



# FINANCIAL SOUNDNESS INDICATORS

Q2 of 2025



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இலங்கை மத்திய வங்கி  
CENTRAL BANK OF SRI LANKA

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The Financial Soundness Indicators – Q2 of 2025 focuses on data ending June 2025. Moreover, the data for Q2 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, the 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 a growth of 14.9% y-o-y at end Q2 of 2025, primarily driven by the increased investments. Increased loans and advances also contributed to the asset growth.

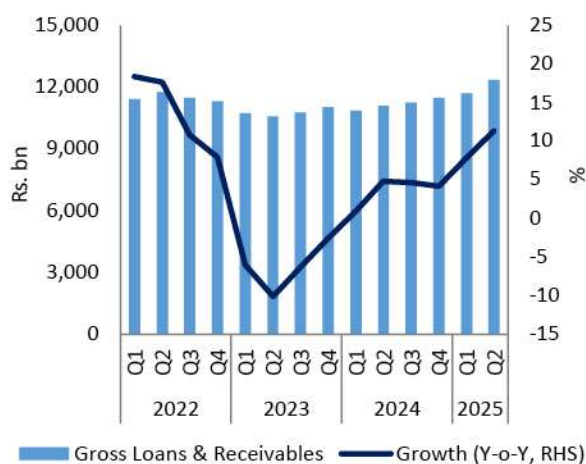
**Table 1** Banking Sector Assets (Rs. billion)

Indicators	2024 Q2	2025 Q2	% Change (Y-o-Y)
Total Assets	20,725.5	23,811.4	14.9
Gross Loans & Receivables	11,083.6	12,349.1	11.4
Investments	7,849.2	9,903.8	26.2

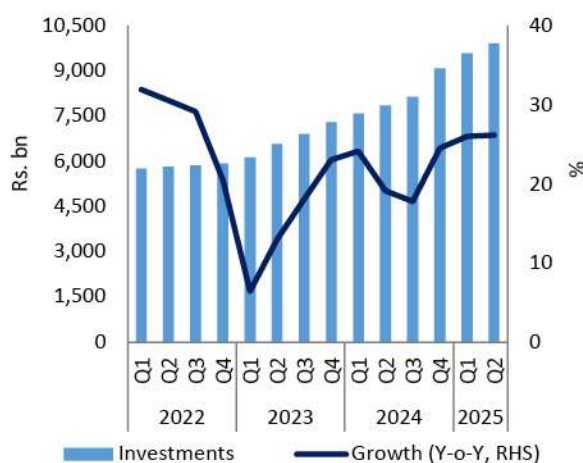
**Chart 1** Total Assets



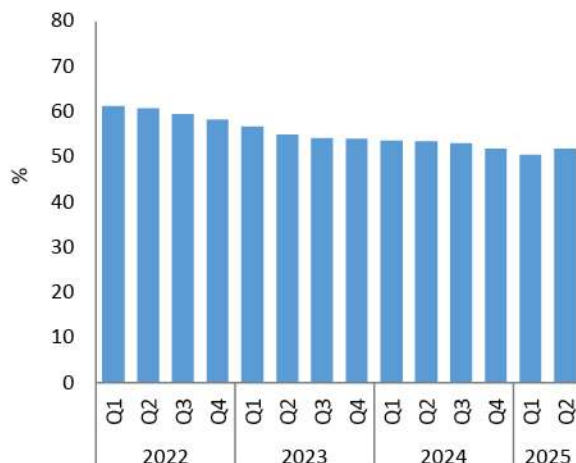
**Chart 2** Gross Loans & Receivables



**Chart 3** Investments



**Chart 4** Gross Loans to Total Assets



# Banking Sector Liabilities & Equity

02

Liabilities of the banking sector grew by 14.4% y-o-y at end Q2 of 2025, mainly due to the growth in deposits. Furthermore, equity capital and reserves recorded a growth of 20.4% y-o-y at end Q2 of 2025.

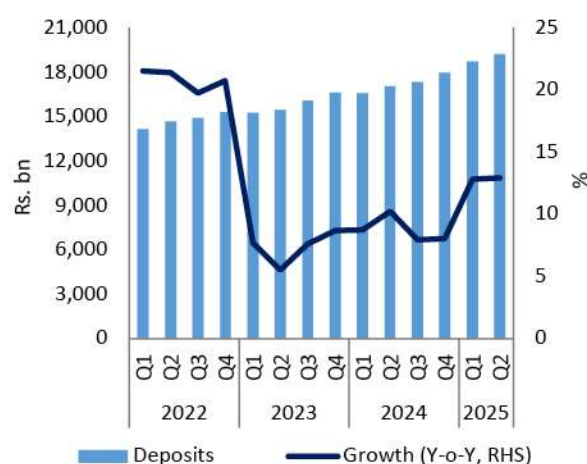
**Table 2** Liabilities & Equity (Rs. billion)

Indicators	2024 Q2	2025 Q2	% Change (Y-o-Y)
Total Liabilities	18,897.5	21,610.7	14.4
Deposits	17,023.6	19,219.8	12.9
Borrowings	1,273.8	1,485.8	16.6
Equity Capital & Reserves	1,827.9	2,200.7	20.4

**Chart 5** Total Liabilities



**Chart 6** Deposits



**Chart 7** Borrowings



**Chart 8** Equity Capital & Reserves



# Banking Sector Capital Adequacy

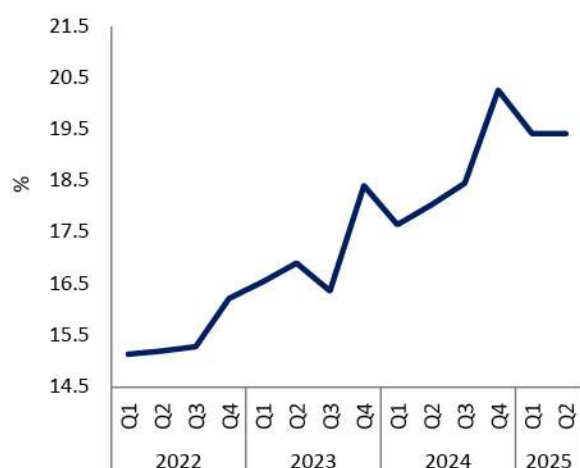
03

Regulatory Capital to Risk Weighted Assets of the banking sector improved to 19.4% at end Q2 of 2025 compared to 18.0% at end Q2 of 2024, mainly due to higher growth in retained earnings.

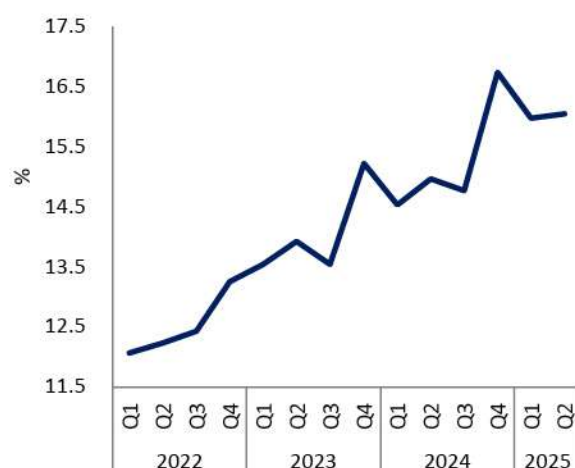
**Table 3** Regulatory Capital (Rs. billion)

Indicators	2024 Q2	2025 Q2	% Change (Y-o-Y)
Total Regulatory Capital	1,678.6	2,043.3	21.7
Tier-1 Capital	1,392.7	1,688.7	21.2
Risk Weighted Assets (RWA)	9,307.3	10,521.1	13.0
Leverage Exposure	21,485.7	24,630.6	14.6

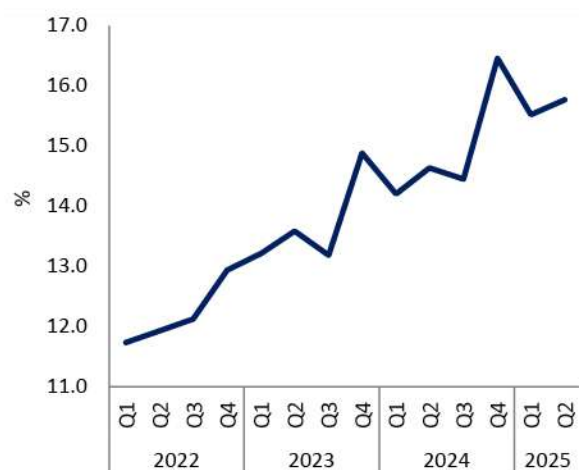
**Chart 9** Regulatory Capital to RWA



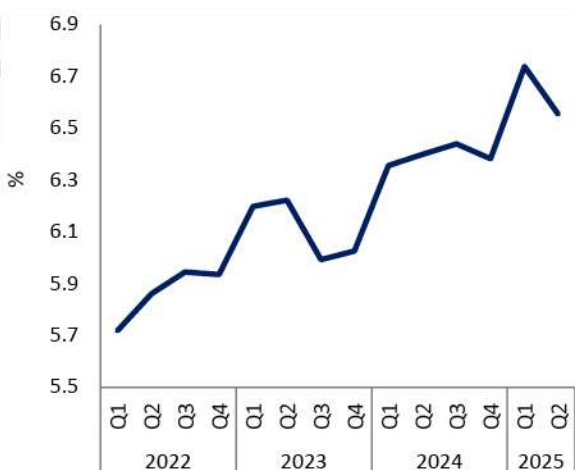
**Chart 10** Tier-1 Capital to RWA



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



**Chart 12** Leverage Ratio





# Banking Sector Asset Quality\*

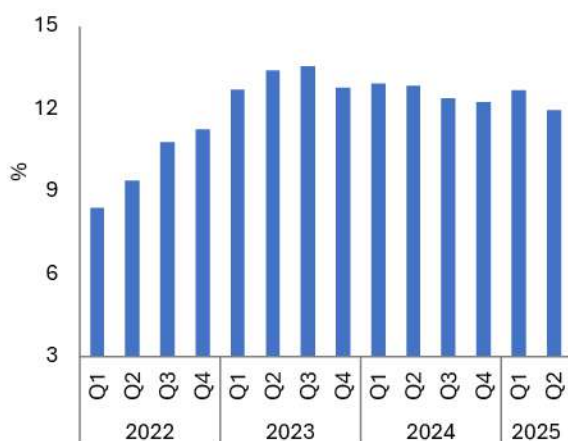
04

Non-Performing Loans to Total Loans<sup>(a)</sup> of the banking sector declined to 12.0% at end Q2 of 2025 compared to 12.8% at end Q2 of 2024, indicating a gradual decline in default risk of the banking sector on a y-o-y basis.

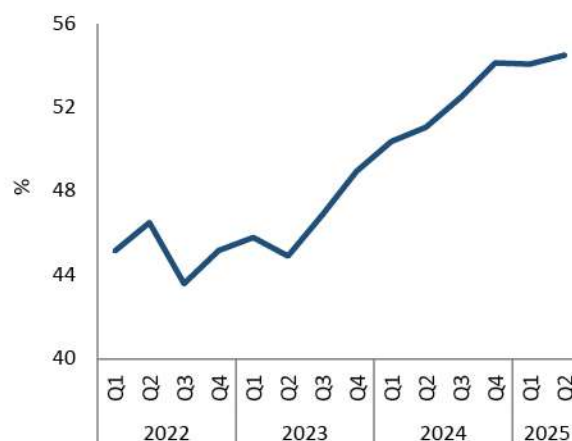
**Table 4** Asset Quality (Rs. billion)

Indicators	2024 Q2	2025 Q2	% Change (Y-o-Y)
Gross Non-Performing Loans (Gross NPLs)	1,401.9	1,464.3	4.4
Provision for Total Loans	968.7	1,015.0	4.8
Provision for NPLs <sup>(a)</sup>	729.1	812.3	11.4
Gross NPLs to Total Loans <sup>(a)</sup> (%)	12.8	12.0	N/A

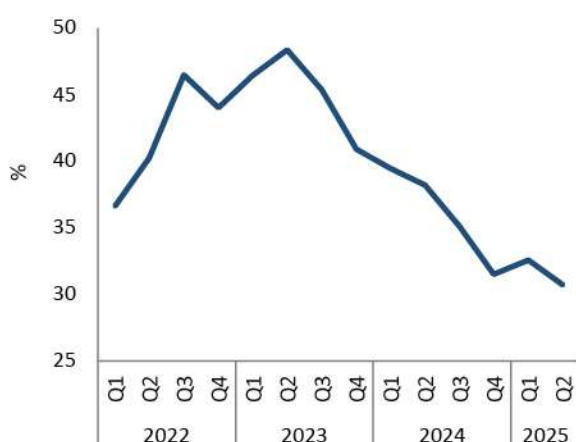
**Chart 13** Gross NPLs to Total Loans



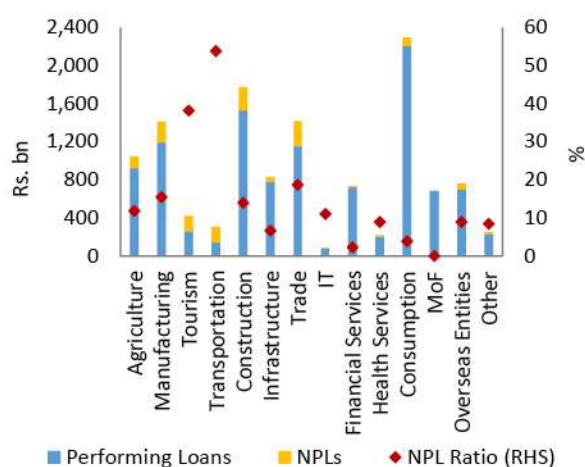
**Chart 14** Provision Coverage for NPLs



**Chart 15** Net NPLs to Capital



**Chart 16** Loan Concentration by Economic Activity at end Q2 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

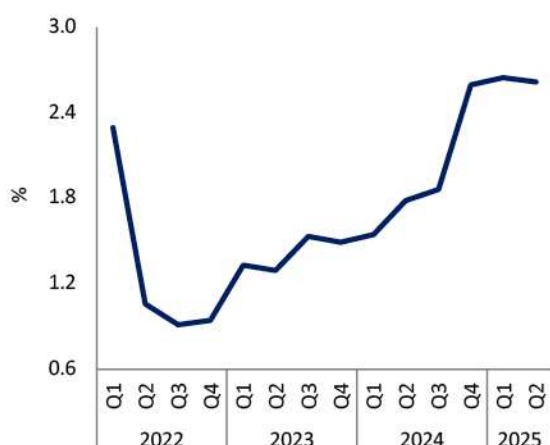
05

The banking sector reported a profit after tax of Rs. 187.8 billion during Q2 of 2025, recording a significant increase of 68.0% y-o-y, mainly due to the increased net interest income.

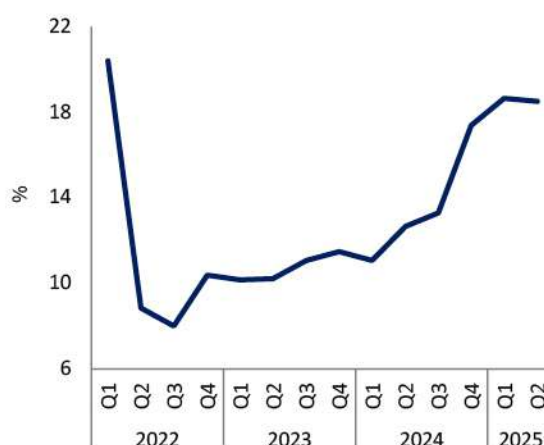
**Table 5** Earnings and Profitability (Rs. billion)

Indicators	2024 Q2	2025 Q2	% Change (Y-o-Y)
Net Interest Income	395.2	501.1	26.8
Gross Income <sup>(b)</sup>	491.4	635.9	29.4
Profit Before Corporate Tax	179.5	291.2	62.2
Profit After Corporate Tax	111.8	187.8	68.0

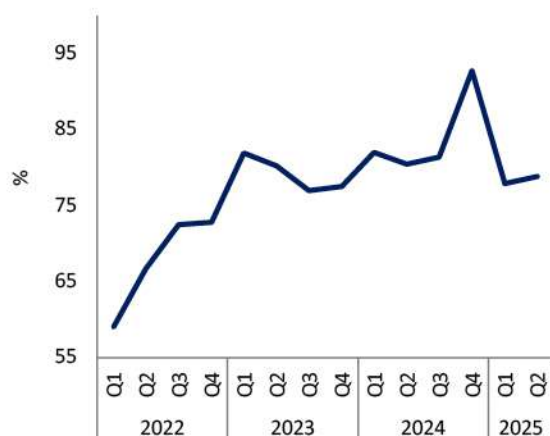
**Chart 17** Return on Assets (before tax)



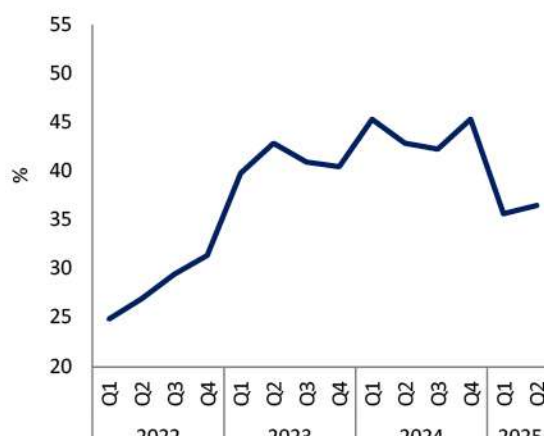
**Chart 18** Return on Equity (after tax)



**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

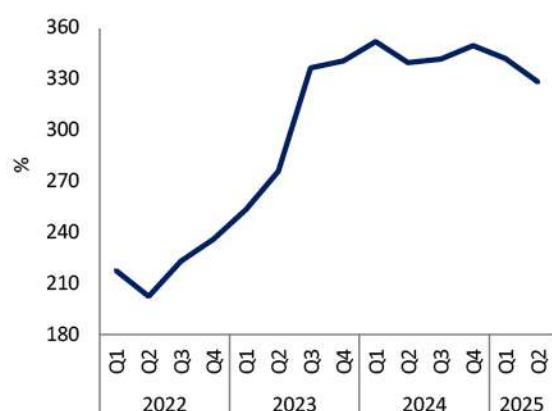
06

Liquidity of the banking sector in terms of Liquidity Coverage Ratios (LCRs) and Net Stable Funding Ratio slightly declined in Q2 of 2025 compared Q2 of 2024.

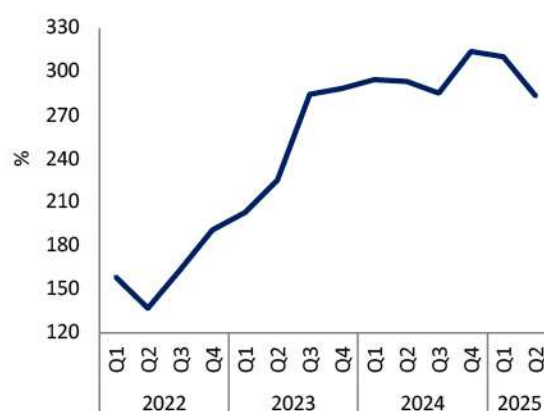
**Table 6** Liquidity (%)

Indicators	2024 Q2	2025 Q2
Liquidity Coverage Ratio - Rupee	339.9	328.6
Liquidity Coverage Ratio - All Currency	293.5	283.1
Net Stable Funding Ratio	163.7	162.0

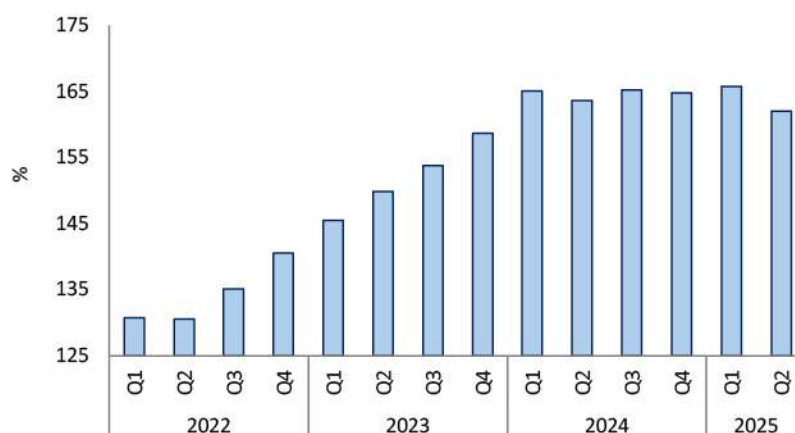
**Chart 21** Liquidity Coverage Ratio - Rupee



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



**Chart 23** Net Stable Funding Ratio





# Banking Sector Foreign Currency Operations

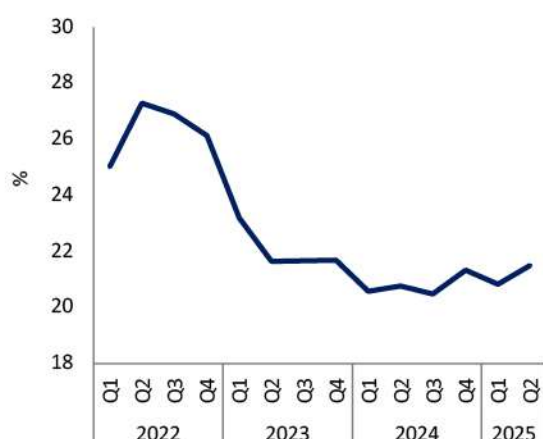
07

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 Q2 of 2025.

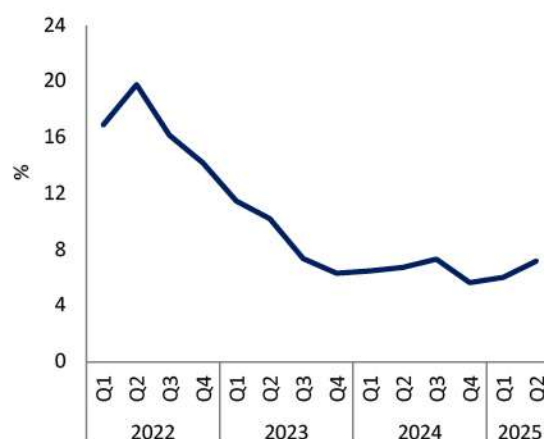
**Table 7** Foreign Currency (FCY) Operations (USD million)

Indicators	2024 Q2	2025 Q2	% Change (Y-o-Y)
FCY Loans & Receivables	7,531.2	8,847.8	17.5
FCY Investments	1,730.0	2,382.6	37.7
FCY Borrowings	836.0	744.1	-11.0
FCY Deposits	11,275.0	12,180.9	8.0

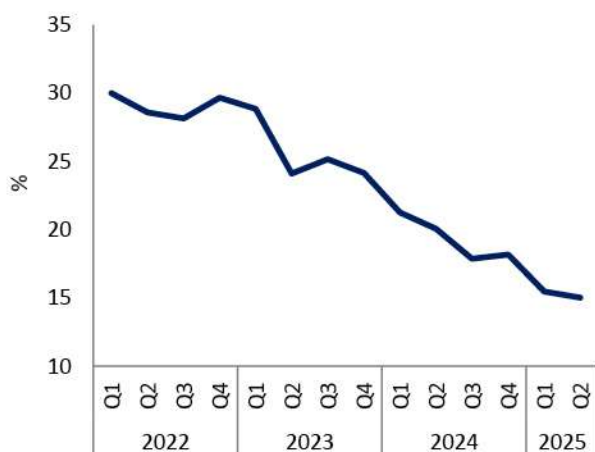
**Chart 24** FCY Loans to Total Loans



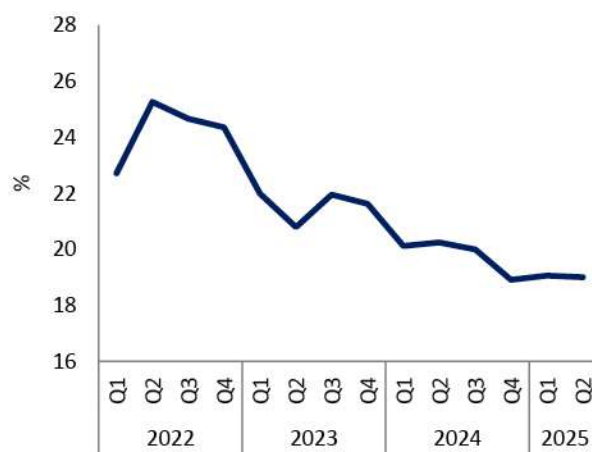
**Chart 25** FCY Investments to Total Investments



**Chart 26** FCY Borrowings to Total Borrowings



**Chart 27** FCY Deposits to Total Deposits



# Finance Companies (FCs) Sector Assets

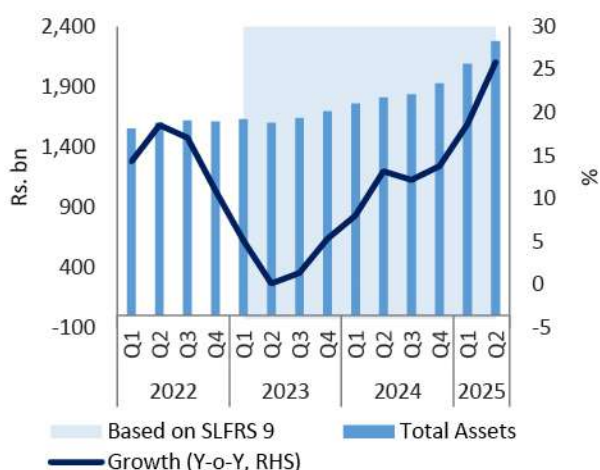
08

Total assets of the sector grew by 25.8% y-o-y at end Q2 of 2025, mainly due to increased loans and advances.

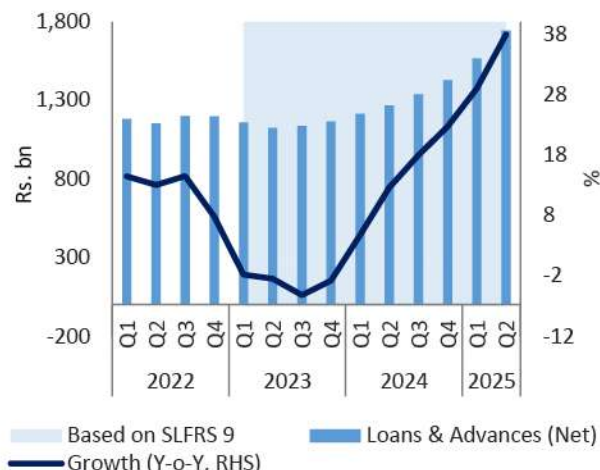
**Table 8** Assets (Rs. billion)

Indicators	2024 Q2	2025 Q2	% Change (Y-o-Y)
Total Assets	1,811.7	2,279.7	25.8
Loans & Advances (Net)	1,265.6	1,745.1	30.2
Investments	401.7	362.5	(9.8)

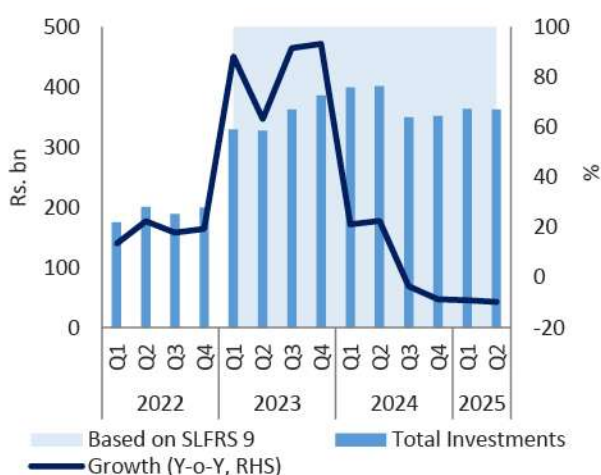
**Chart 28** Total Assets



**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 29.1% y-o-y at end Q2 of 2025, mainly due to increased deposits and borrowings from financial institutions. Furthermore, equity funds grew by 15.8% y-o-y.

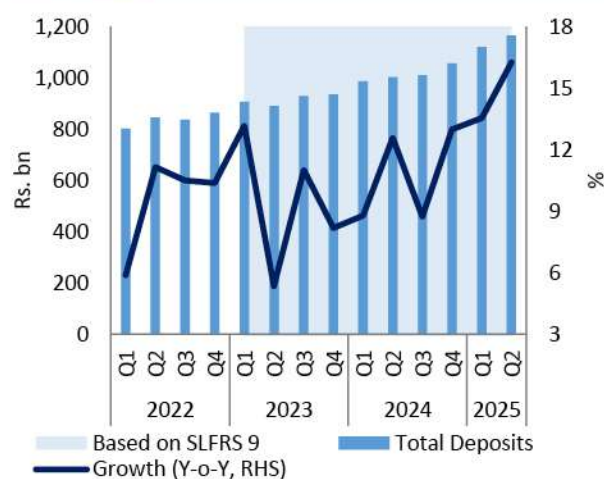
**Table 9** Liabilities & Equity (Rs. billion)

Indicators	2024 Q2	2025 Q2	% Change (Y-o-Y)
Total Liabilities	1,371.1	1,769.7	29.1
Deposits	1,002.9	1,165.9	16.3
Borrowings	268.4	472.1	75.9
Equity Fund	440.5	510.0	15.8

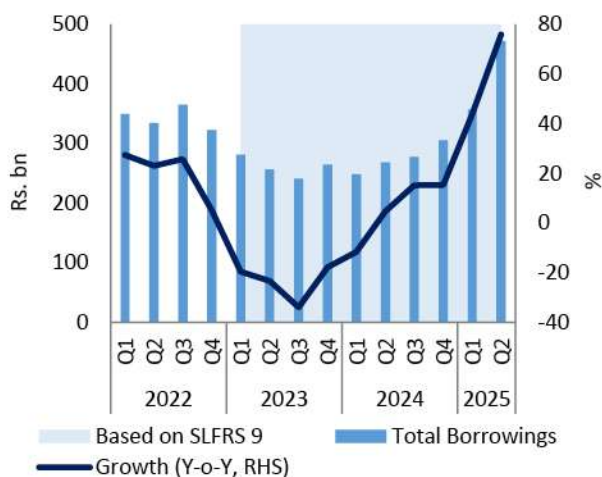
**Chart 32** Total Liabilities



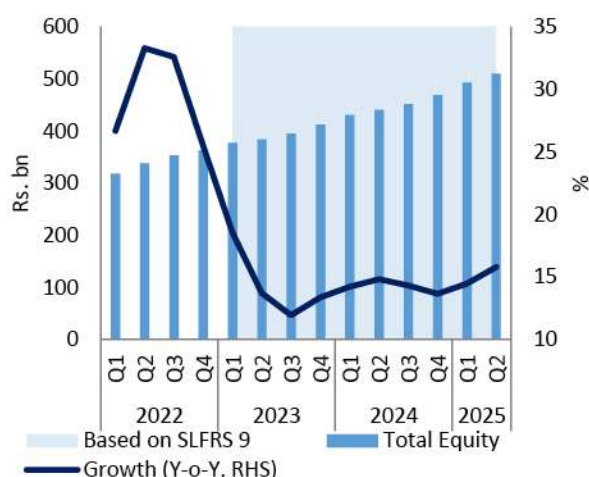
**Chart 33** Deposits



**Chart 34** Borrowings



**Chart 35** Equity





# FCs Sector Capital Adequacy

10

Total Regulatory Capital to RWA of the FCs sector decreased slightly to 22.0% at end Q2 of 2025 from 23.8% at end Q2 of 2024. Total Borrowings to Equity increased to 0.9 times from 0.6 times during the same reference period.

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

Indicators	2024 Q2	2025 Q2	% Change (Y-o-Y)
Regulatory Capital	366.9	433.0	18.0
Tier 1 Capital (Eligible)	352.7	409.6	16.1
Risk Weighted Assets (RWA)	1,542.8	1,969.4	27.7

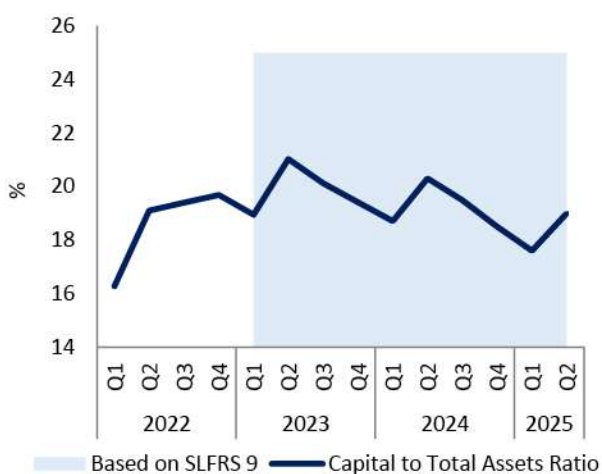
**Chart 36** Regulatory Capital to RWA



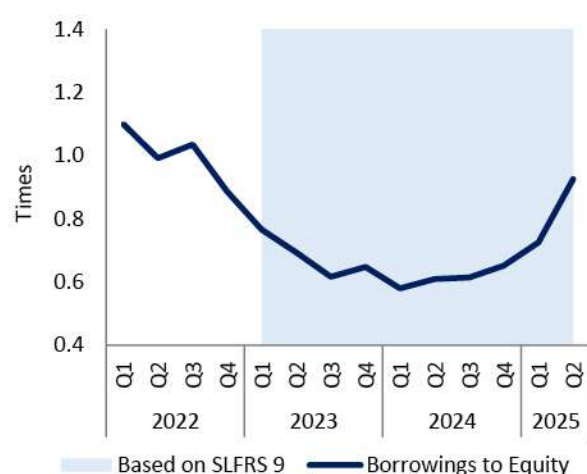
**Chart 37** Tier-1 Capital to RWA



**Chart 38** Regulatory Capital to Assets



**Chart 39** Borrowings to Equity



# FCs Sector Asset Quality\*

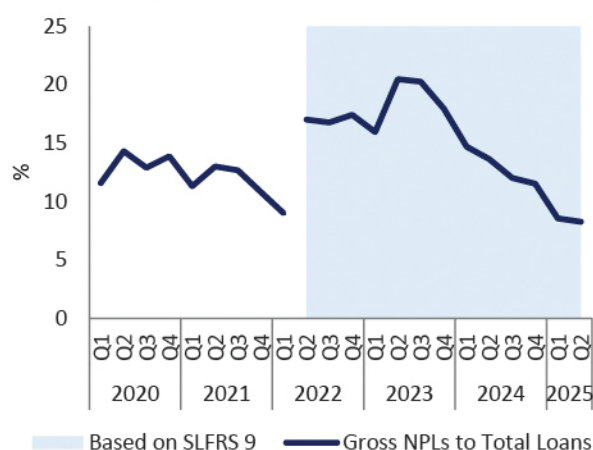
11

Gross Non-Performing Loans Ratio improved considerably to 8.3% at end Q2 of 2025 compared to 13.6% at end Q2 of 2024. Provision Coverage for NPL also improved to 46.1% at end Q2 of 2025 from 37.9% at end Q2 of 2024.

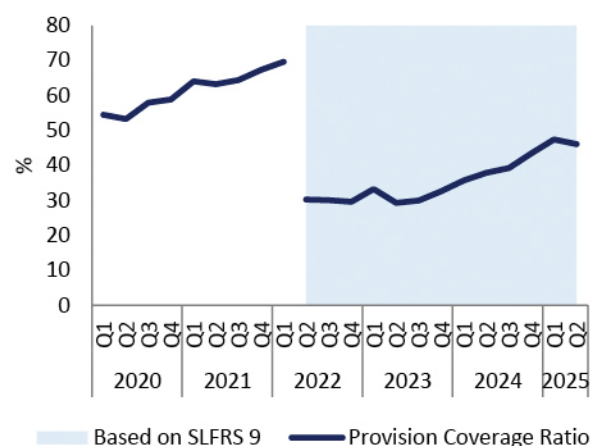
**Table 11** Asset Quality (Rs. billion)

Indicators	2024 Q2	2025 Q2	% Change (Y-o-Y)
Gross Non-Performing Loans (Gross NPLs)	185.0	151.7	(18.0)
Provisions for NPLs	70.2	69.9	(0.4)
Net NPLs	114.8	81.8	(28.7)
Gross NPLs Ratio (%)	13.6	8.3	N/A

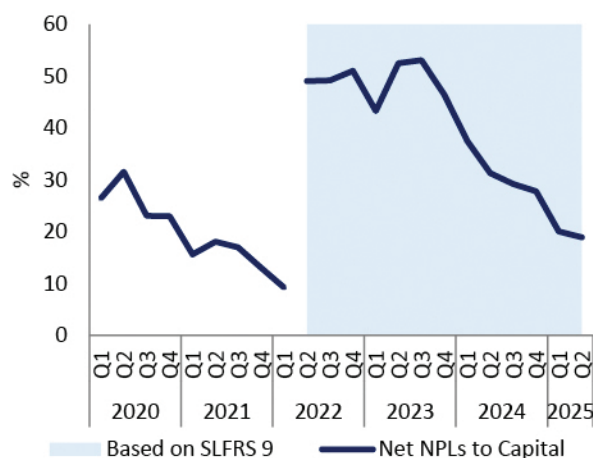
**Chart 40** Gross NPLs to Total Loans



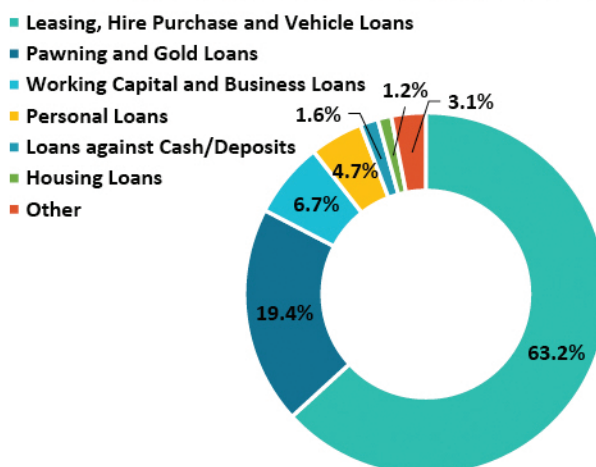
**Chart 41** Provision Coverage for NPLs



**Chart 42** Net NPLs to Capital



**Chart 43** Loan Concentration by Product at end Q2 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. 18.0 billion during the first three months of the financial year (FY) 2025/26. ROA and ROE of the sector increased to 6.9% and 15.2%, respectively, in Q2 of 2025, from 5.1% and 10.9%, respectively, in Q2 of 2024.

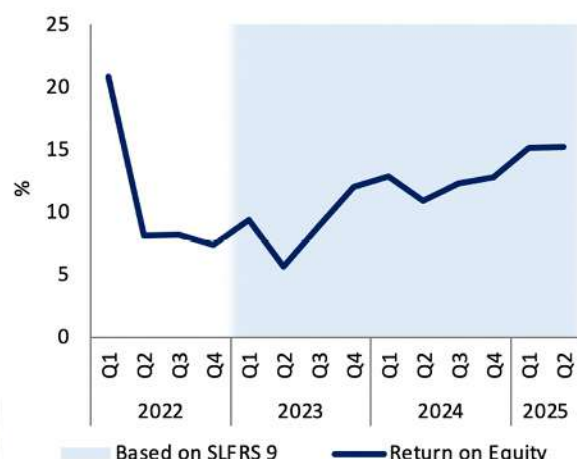
**Table 12** Earnings & Profitability (Rs. billion)

Indicators	2024 Q2	2025 Q2	% Change (Y-o-Y)
Net Interest Income	44.4	57.0	28.3
Gross Income <sup>(c)</sup>	51.9	67.2	29.5
Profit Before Tax	16.2	26.0	60.1
Profit After Tax	11.3	18.0	59.3

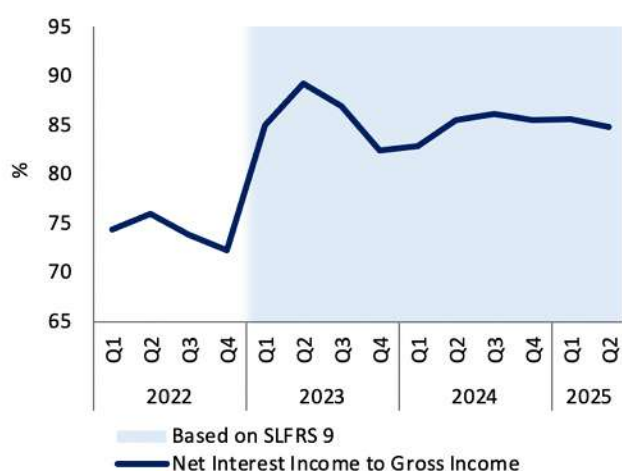
**Chart 44** Return on Assets (before tax)



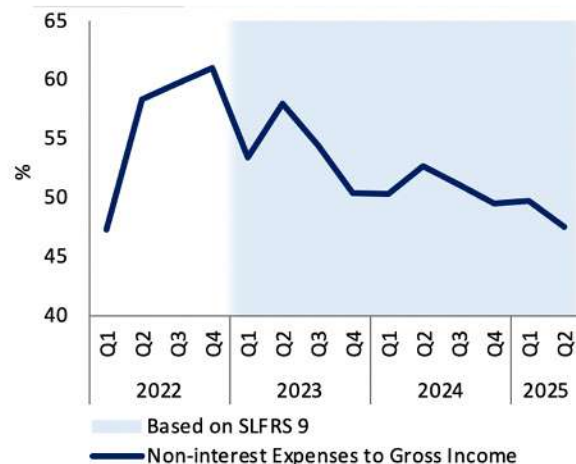
**Chart 45** Return on Equity (after tax)



**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

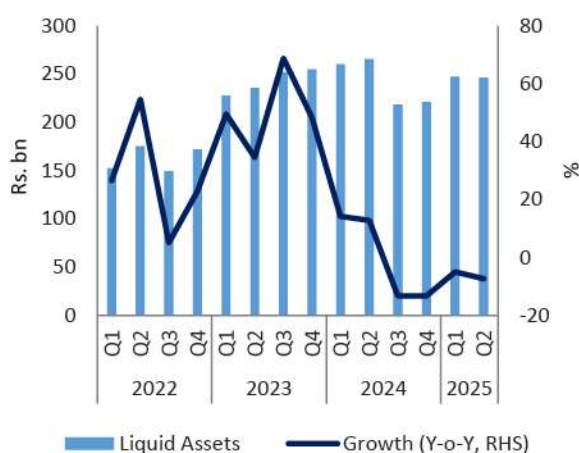
13

The sector maintained a liquidity buffer above the regulatory requirement. Ratio of Liquid Assets to Total Assets decreased to 10.8% at end Q2 of 2025, compared to 14.7% reported a year ago.

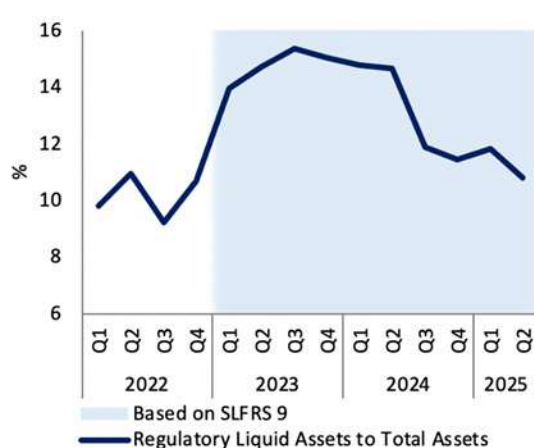
**Table 13** Liquidity (%)

Indicators	2024 Q2	2025 Q2
Liquid Assets to Total Assets Ratio	14.7	10.8
Credit to Deposits Ratio	126.2	149.7
Liquid Assets to Deposits & Borrowings	20.9	15.0

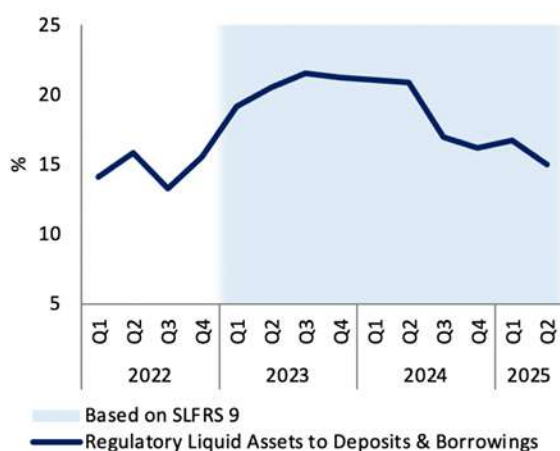
**Chart 48** Liquid Assets



**Chart 49** Liquid Assets to Total Assets Ratio



**Chart 50** Liquid Assets to Deposits & Borrowings



**Chart 51** Credit to Deposits Ratio

