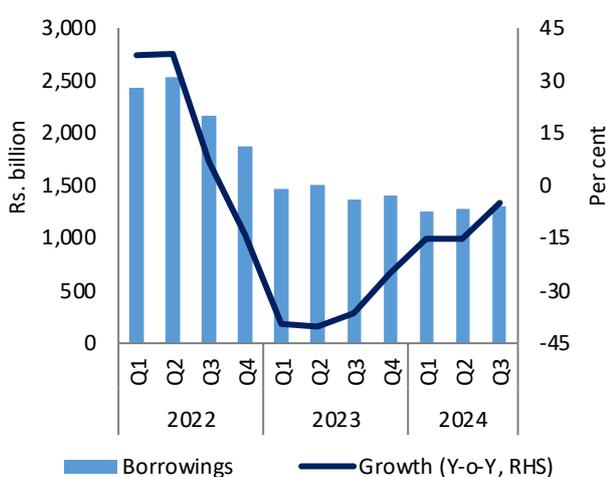
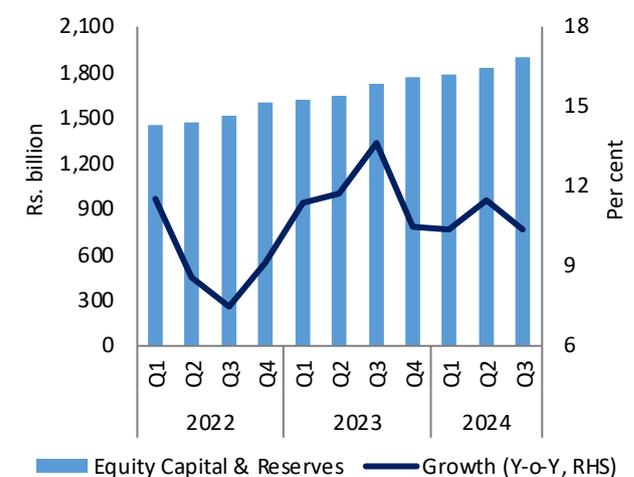


Chart 8 Equity Capital & Reserves



* 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 18.5 per cent at end Q3 of 2024 compared to 16.4 per cent at end Q3 of 2023, due to higher growth in regulatory capital compared to the growth in RWA.

Table 3 Regulatory Capital (Rs. billion)

Indicators	2023 Q3	2024 Q3	% Change (Y-o-Y)
Total Regulatory Capital	1,493.9	1,749.3	17.1
Tier-1 Capital	1,236.2	1,400.0	13.2
Risk Weighted Assets (RWA)	9,127.9	9,475.5	3.8
Leverage Exposure	20,563.9	21,710.4	5.6

Chart 9 Regulatory Capital to RWA

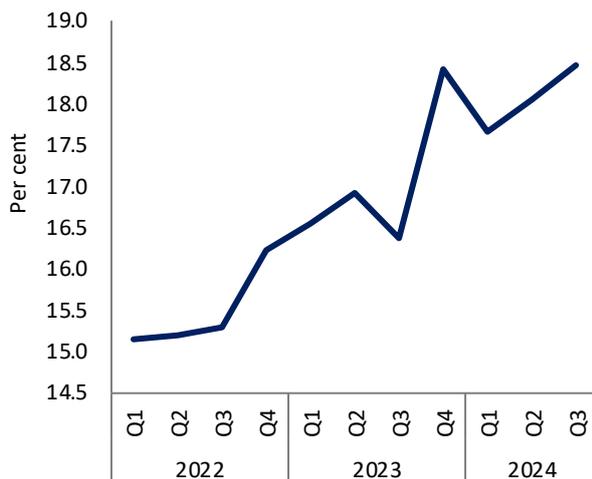


Chart 10 Tier-1 Capital to RWA

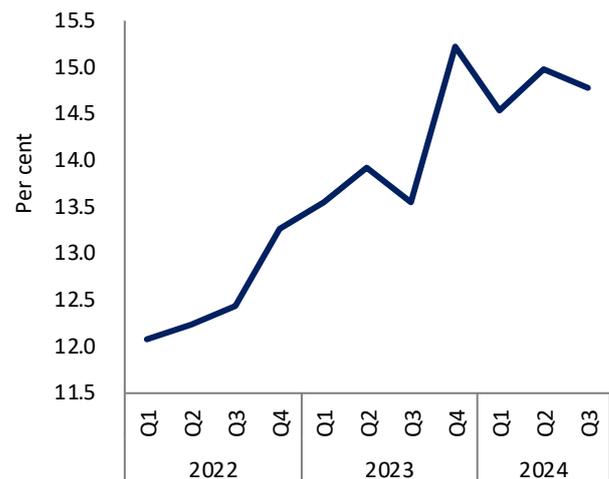


Chart 11 CET-1 Capital to RWA

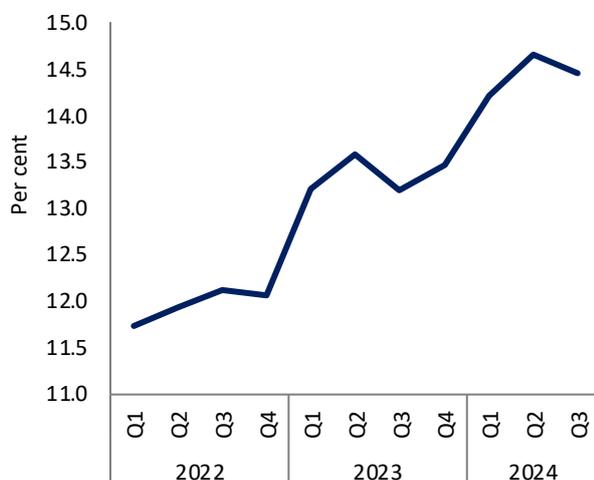
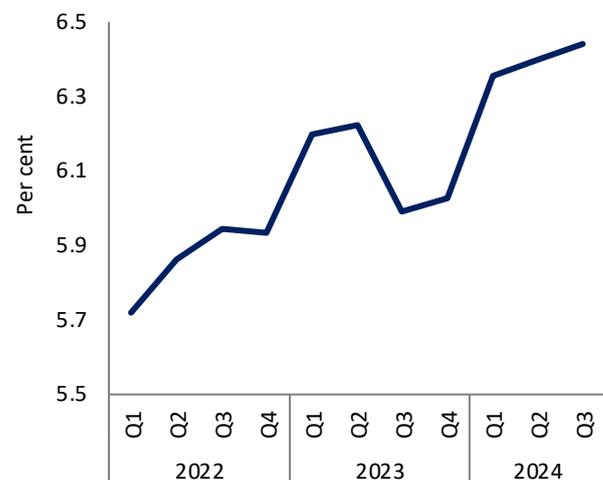


Chart 12 Leverage Ratio



Banking Sector Asset Quality*

04

Non-Performing Loans to Total Loans^(a) of the banking sector declined to 12.4 per cent at end Q3 of 2024 compared to 13.6 per cent at end Q3 of 2023, indicating a gradual decline in default risk of the banking sector.

Table 4 Asset Quality (Rs. billion)

Indicators	2023 Q3	2024 Q3	% Change (Y-o-Y)
Non-Performing Loans (NPLs) ^(a)	1,435.5	1,400.5	-2.4
Provision for Total Loans	950.0	958.6	0.9
Provision for NPLs ^(a)	675.0	735.8	9.0

Chart 13 NPLs to Total Loans

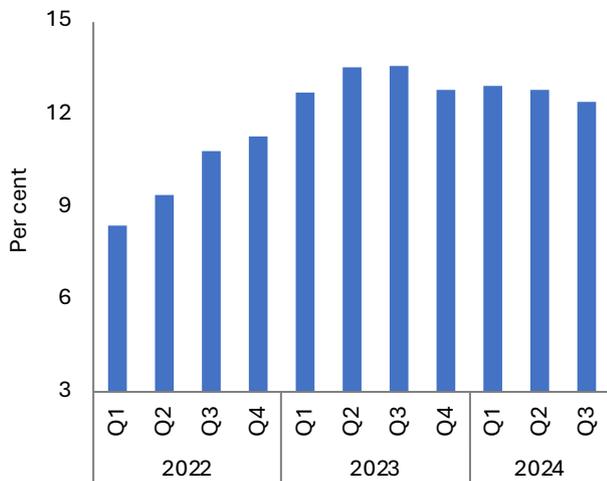


Chart 14 Provision Coverage

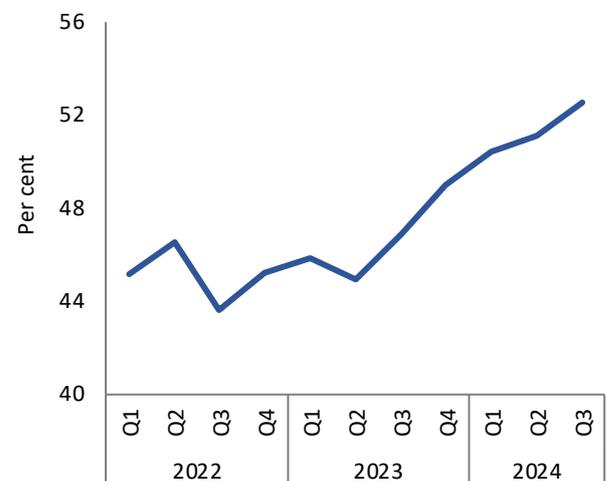


Chart 15 Net NPLs to Capital

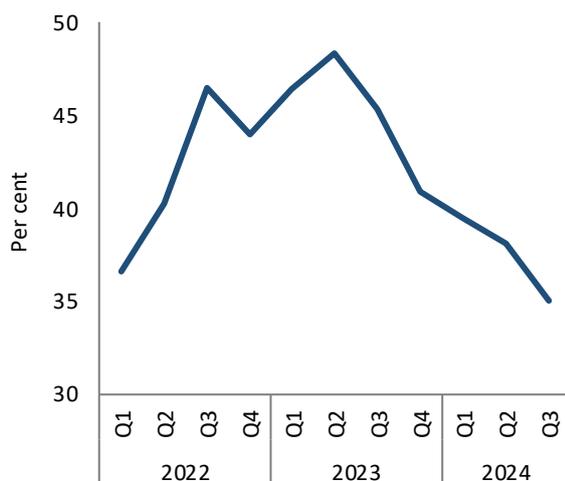
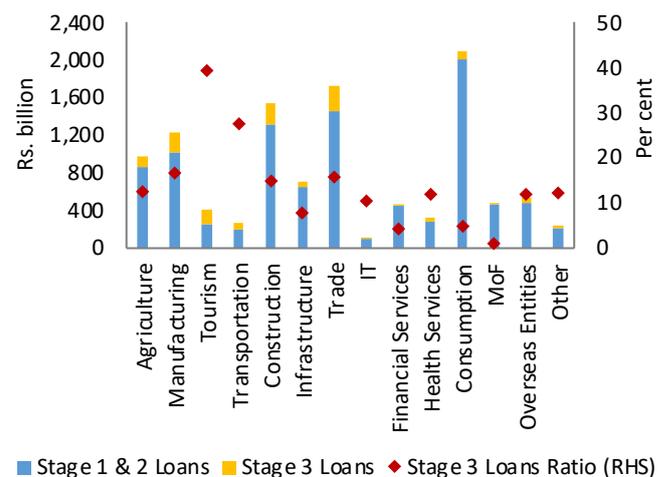


Chart 16 Loan Concentration by Economic Activity



(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. 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. 178.6 billion during the three quarters ending Q3 of 2024, recording an increase of 23.8 per cent, y-o-y, mainly due to the increase in net interest income.

Table 5 Earnings and Profitability (Rs. billion)

Indicators	2023 Q3	2024 Q3	% Change (Y-o-Y)
Net Interest Income	511.9	615.0	20.1
Gross Income ^(b)	664.7	756.1	13.8
Profit Before Corporate Tax	221.3	284.2	28.4
Profit After Corporate Tax	144.3	178.6	23.8

Chart 17 Return on Assets (before tax)

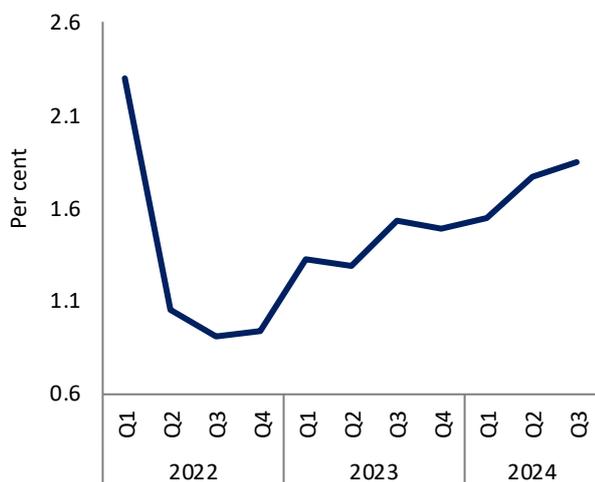


Chart 18 Return on Equity (after tax)

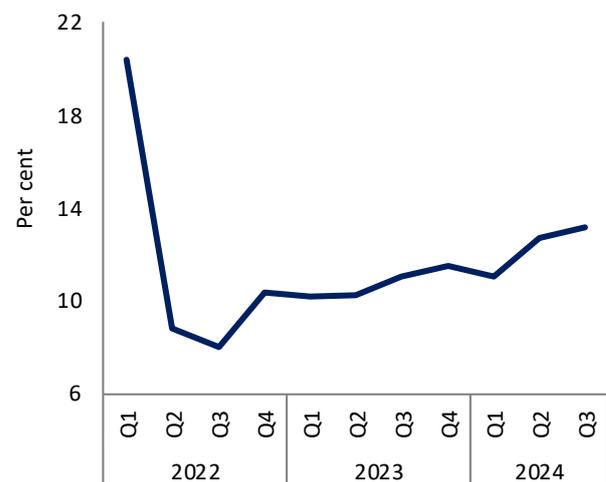


Chart 19 Net Interest Income to Gross Income

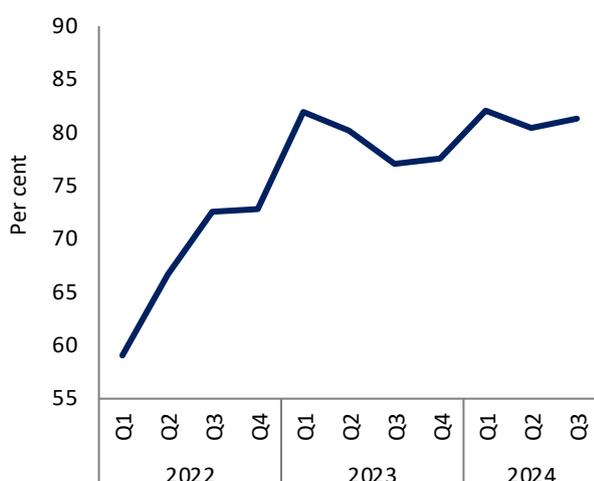
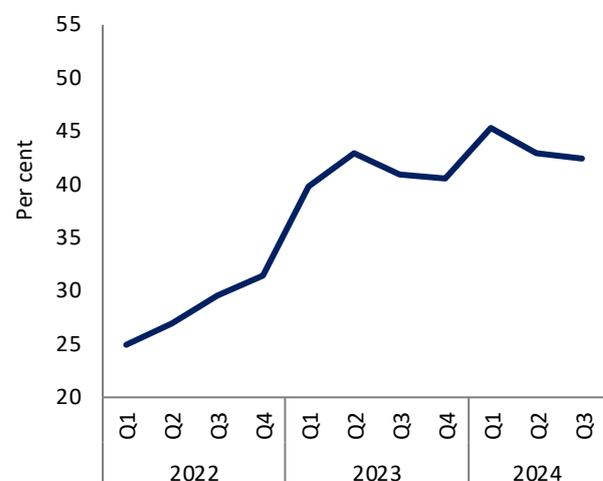


Chart 20 Non-Interest Expense to Gross Income



(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 Liquidity Coverage Ratios (LCR) – Rupee & All Currency, and Net Stable Funding Ratio (NSFR) improved at end Q3 of 2024 compared to end Q3 of 2023.

Table 6 Liquidity (Per cent)

Indicators	2023 Q3	2024 Q3
Liquidity Coverage Ratio - Rupee	336.7	345.0
Liquidity Coverage Ratio - All Currency	284.4	285.5
Net Stable Funding Ratio	153.8	165.3

Chart 21 Liquidity Coverage Ratio - Rupee

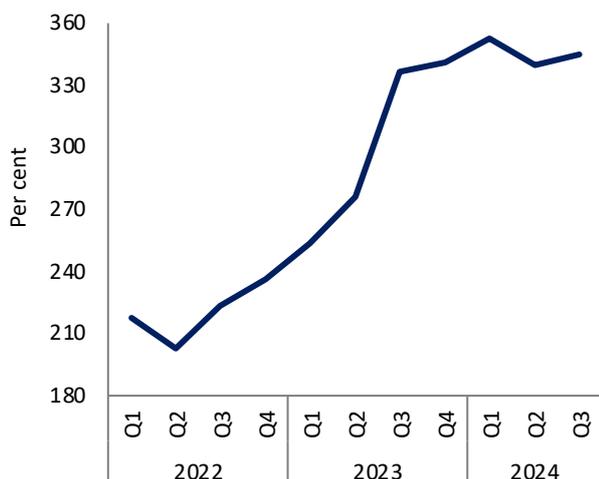


Chart 22 Liquidity Coverage Ratio - All Currency

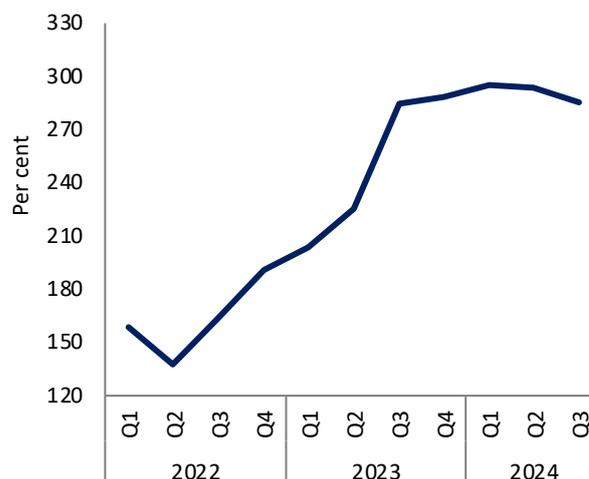
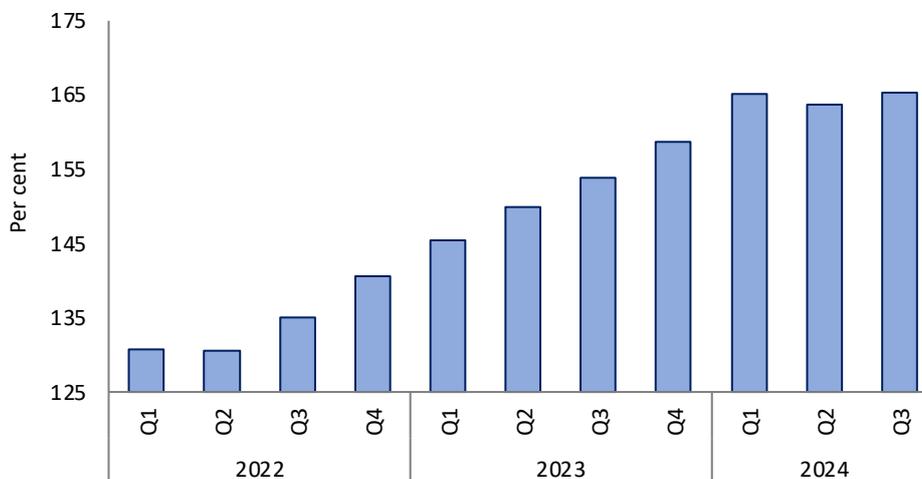


Chart 23 Net Stable Funding Ratio



Banking Sector Foreign Currency Operations*

07

Foreign Currency (FCY) operations such as FCY loans & receivables, FCY investments, and FCY deposits recorded an increase, whereas FCY borrowings contracted at end Q3 of 2024 compared to Q3 of 2023.

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

Indicators	2023 Q3	2024 Q3	% Change (Y-o-Y)
FCY Loans & Receivables	7,176.1	7,681.4	7.0
FCY Investments	1,573.6	1,992.7	26.6
FCY Borrowings	1,058.0	773.9	-26.9
FCY Deposits	10,870.3	11,581.4	6.5

Chart 24 FCY Loans to Total Loans

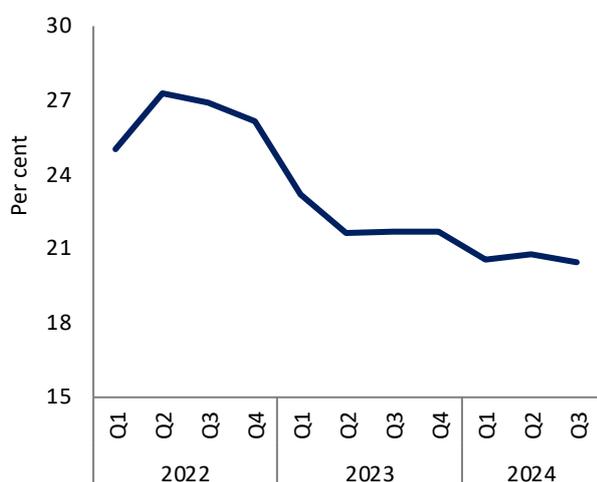


Chart 25 FCY Investments to Total Investments

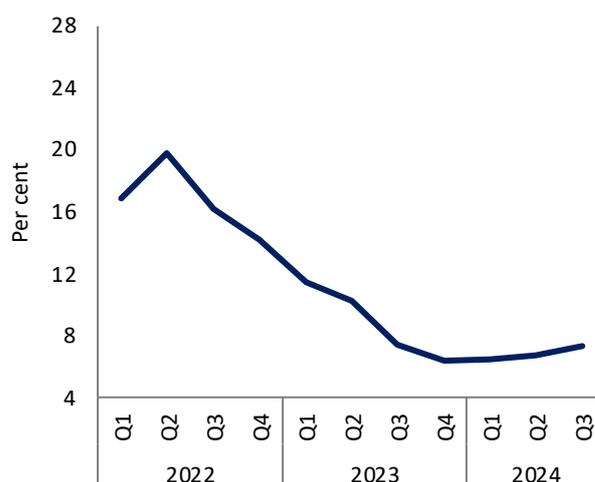


Chart 26 FCY Borrowings to Total Borrowings

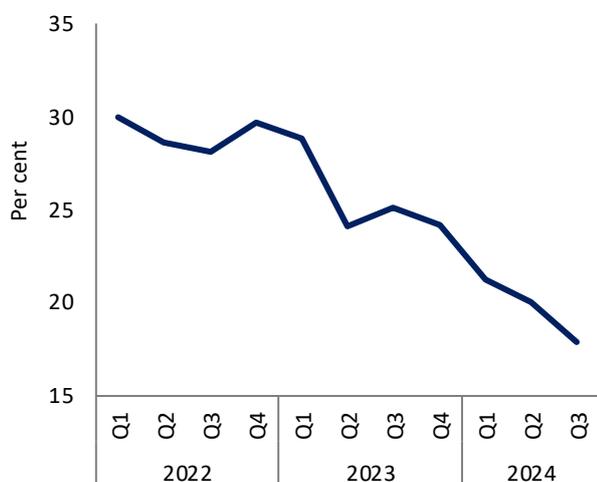
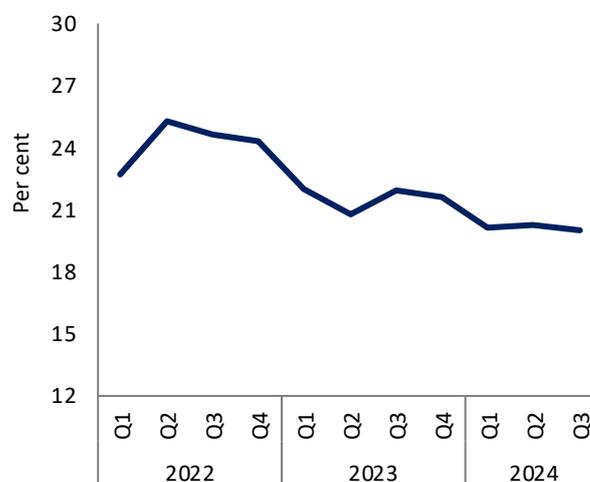


Chart 27 FCY Deposits to Total Deposits



* 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 (FCs) Sector Assets*

08

Total assets of the sector grew by 12.2 per cent, y-o-y, at end Q3 of 2024 mainly due to increased loans and advances.

Table 8 Assets (Rs. billion)

Indicators	2023 Q3	2024 Q3	% Change (Y-o-Y)
Total Assets	1,639.0	1,838.6	12.2
Loans & Advances (Net)	1,136.3	1,340.2	17.9
Investments	362.5	350.1	(3.4)

Chart 28 Total Assets

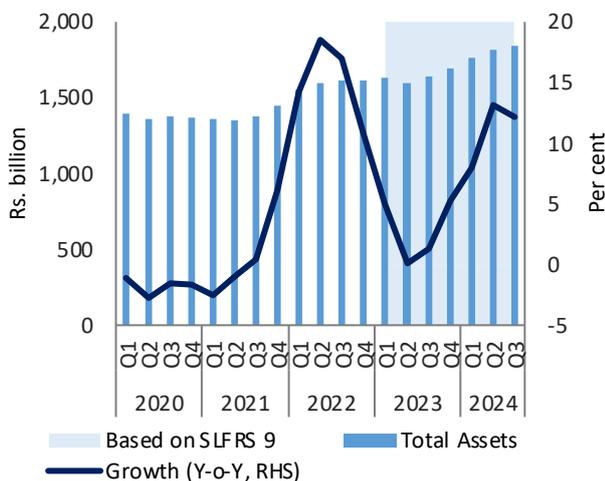


Chart 29 Loans & Advances

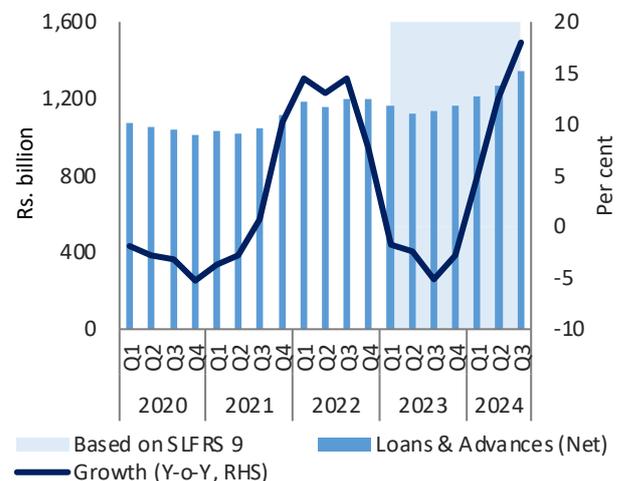


Chart 30 Investments

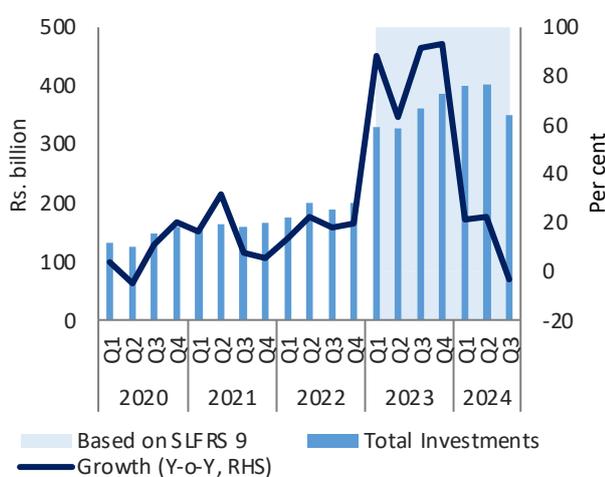
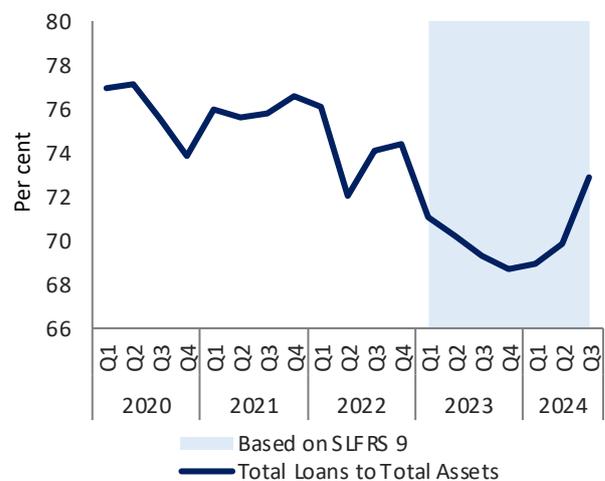


Chart 31 Loans & Advances to Total Assets



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

FCs Sector Liabilities & Equity*

09

Total liabilities of the sector increased by 11.5 per cent y-o-y, at end Q3 of 2024 mainly due to increased deposits. Borrowings increased by 15.2 per cent, y-o-y, at end Q3 of 2024 while equity funds grew by 14.3 per cent, y-o-y.

Table 9 Liabilities & Equity (Rs. billion)

Indicators	2023 Q3	2024 Q3	% Change (Y-o-Y)
Total Liabilities	1,244.0	1,387.0	11.5
Deposits	929.2	1,010.2	8.7
Borrowings	241.0	277.6	15.2
Equity Fund	395.0	451.5	14.3

Chart 32 Total Liabilities

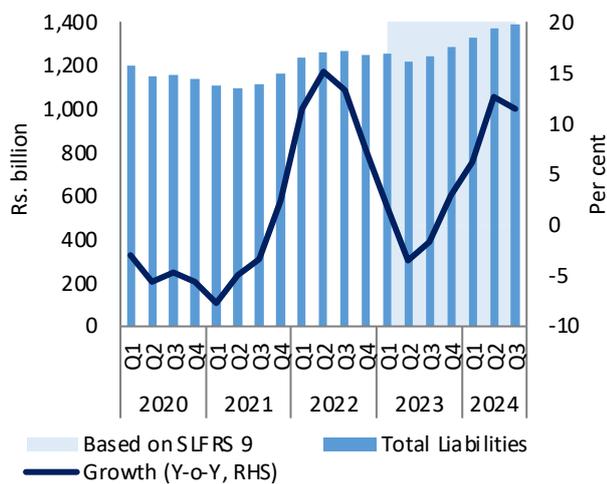


Chart 33 Deposits

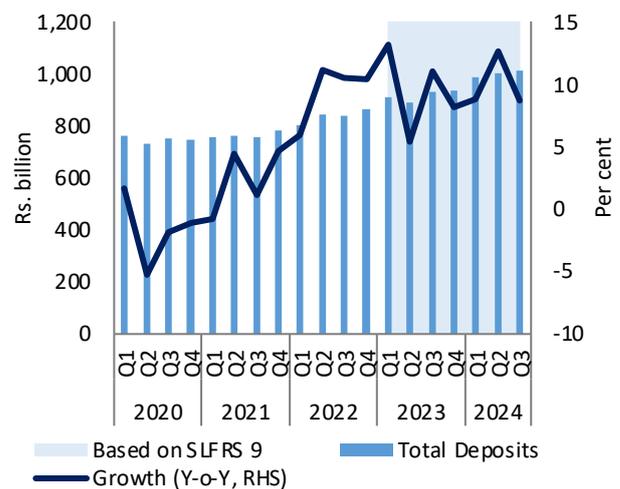


Chart 34 Borrowings

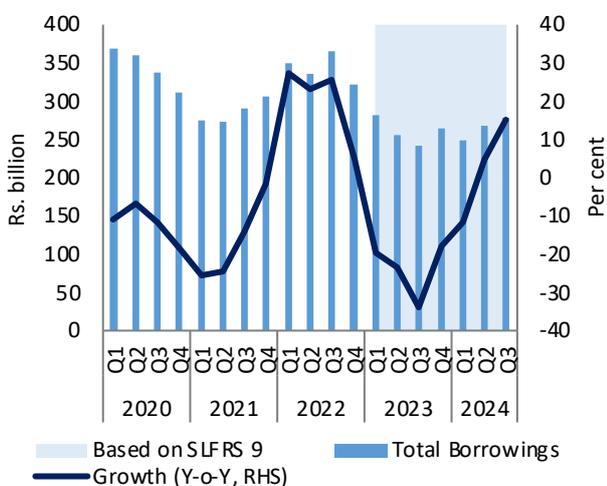
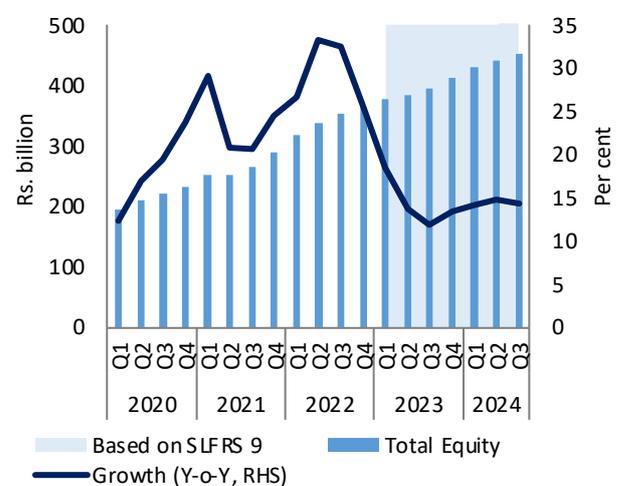


Chart 35 Equity



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

FCs Sector Capital Adequacy*

10

Total regulatory capital to RWA of the FCs sector decreased slightly to 22.5 per cent in Q3 of 2024 from 22.6 per cent in Q3 of 2023. Total borrowings to equity remained steady at 0.6 times during the same reference period.

Table 10 Regulatory Capital (Rs. billion)

Indicators	2023 Q3	2024 Q3	% Change (Y-o-Y)
Regulatory Capital	329.8	358.3	8.6
Tier 1 Capital (Eligible)	311.7	347.1	11.4
Risk Weighted Assets	1,462.2	1,595.5	9.1

Chart 36 Regulatory Capital to RWA

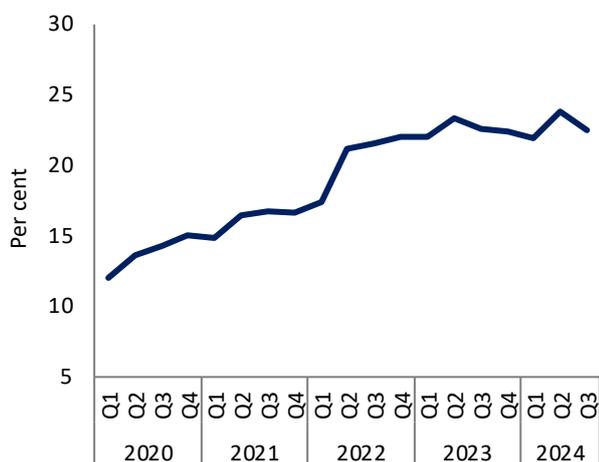


Chart 37 Tier-1 Capital to RWA

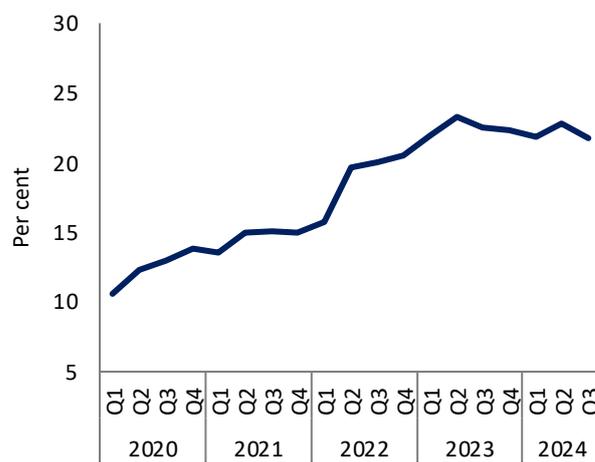


Chart 38 Regulatory Capital to Assets

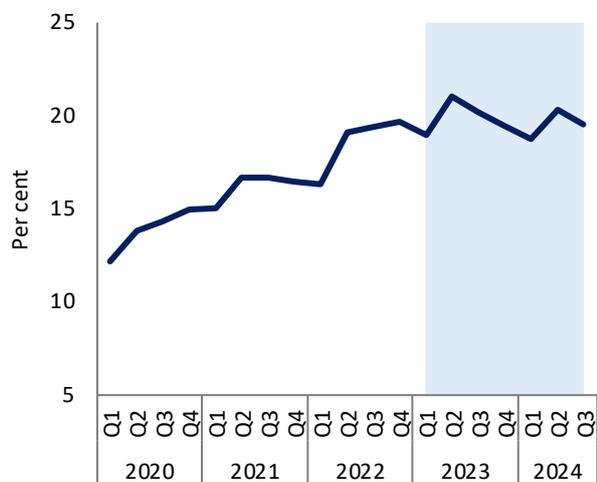
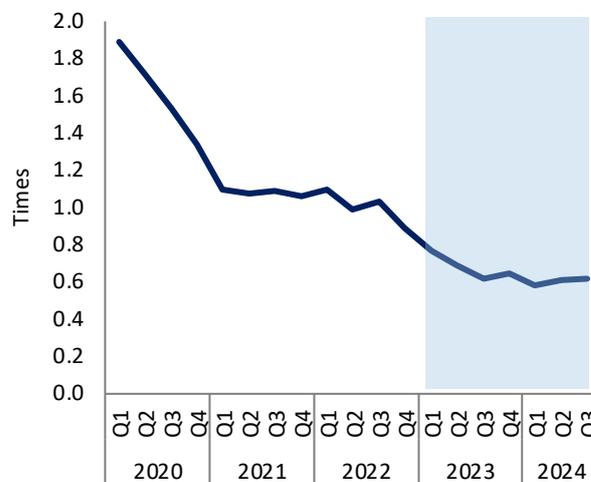


Chart 39 Borrowings to Equity



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

FCs Sector Asset Quality*

11

Gross non-performing loans ratio improved to 12.0 per cent at end Q3 of 2024 compared to 20.3 per cent at end Q3 of 2023. Provision for non-performing loans also improved to 39.3 per cent at end Q3 of 2024 from 30.0 per cent at end Q3 of 2023.

Table 11 Asset Quality (Rs. billion)

Indicators	2023 Q3	2024 Q3	% Change (Y-o-Y)
Gross Non-performing Loans	250.0	172.2	(31.1)
Provision for Non-performing Loans	75.0	67.7	(9.8)
Net Non-performing Loans	175.0	104.5	(40.3)

Chart 40 Gross NPLs to Total Loans

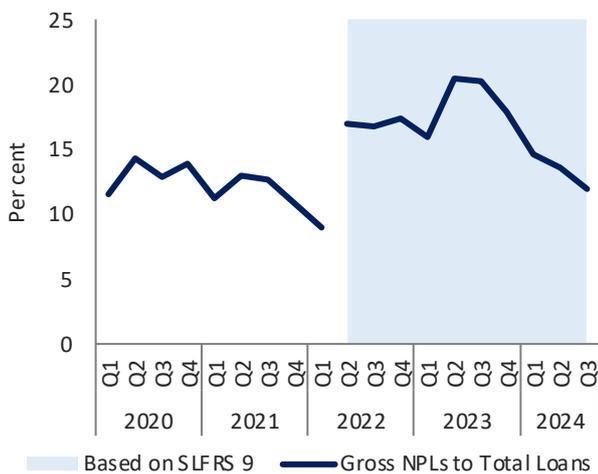


Chart 41 Provision Coverage for NPLs

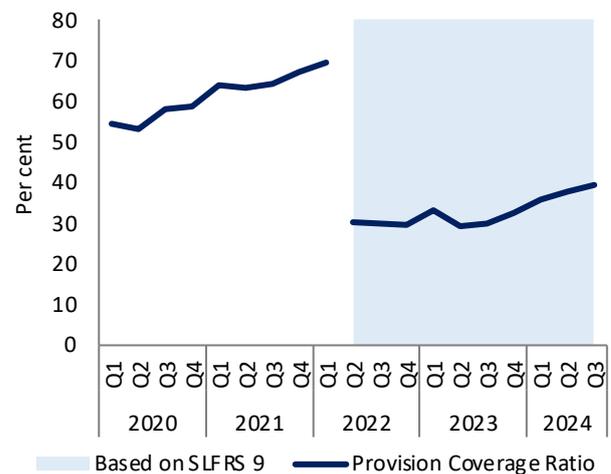


Chart 42 Net NPLs to Capital

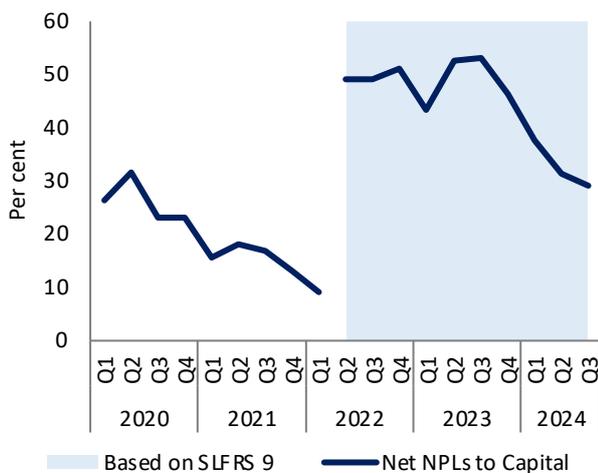
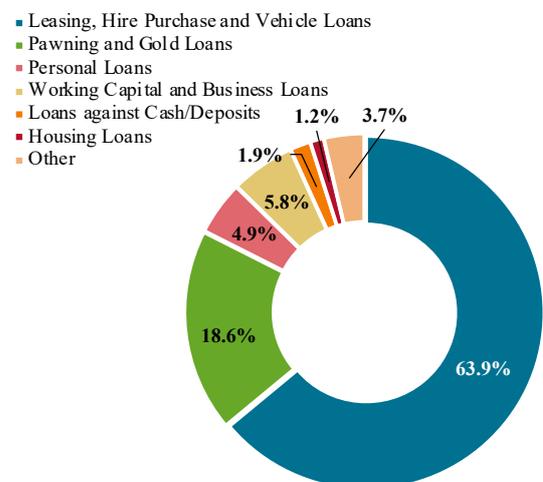


Chart 43 Loan Concentration by Product at end Q3 of 2024



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

FCs Sector Earnings & Profitability*

12

The FCs sector reported a profit after tax of Rs. 26.3 billion during the first half of the financial year 2024/25. Profitability indicators, ROA and ROE of the sector increased to 5.7 per cent and 12.3 per cent, respectively, at end Q3 of 2024 from 4.0 per cent and 8.8 per cent, respectively, at end Q3 of 2023.

Table 12 Earnings & Profitability (Rs. billion)

Indicators	2023 Q3	2024 Q3	% Change (Y-o-Y)
Net Interest Income	74.8	94.5	26.4
Gross Income ^(d)	86.1	109.8	27.5
Profit Before Tax	24.1	37.5	55.2
Profit After Tax	16.6	26.3	58.8

Chart 44 Return on Assets (before tax)

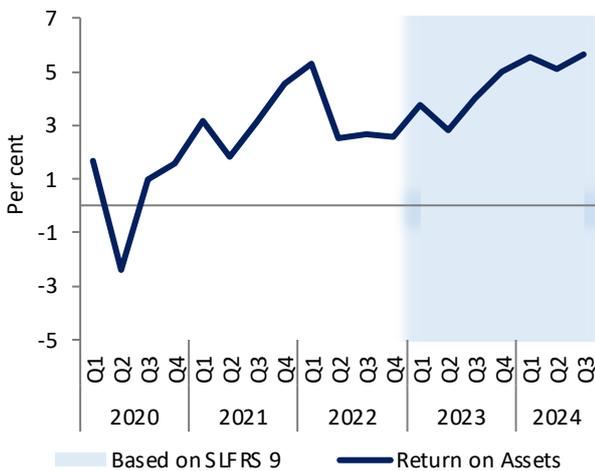


Chart 45 Return on Equity (after tax)

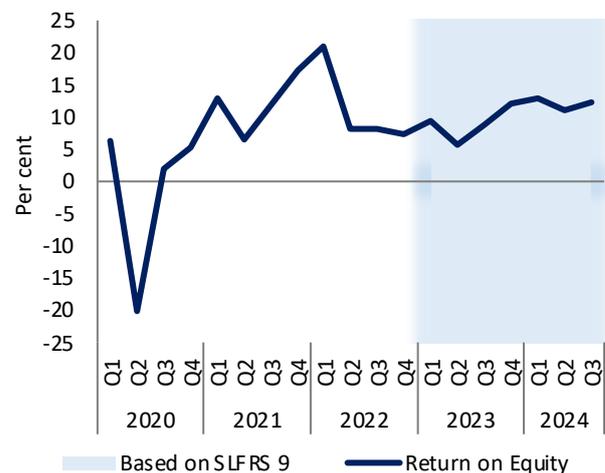


Chart 46 Net Interest Income to Gross Income

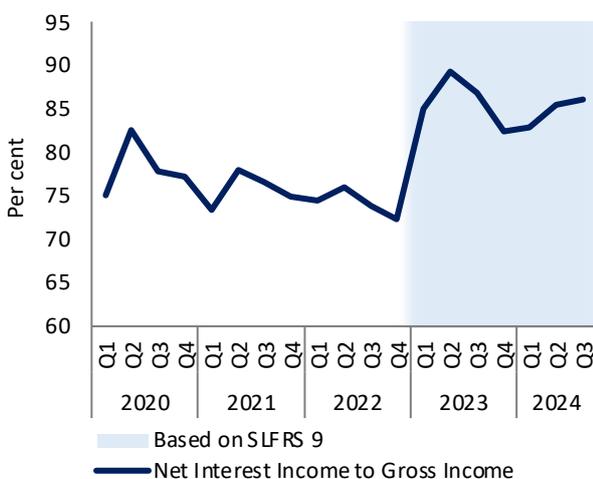
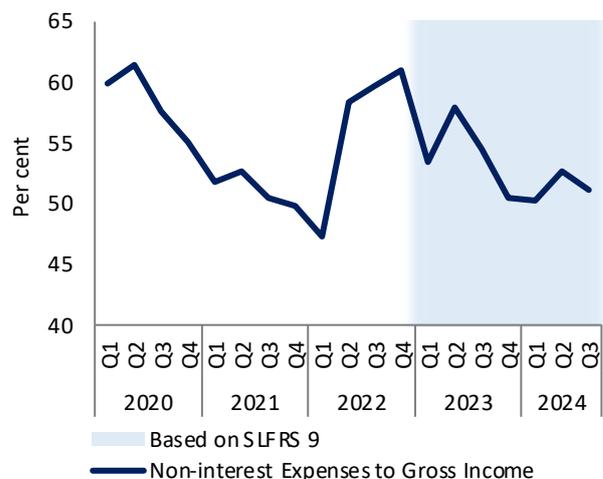


Chart 47 Non-interest Expenses to Gross Income



* 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.

FCs Sector Liquidity*

13

The sector maintained a liquidity buffer above the regulatory requirement. Ratio of liquid assets to total assets decreased to 11.9 per cent by end Q3 of 2024 compared to 15.4 per cent reported a year ago.

Table 13 Liquidity (Per cent)

Indicators	2023 Q3	2024 Q3
Liquid Assets to Total Assets Ratio	15.4	11.9
Credit to Deposit Ratio	122.3	132.7
Liquid Assets to Deposits & Borrowings	21.5	17.0

Chart 48 Liquid Assets

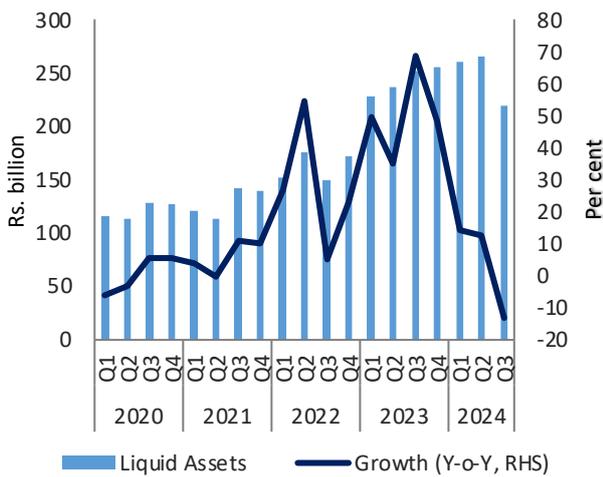


Chart 49 Liquid Assets to Total Assets Ratio

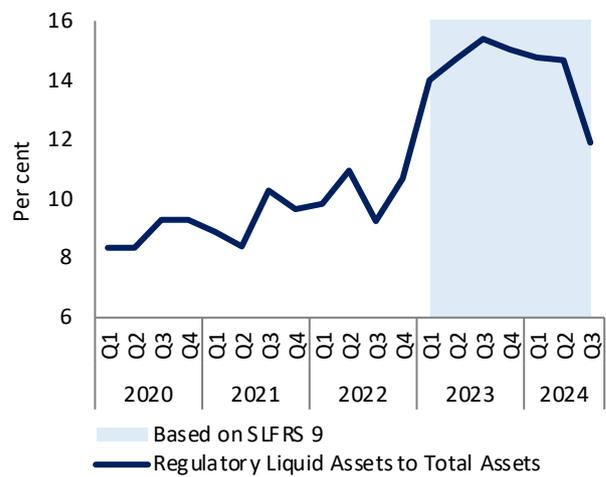


Chart 50 Liquid Assets to Deposits & Borrowings

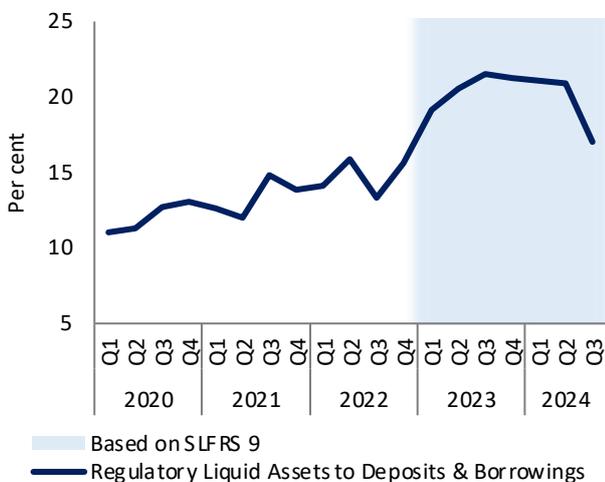
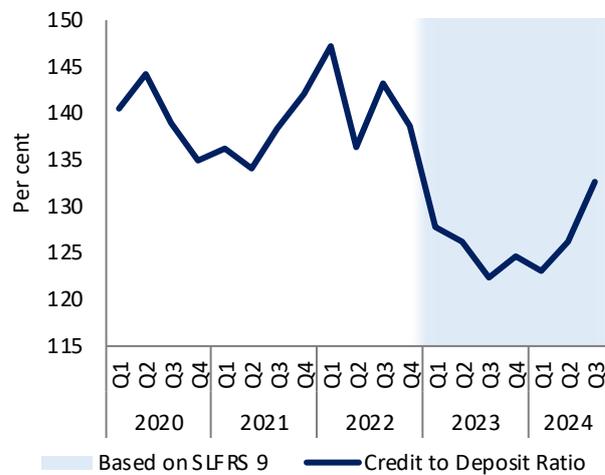


Chart 51 Credit to Deposits Ratio



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