



FINANCIAL SOUNDNESS INDICATORS

Q1 of 2025



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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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The Financial Soundness Indicators – Q1 of 2025 focuses on data ending March 2025. Moreover, the data for Q1 of 2025 are provisional. Data may include calculations made specifically for this publication.

Furthermore, the banking sector indicators are derived from financial statements that have been prepared based on SLFRS-9 from 01 January 2022 onwards.

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

Banking Sector Assets

01

Banking sector assets recorded an asset growth of 14.5% y-o-y at end Q1 of 2025, primarily driven by the increased investments. Increased loans and receivables also contributed to the asset growth.

Table 1 Banking Sector Assets (Rs. billion)

Indicators	2024 Q1	2025 Q1	% Change (Y-o-Y)
Total Assets	20,260.8	23,192.6	14.5
Gross Loans & Receivables	10,853.3	11,709.0	7.9
Investments	7,596.0	9,573.7	26.0

Chart 1 Total Assets

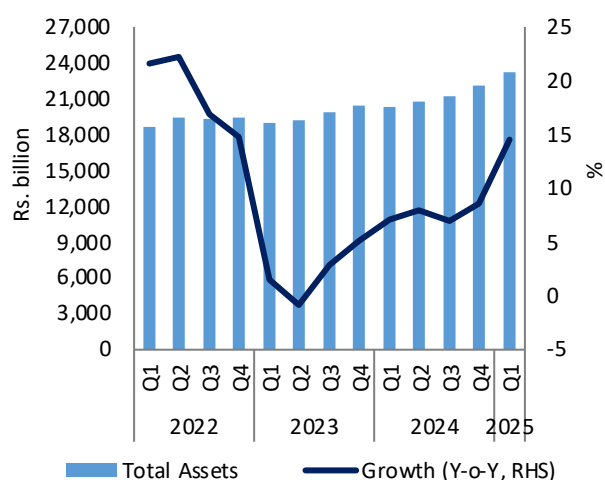


Chart 2 Gross Loans & Receivables

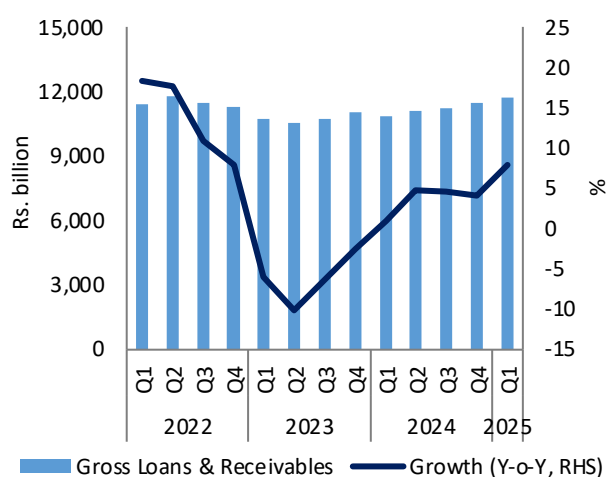


Chart 3 Investments

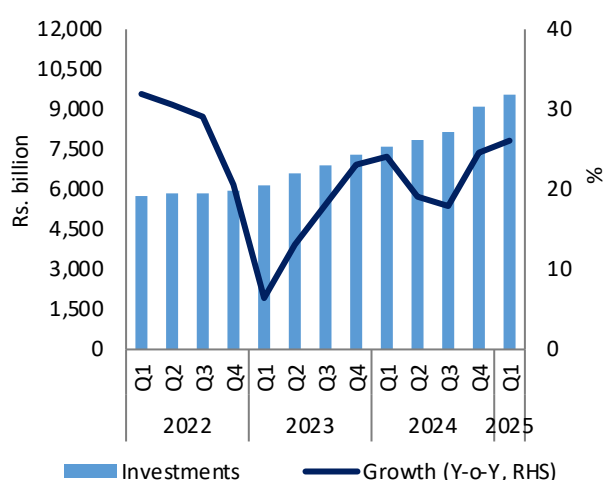
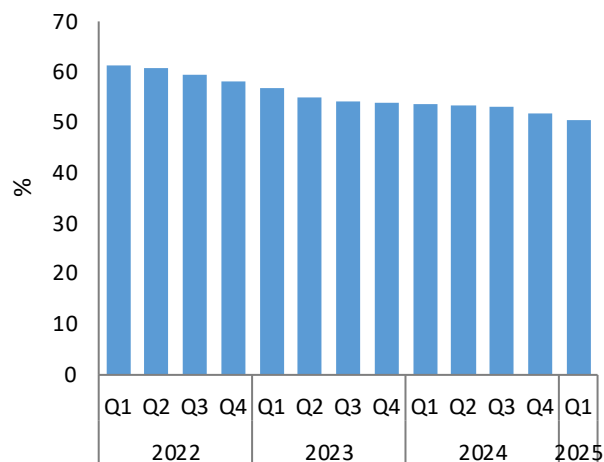


Chart 4 Gross Loans to Total Assets



Banking Sector Liabilities & Equity

02

Liabilities of the banking sector grew by 14.1% y-o-y at end Q1 of 2025, mainly due to the growth in deposits. Furthermore, equity capital and reserves recorded a growth of 17.8% y-o-y at end Q1 of 2025.

Table 2 Liabilities & Equity (Rs. billion)

Indicators	2024 Q1	2025 Q1	% Change (Y-o-Y)
Total Liabilities	18,477.4	21,091.1	14.1
Deposits	16,568.3	18,693.5	12.8
Borrowings	1,244.9	1,442.2	15.9
Equity Capital & Reserves	1,783.4	2,101.6	17.8

Chart 5 Total Liabilities

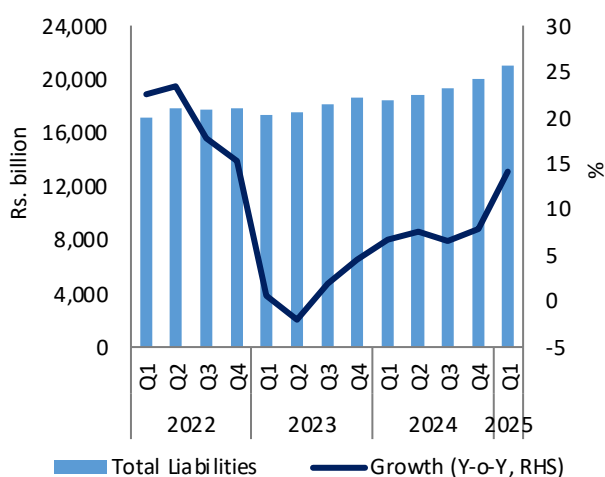


Chart 6 Deposits

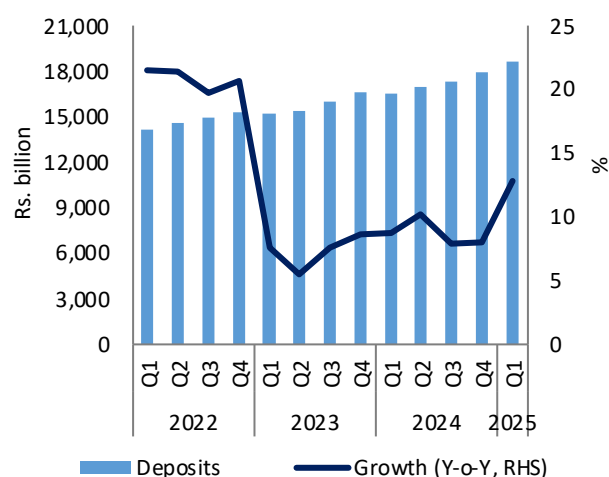


Chart 7 Borrowings

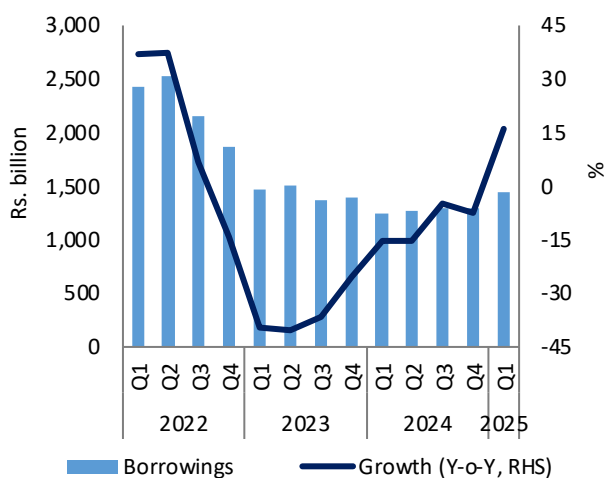
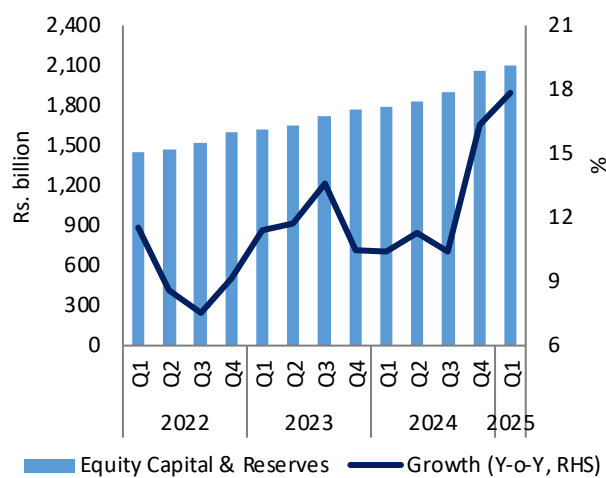


Chart 8 Equity Capital & Reserves



Banking Sector Capital Adequacy

03

Regulatory Capital to Risk Weighted Assets of the banking sector improved to 19.3% at end Q1 of 2025 compared to 17.7% at end Q1 of 2024, mainly due to higher growth in regulatory capital.

Table 3 Regulatory Capital (Rs. billion)

Indicators	2024 Q1	2025 Q1	% Change (Y-o-Y)
Total Regulatory Capital	1,634.0	1,951.8	19.4
Tier-1 Capital	1,344.9	1,603.1	19.2
Risk Weighted Assets (RWA)	9,253.9	10,091.8	9.1
Leverage Exposure	21,133.5	23,790.8	12.6

Chart 9 Regulatory Capital to RWA

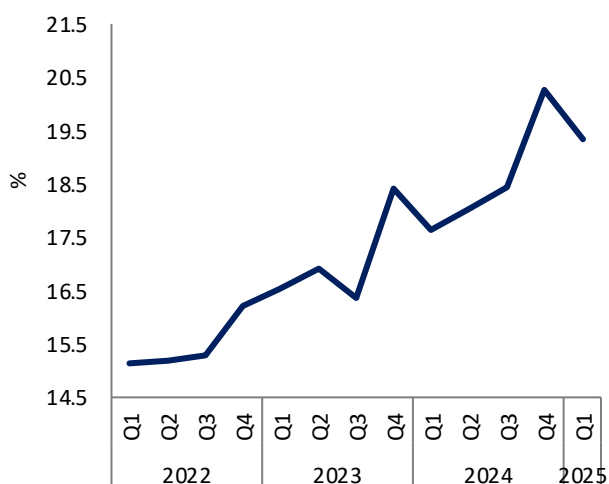


Chart 10 Tier-1 Capital to RWA

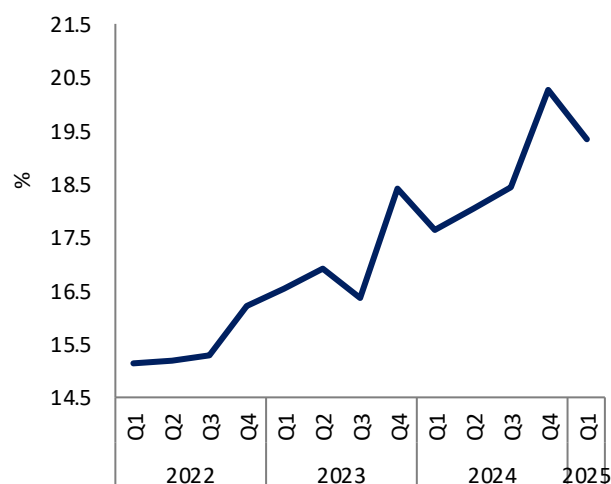


Chart 11 CET-1 Capital to RWA

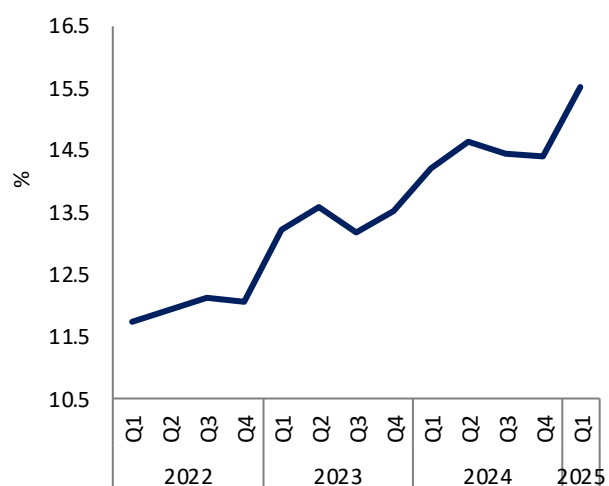
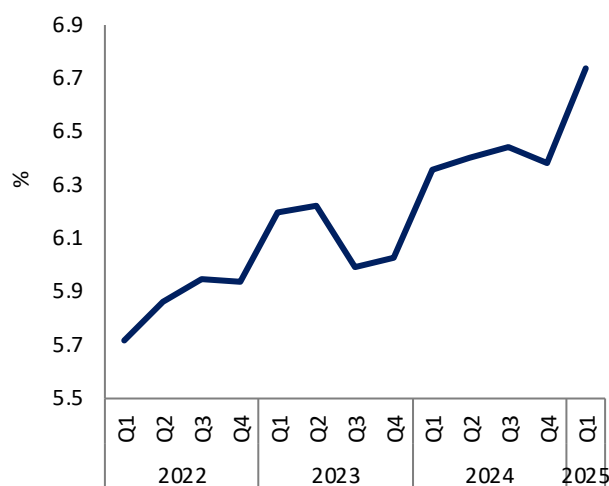


Chart 12 Leverage Ratio



Banking Sector Asset Quality*

04

Non-Performing Loans to Total Loans^(a) of the banking sector declined to 12.7% at end Q1 of 2025 compared to 12.9% at end Q1 of 2024, indicating a gradual decline in default risk of the banking sector on a y-o-y basis.

Table 4 Asset Quality (Rs. billion)

Indicators	2024 Q1	2025 Q1	% Change (Y-o-Y)
Gross Non-Performing Loans (Gross NPLs)	1,391.0	1,474.6	6.0
Provision for Total Loans	958.8	1,006.0	4.9
Provision for NPLs ^(a)	713.2	809.7	13.5
Gross NPLs to Total Loans ^(a) (%)	12.9	12.7	N/A

Chart 13 Gross NPLs to Total Loans

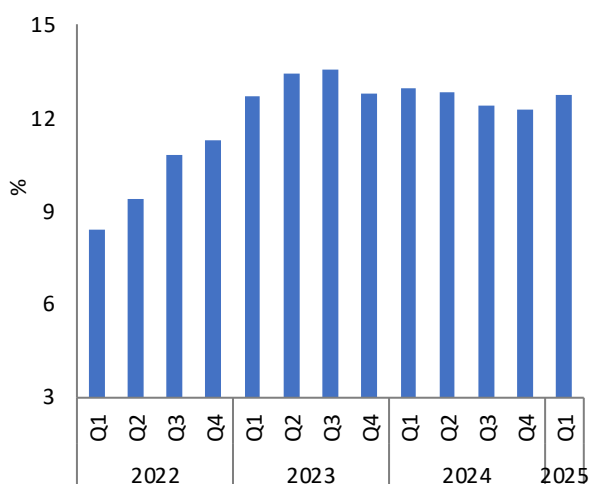


Chart 14 Provision Coverage for NPLs

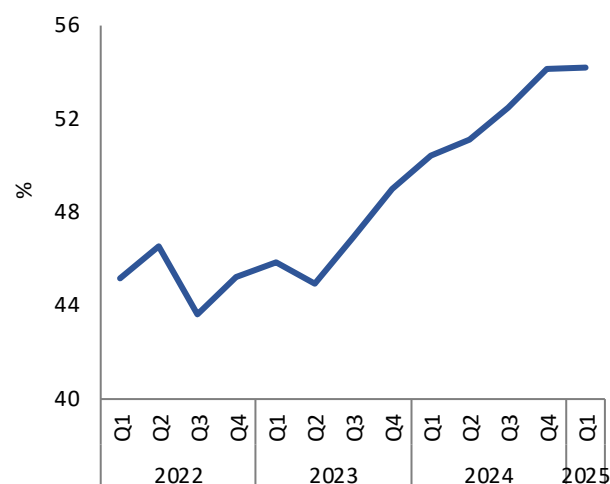


Chart 15 Net NPLs to Capital

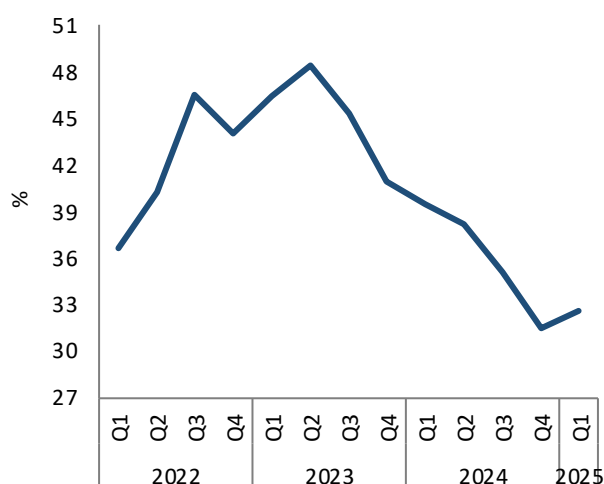
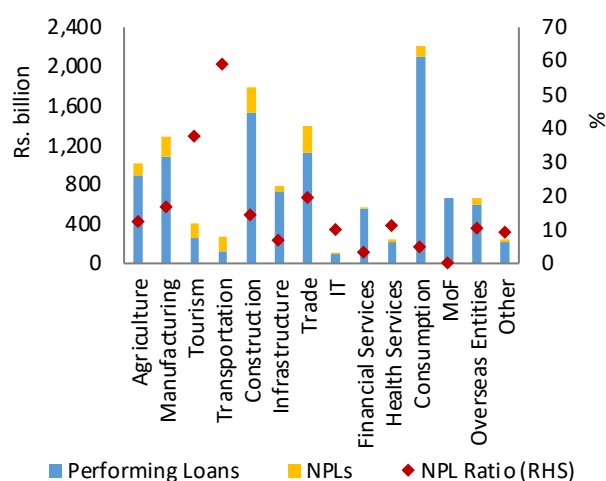


Chart 16 Loan Concentration by Economic Activity at end Q1 of 2025



(a) Including undrawn portion.

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

Banking Sector Earnings & Profitability

05

The banking sector reported a profit after tax of Rs. 93.6 billion during Q1 of 2025, recording a significant increase of 96.9% y-o-y, mainly due to the increased net interest income.

Table 5 Earnings and Profitability (Rs. billion)

Indicators	2024 Q1	2025 Q1	% Change (Y-o-Y)
Net Interest Income	187.6	251.4	34.0
Gross Income ^(b)	228.7	321.8	40.7
Profit Before Corporate Tax	76.2	146.6	92.4
Profit After Corporate Tax	47.5	93.6	96.9

Chart 17 Return on Assets (before tax)

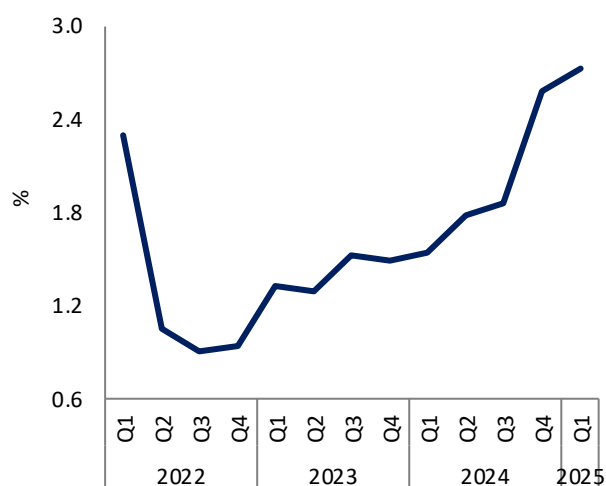


Chart 18 Return on Equity (after tax)

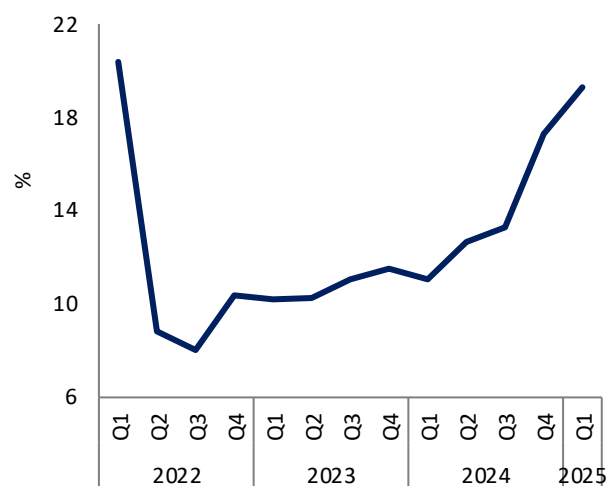


Chart 19 Net Interest Income to Gross Income

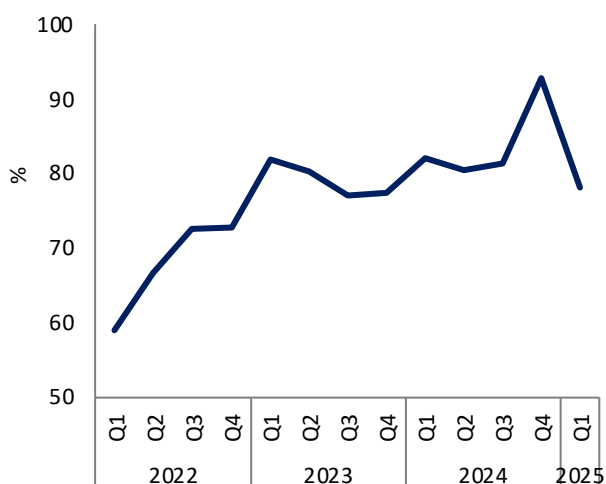
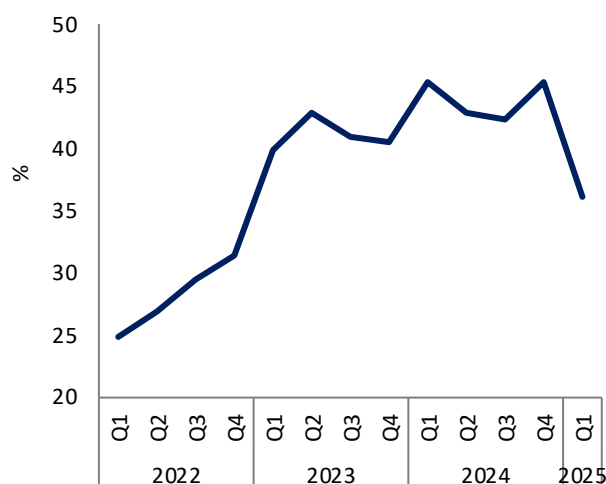


Chart 20 Non-Interest Expense to Gross Income



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

Banking Sector Liquidity

06

Liquidity of the banking sector in terms of All Currency Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio improved in Q1 of 2025 compared Q1 of 2024. However, Rupee LCR slightly declined in Q1 of 2025 compared to Q1 of 2024 yet remained well above the minimum statutory requirement.

Table 6 Liquidity (%)

Indicators	2024 Q1	2025 Q1
Liquidity Coverage Ratio - Rupee	352.3	342.4
Liquidity Coverage Ratio - All Currency	294.8	310.6
Net Stable Funding Ratio	165.0	165.8

Chart 21 Liquidity Coverage Ratio - Rupee

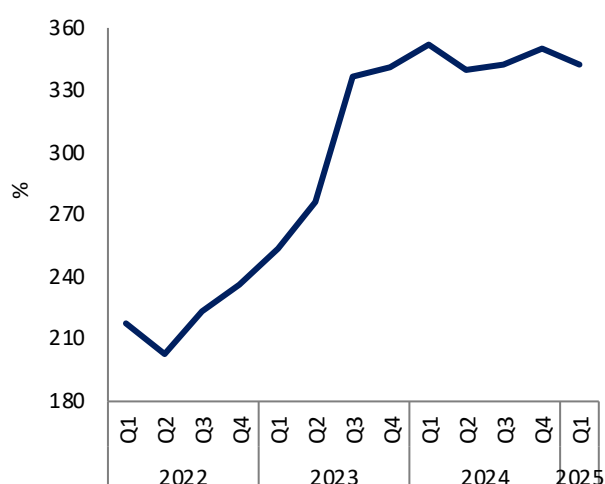


Chart 22 Liquidity Coverage Ratio - All Currency

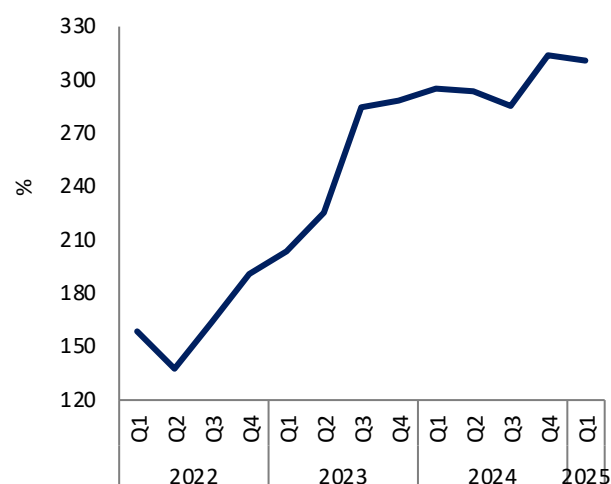
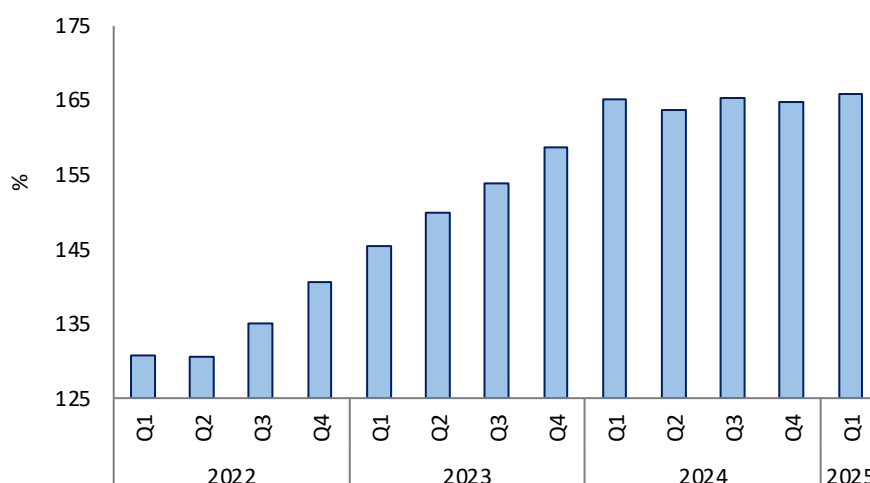


Chart 23 Net Stable Funding Ratio



Banking Sector Foreign Currency Operations

07

Foreign Currency (FCY) operations such as FCY loans and receivables, FCY investments, and FCY deposits recorded a growth, whereas FCY borrowings contracted on a y-o-y basis at end Q1 of 2025.

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

Indicators	2024 Q1	2025 Q1	% Change (Y-o-Y)
FCY Loans & Receivables	7,414.7	8,244.1	11.2
FCY Investments	1,641.9	1,943.2	18.3
FCY Borrowings	878.8	753.0	-14.3
FCY Deposits	11,071.3	12,022.3	8.6

Chart 24 FCY Loans to Total Loans

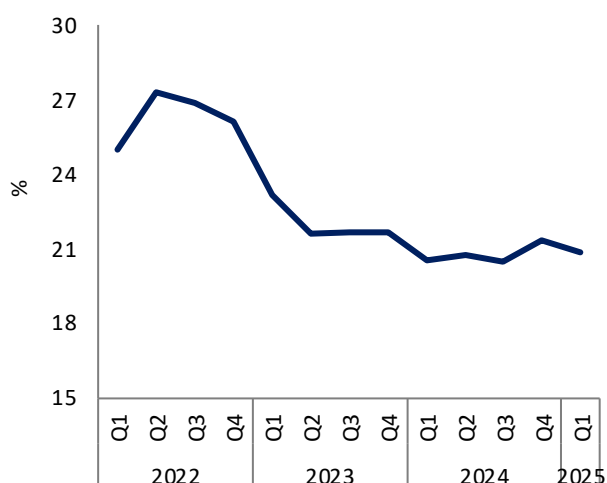


Chart 25 FCY Investments to Total Investments

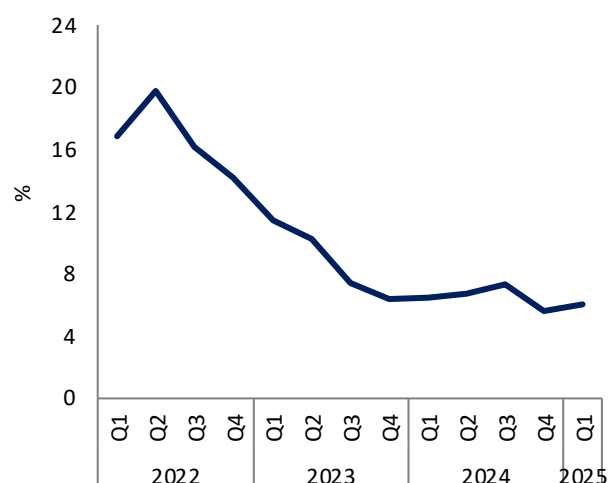


Chart 26 FCY Borrowings to Total Borrowings

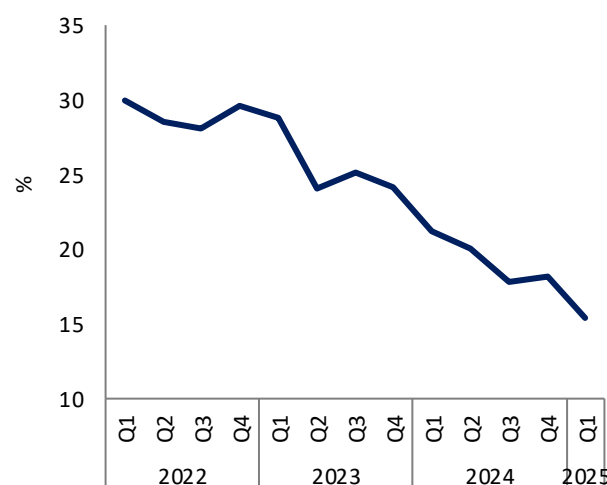
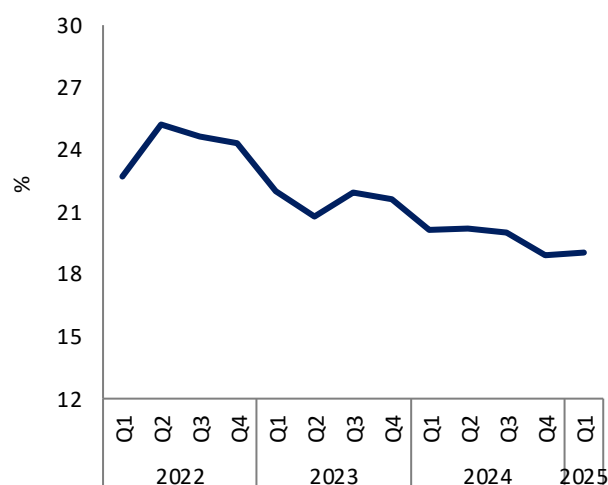


Chart 27 FCY Deposits to Total Deposits



Finance Companies (FCs) Sector Assets

08

Total assets of the sector grew by 18.7% y-o-y at end Q1 of 2025, mainly due to increased loans and advances.

Table 8 Assets (Rs. billion)

Indicators	2024 Q1	2025 Q1	% Change (Y-o-Y)
Total Assets	1,760.7	2,090.0	18.7
Loans & Advances (Net)	1,214.7	1,567.8	29.1
Investments	399.7	363.5	(9.1)

Chart 28 Total Assets

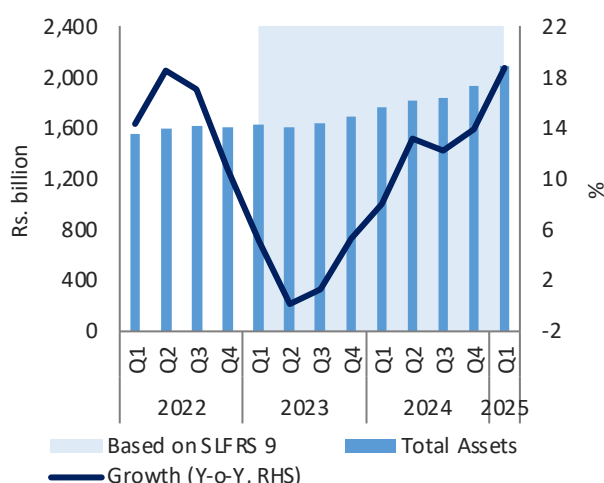


Chart 29 Loans & Advances

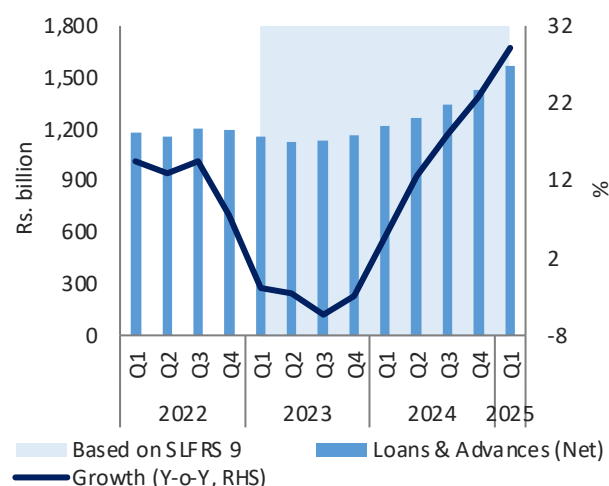


Chart 30 Investments

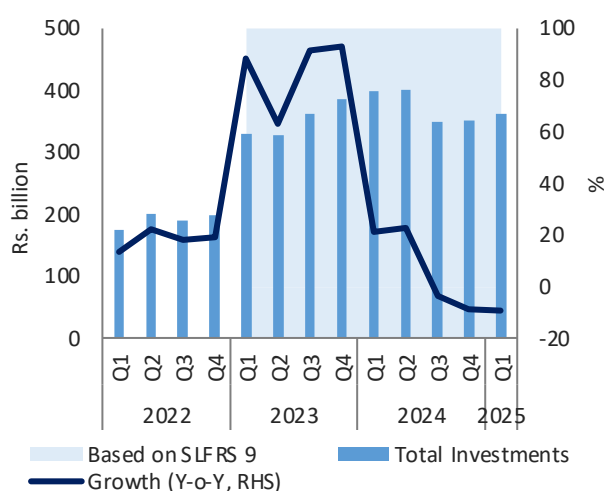
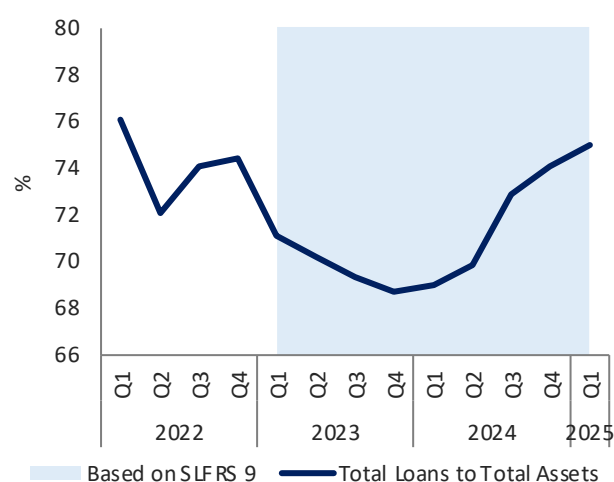


Chart 31 Loans & Advances to Total Assets



FCs Sector Liabilities & Equity

09

Total liabilities (excluding equity) of the sector increased by 20.0% y-o-y at end Q1 of 2025, mainly due to increased deposits and borrowings from financial institutions. Furthermore, equity funds grew by 14.6% y-o-y.

Table 9 Liabilities & Equity (Rs. billion)

Indicators	2024 Q1	2025 Q1	% Change (Y-o-Y)
Total Liabilities	1,330.1	1,596.2	20.0
Deposits	987.0	1,120.7	13.5
Borrowings	248.5	357.5	43.8
Equity Fund	430.7	493.7	14.6

Chart 32 Total Liabilities

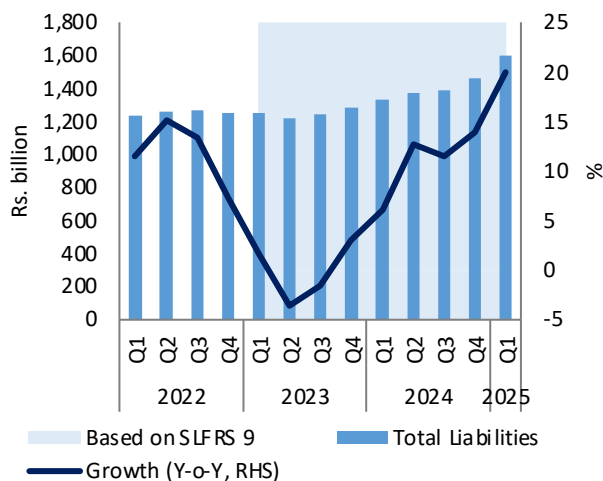


Chart 33 Deposits

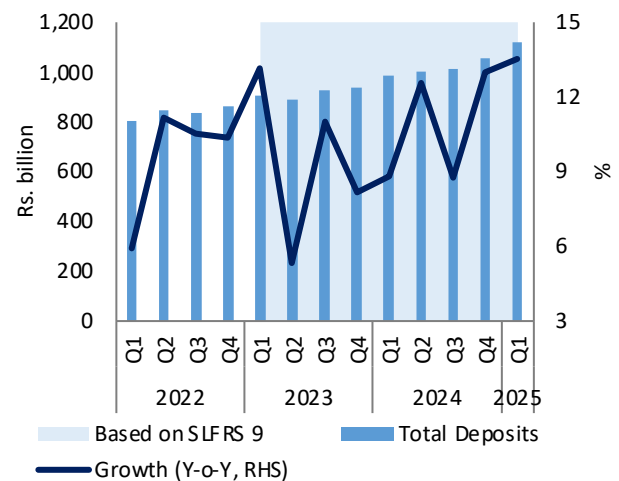


Chart 34 Borrowings

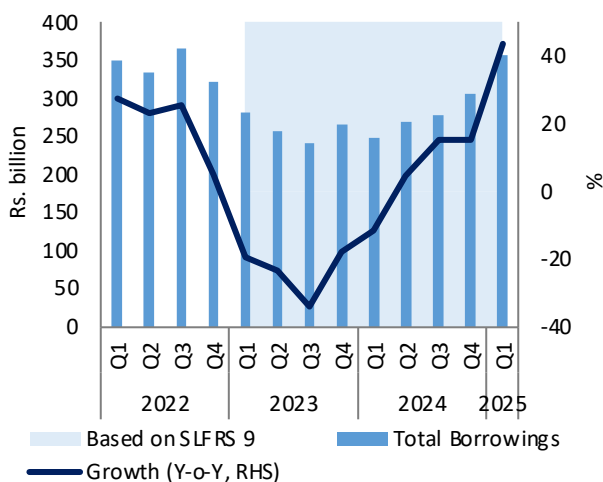
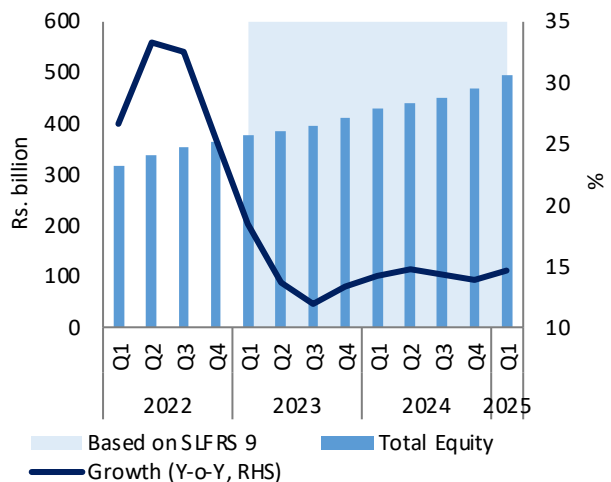


Chart 35 Equity



FCs Sector Capital Adequacy

10

Total Regulatory Capital to RWA of the FCs sector decreased slightly to 20.5% at end Q1 of 2025 from 21.9% at end Q1 of 2024. Total Borrowings to Equity increased to 0.7 times from 0.6 times during the same reference period.

Table 10 Regulatory Capital (Rs. billion)

Indicators	2024 Q1	2025 Q1	% Change (Y-o-Y)
Regulatory Capital	329.3	366.6	11.3
Tier 1 Capital (Eligible)	316.3	351.4	11.1
Risk Weighted Assets (RWA)	1,506.2	1,786.0	18.6

Chart 36 Regulatory Capital to RWA

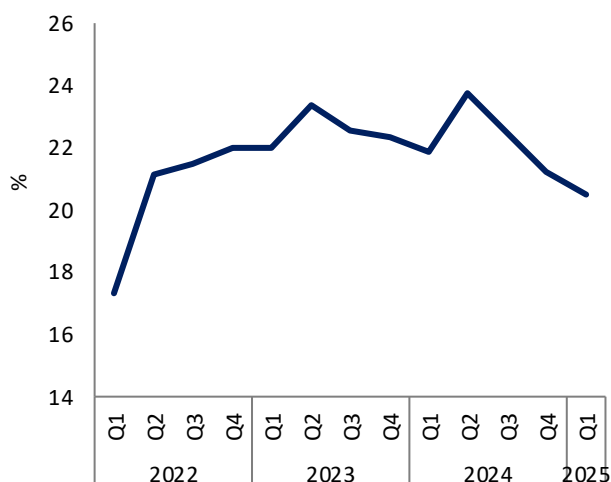


Chart 37 Tier-1 Capital to RWA

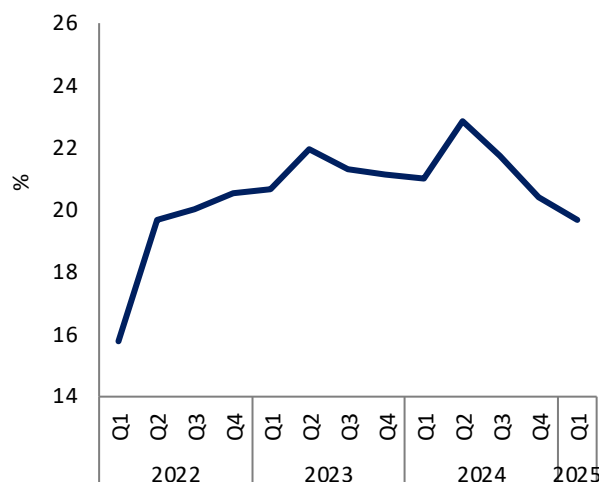


Chart 38 Regulatory Capital to Assets

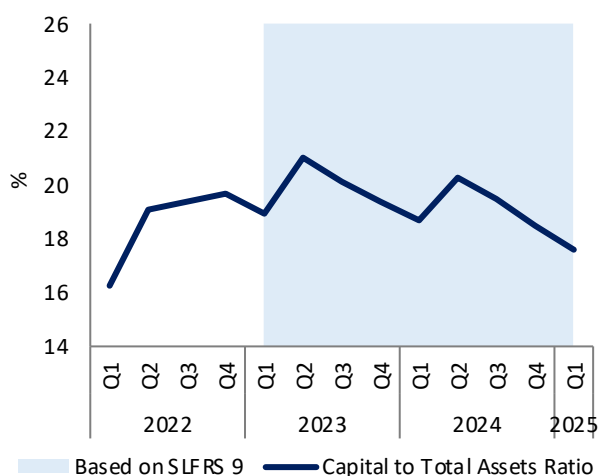
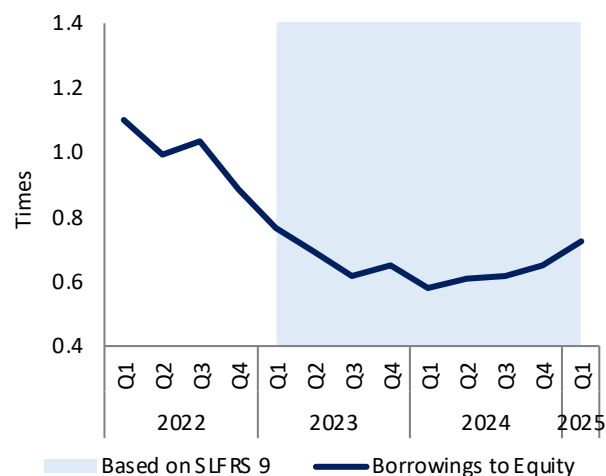


Chart 39 Borrowings to Equity



FCs Sector Asset Quality*

11

Gross Non-Performing Loans Ratio improved considerably to 8.3% at end Q1 of 2025 compared to 14.7% at end Q1 of 2024. Provision Coverage for NPL also improved to 45.8% at end Q1 of 2025 from 35.7% at end Q1 of 2024.

Table 11 Asset Quality (Rs. billion)

Indicators	2024 Q1	2025 Q1	% Change (Y-o-Y)
Gross Non-Performing Loans (Gross NPLs)	191.9	137.1	(28.5)
Provisions for NPLs	68.6	62.8	(8.4)
Net NPLs	123.3	74.3	(39.7)
Gross NPLs Ratio (%)	14.7	8.3	N/A

Chart 40 Gross NPLs to Total Loans

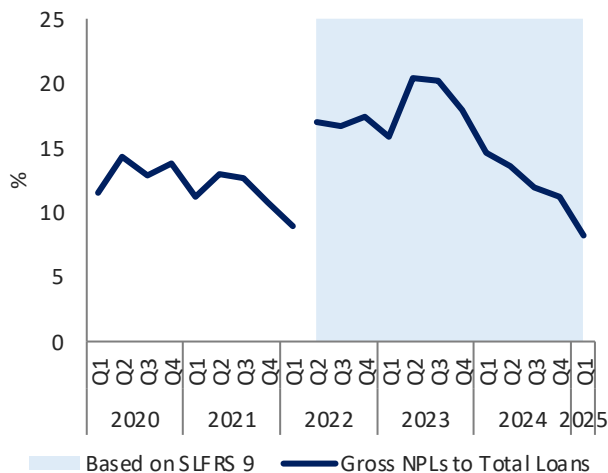


Chart 41 Provision Coverage for NPLs

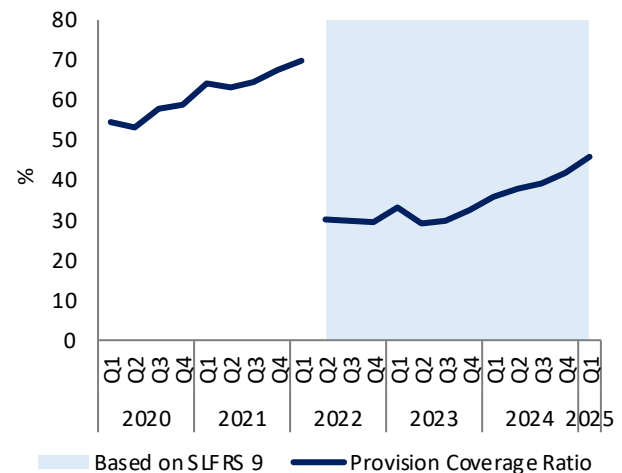


Chart 42 Net NPLs to Capital

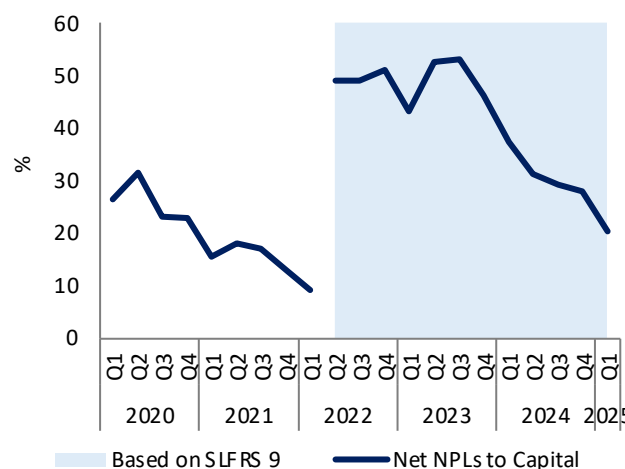
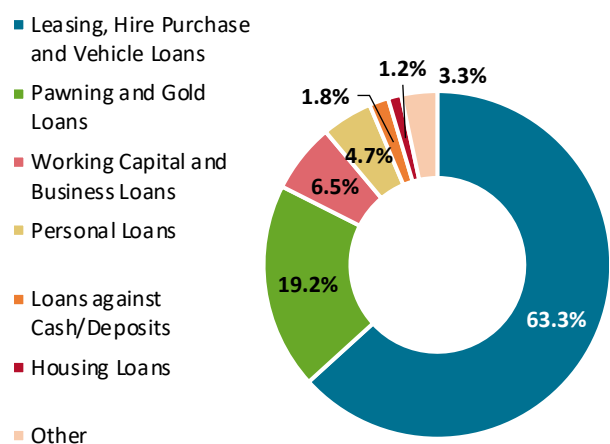


Chart 43 Loan Concentration by Product at end Q1 of 2025



* FCs sector adopted the Finance Business Act Direction No. 01 of 2020 on the Classification and Measurement of Credit Facilities with effect from 01.04.2022. Non-Performing Loans and Provision Coverage would reflect Stage 3 Loans and Impairment Coverage, respectively.

FCs Sector Earnings & Profitability

12

The FCs sector reported a profit after tax of Rs. 69.0 billion during the financial year (FY) 2024/25. ROA and ROE of the sector increased to 6.6% and 15.1%, respectively, in FY 2024/25, from 5.5% and 12.9%, respectively, in FY 2023/24.

Table 12 Earnings & Profitability (Rs. billion)

Indicators	FY 2023/24	FY 2024/25	% Change (Y-o-Y)
Net Interest Income	165.5	200.3	21.1
Gross Income ^(c)	199.6	233.8	17.2
Profit Before Tax	71.3	95.4	33.8
Profit After Tax	51.5	69.0	34.0

Chart 44 Return on Assets (before tax)

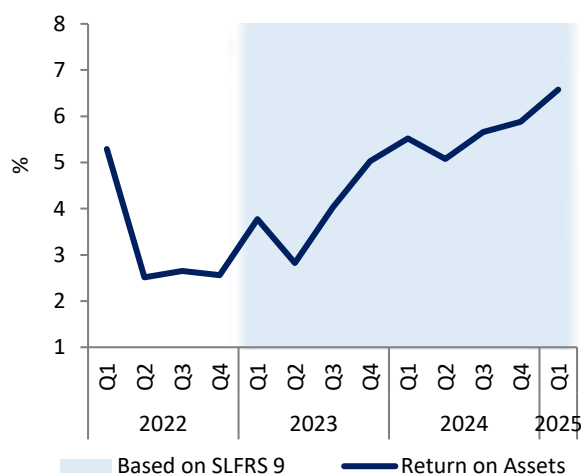


Chart 45 Return on Equity (after tax)

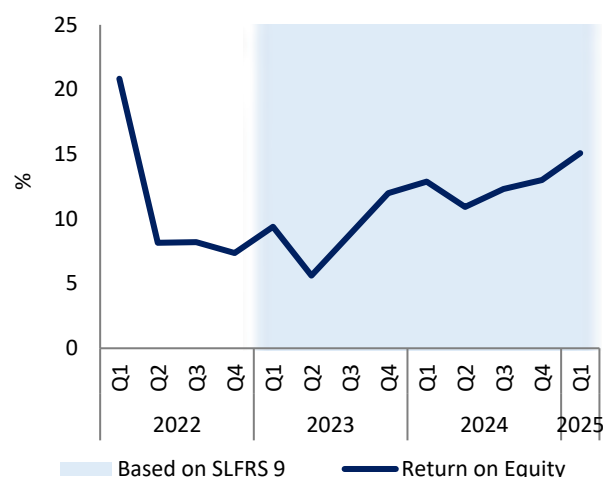


Chart 46 Net Interest Income to Gross Income

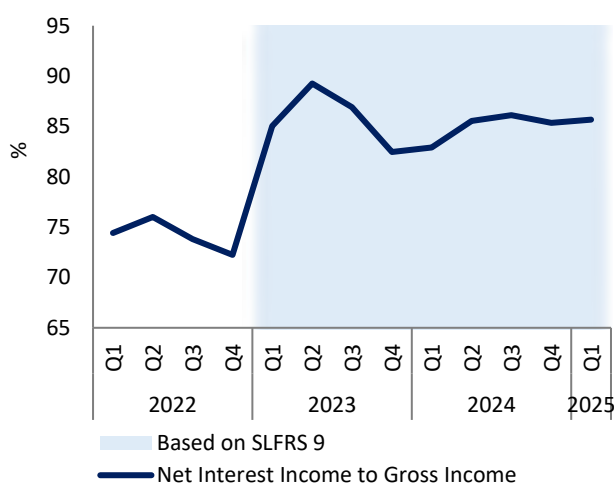
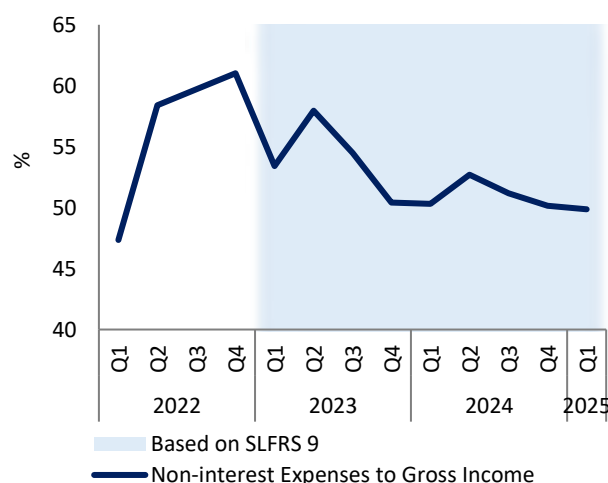


Chart 47 Non-interest Expenses to Gross Income



(c) 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 11.8% at end Q1 of 2025, compared to 14.8% reported a year ago.

Table 13 Liquidity (%)

Indicators	2024 Q1	2025 Q1
Liquid Assets to Total Assets Ratio	14.8	11.8
Credit to Deposits Ratio	123.1	139.9
Liquid Assets to Deposits & Borrowings	21.0	16.7

Chart 48 Liquid Assets

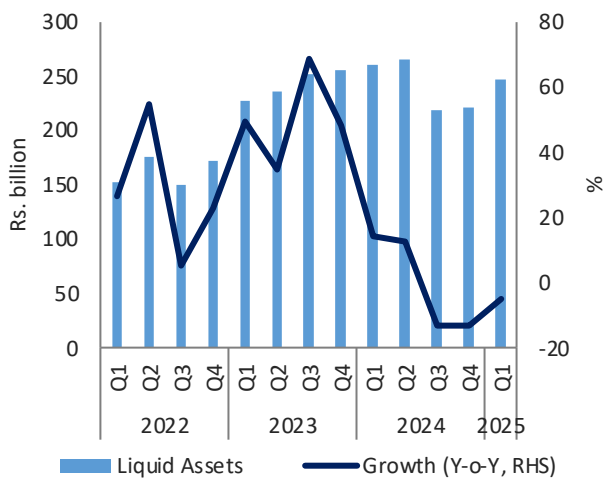


Chart 49 Liquid Assets to Total Assets Ratio

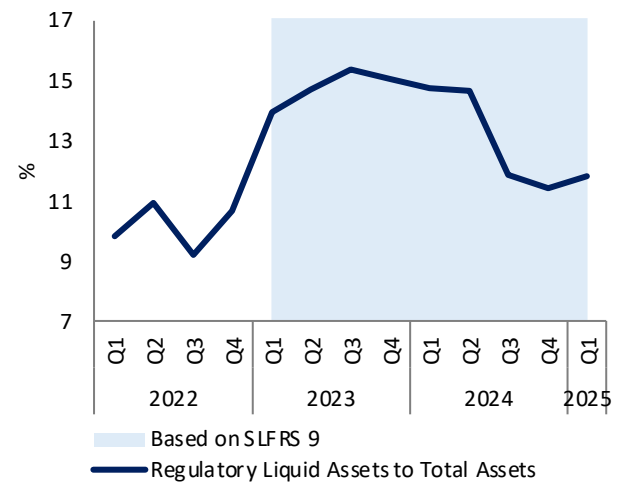


Chart 50 Liquid Assets to Deposits & Borrowings

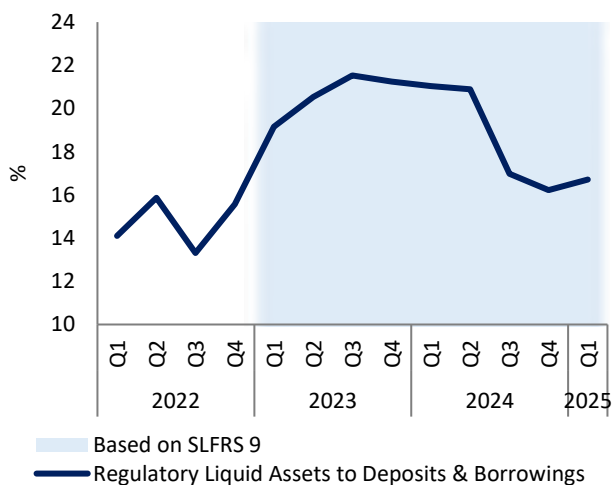


Chart 51 Credit to Deposits Ratio

