



# FINANCIAL SOUNDNESS INDICATORS

Q1 of 2026



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இலங்கை மத்திய வங்கி  
CENTRAL BANK OF SRI LANKA

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The Financial Soundness Indicators – Q1 of 2026 focus on provisional data ending March 2026. This 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 are derived from financial statements that have been prepared based on SLFRS-9 from Q1 of 2023 onwards.

# Banking Sector Assets

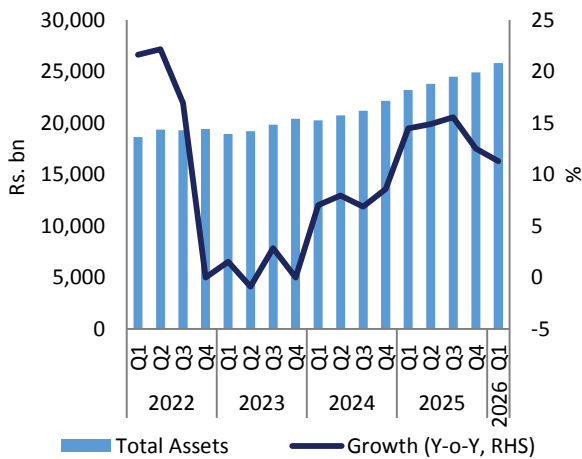
# 01

Banking sector assets recorded a growth of 11.3% y-o-y at end Q1 of 2026, primarily driven by the increased loans and receivables. Accordingly, credit growth of the sector significantly accelerated to 24.4% y-o-y at end Q1 of 2026.

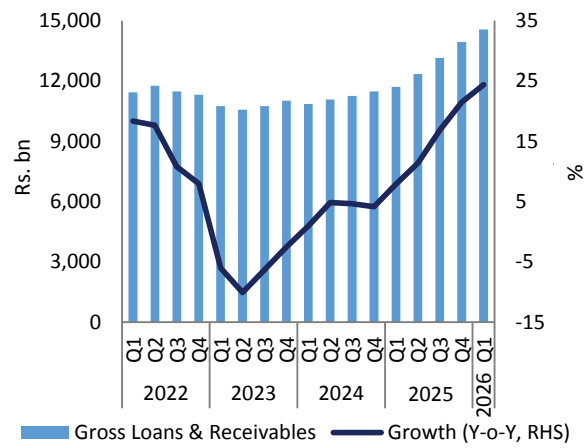
**Table 1** Banking Sector Assets (Rs. bn)

Indicators	2025 Q1	2026 Q1	% Change (Y-o-Y)
Total Assets	23,191.7	25,809.7	11.3
Gross Loans & Receivables	11,708.8	14,565.1	24.4
Investments (Net)	9,574.1	9,375.1	-2.1

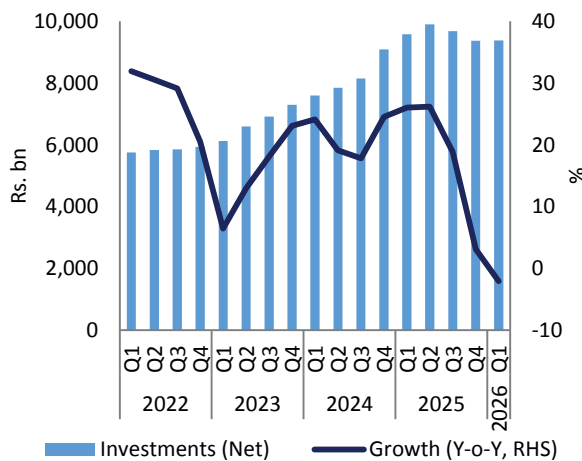
**Chart 1** Total Assets



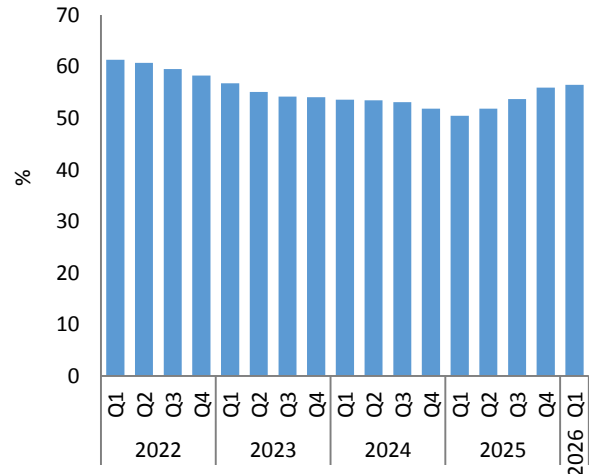
**Chart 2** Loans & Receivables



**Chart 3** Investments



**Chart 4** Gross Loans to Total Assets



# Banking Sector Liabilities & Equity

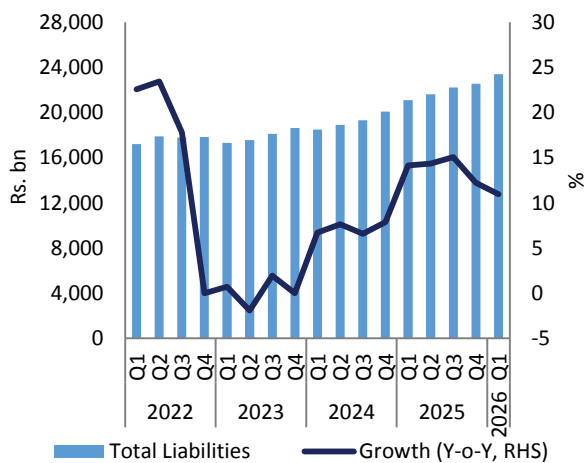
# 02

Total liabilities (excluding equity) of the sector grew by 11.0% y-o-y at end Q1 of 2026, mainly due to increased deposits. Furthermore, growth of borrowings notably accelerated to 30.2% y-o-y at end Q1 of 2026.

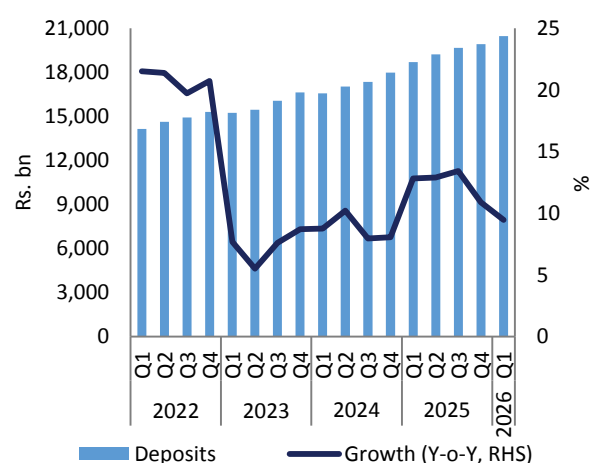
**Table 2** Liabilities & Equity (Rs. bn)

Indicators	2025 Q1	2026 Q1	% Change (Y-o-Y)
Total Liabilities	21,091.1	23,401.4	11.0
Deposits	18,693.6	20,460.7	9.5
Borrowings	1,442.2	1,878.4	30.2
Equity Capital & Reserves	2,100.5	2,408.3	14.7

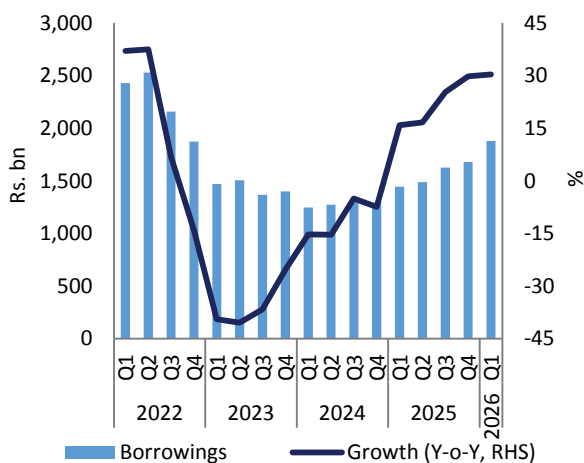
**Chart 5** Total Liabilities



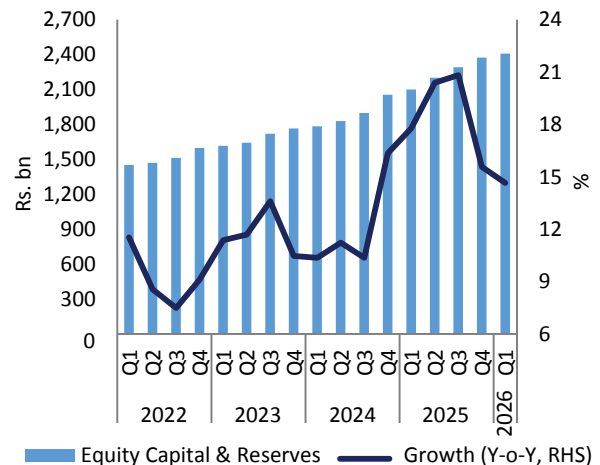
**Chart 6** Deposits



**Chart 7** Borrowings



**Chart 8** Equity Capital & Reserves



# Banking Sector Capital Adequacy

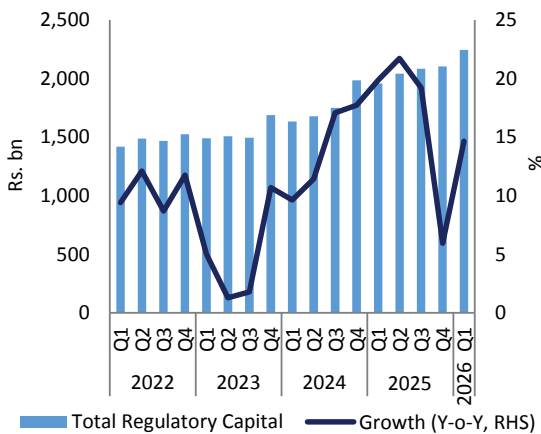
# 03

Regulatory Capital to Risk Weighted Assets (RWA) of the banking sector declined to 18.3% at end Q1 of 2026 compared to 19.4% at end Q1 of 2025, mainly due to higher growth in RWA driven by the credit expansion.

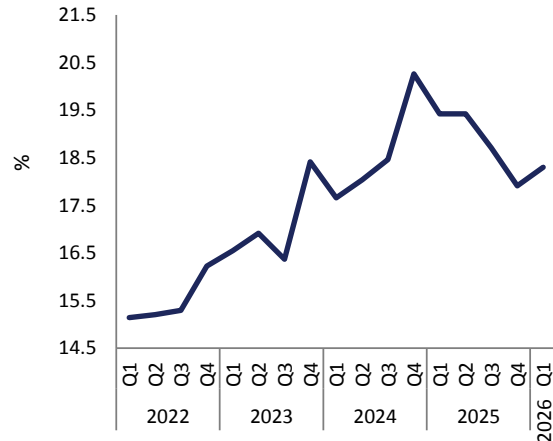
**Table 3** Regulatory Capital (Rs. bn)

Indicators	2025 Q1	2026 Q1	% Change (Y-o-Y)
Total Regulatory Capital	1,958.6	2,245.4	14.6
Tier 1 Capital	1,610.4	1,835.2	14.0
Risk Weighted Assets (RWA)	10,084.1	12,277.7	21.8
Leverage Exposure	23,790.8	26,842.9	12.8

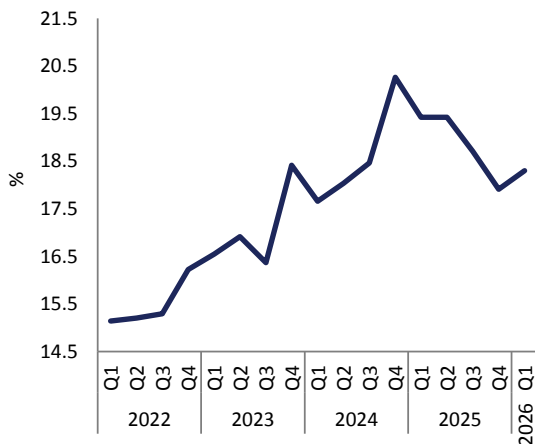
**Chart 9** Total Regulatory Capital



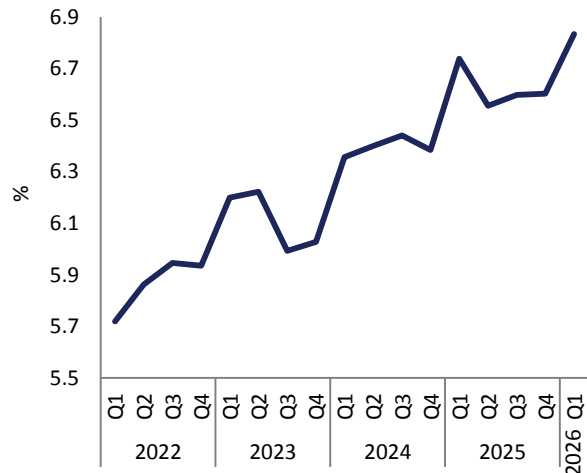
**Chart 10** Total Regulatory Capital to RWA



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



**Chart 12** Leverage Ratio



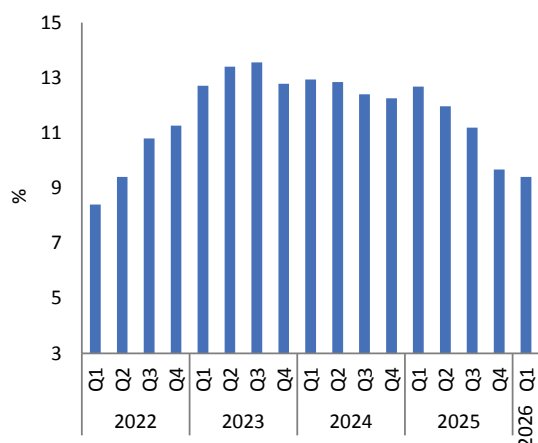
# Banking Sector Asset Quality\*

# 04

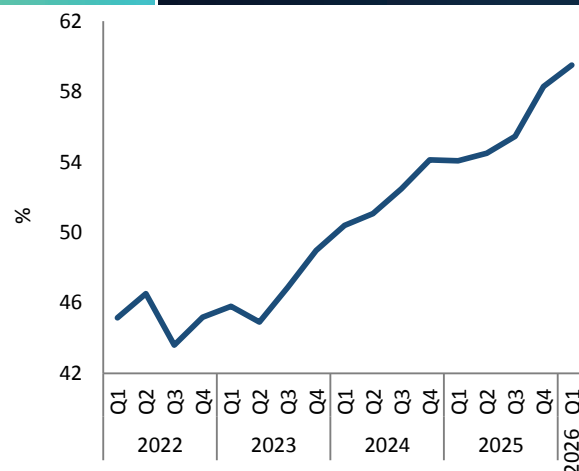
Stage 3 Loans to Total Loans<sup>(a)</sup> of the banking sector declined to 9.4% at end Q1 of 2026 compared to 12.7% at end Q1 of 2025.

Table 4	Asset Quality		
Indicators	2025 Q1	2026 Q1	% Change (Y-o-Y)
Stage 3 Loans (Rs. bn)	1,490.2	1,363.4	-8.5
Impairment for Total Loans (Rs. bn)	1,002.1	1,046.7	4.5
Impairment for Stage 3 Loans (Rs. bn)	805.8	811.7	0.7
Gross Stage 3 Loans to Total Loans <sup>(a)</sup> (%)	12.7	9.4	N/A
Net Stage 3 Loans <sup>(b)</sup> to Total Loans <sup>(a)</sup> (%)	5.8	3.8	N/A

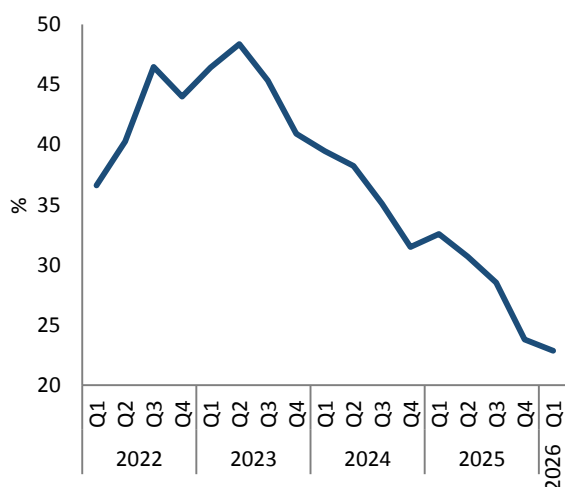
**Chart 13** Stage 3 Loans to Total Loans



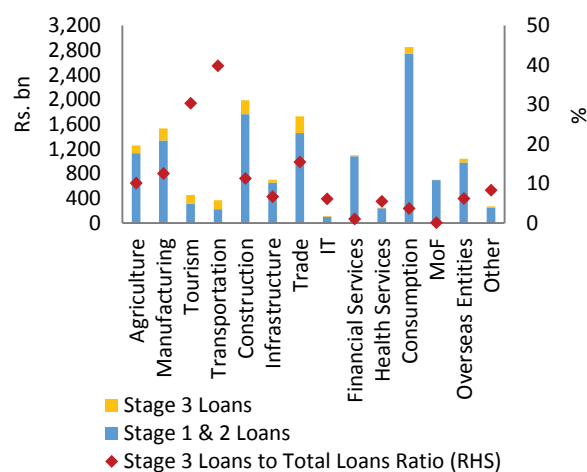
**Chart 14** Impairment Coverage for Stage 3 Loans



**Chart 15** Net Stage 3 Loans<sup>(b)</sup> to Capital



**Chart 16** Loan Concentration by Economic Activity at end Q1 of 2026



(a) Including undrawn portion of credit facilities.

(b) Net of stage 3 impairment.

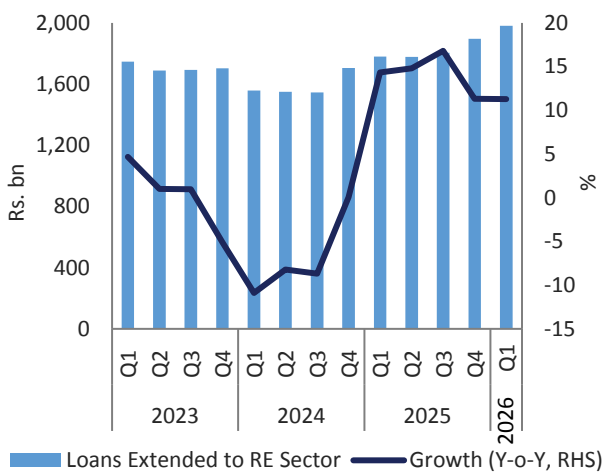
\* Stage 3 Loans and Impairment Coverage would reflect Non-Performing Loans and Provision Coverage, respectively.

Banking sector loans to the real estate sector increased by 11.3% y-o-y at end Q1 of 2026, while stage 3 loans pertaining to the real estate sector contracted by 11.1% y-o-y during the same period.

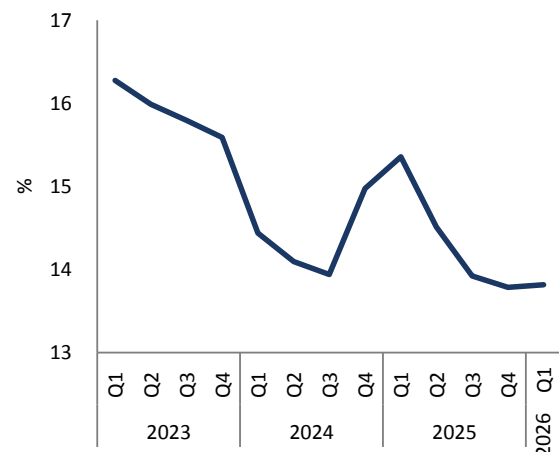
**Table 5** Loans to Real Estate (RE) Sector

Indicators	2025 Q1	2026 Q1	% Change (Y-o-Y)
Loans to RE Sector (Rs. bn)	1,780.3	1,981.4	11.3
Stage 3 Loans of RE Sector (Rs. bn)	252.1	224.1	-11.1
Stage 3 Loans Ratio of RE Sector (%)	14.2	11.3	N/A

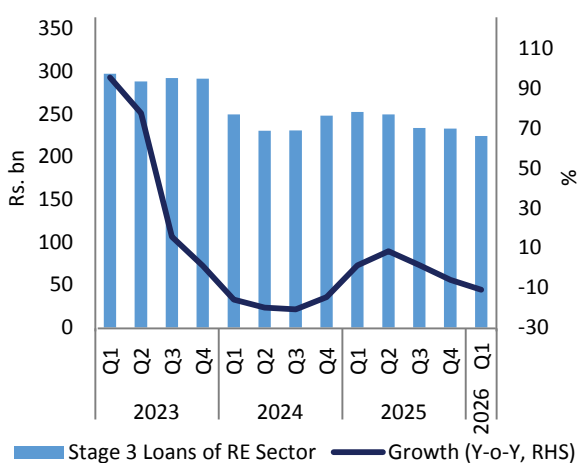
**Chart 17** Loans to RE Sector



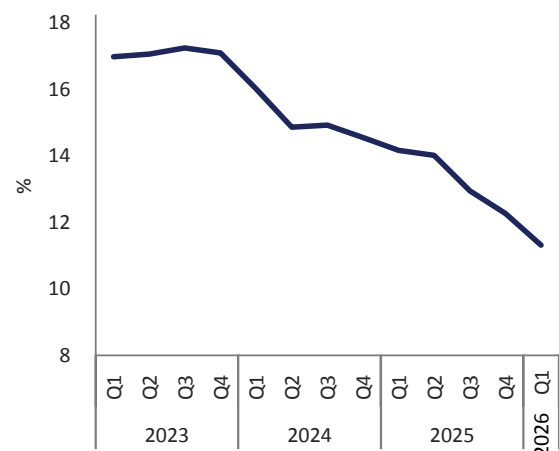
**Chart 18** RE Sector Loans to Total Loans



**Chart 19** Stage 3 Loans of RE Sector



**Chart 20** Stage 3 Loans Ratio of RE Sector



# Banking Sector Earnings & Profitability

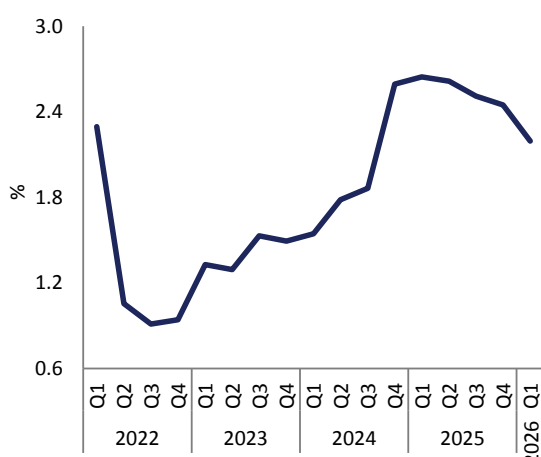
# 06

The banking sector reported a profit after tax of Rs. 85.1 bn during Q1 of 2026, recording a decline of 7.1% y-o-y.

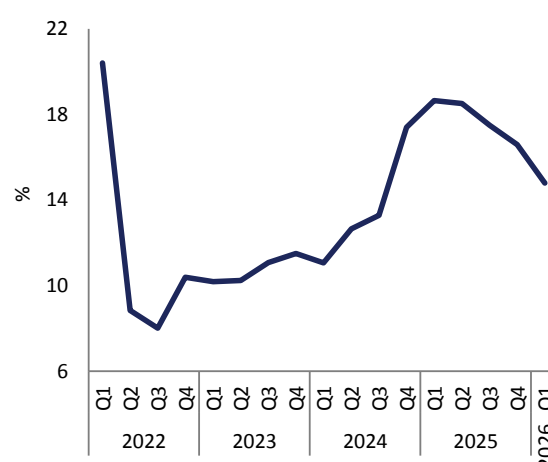
**Table 6** Earnings and Profitability (Rs. bn)

Indicators	2025 Q1	2026 Q1	% Change (Y-o-Y)
Net Interest Income	246.5	270.7	9.8
Gross Income <sup>(c)</sup>	316.5	339.6	7.3
Profit Before Tax	142.2	134.3	-5.6
Profit After Tax	91.6	85.1	-7.1

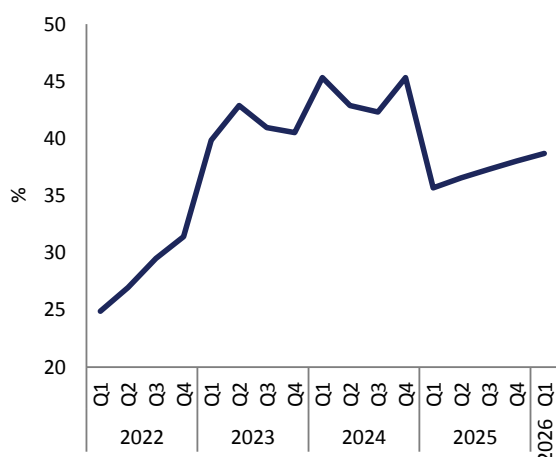
**Chart 21** Return on Assets



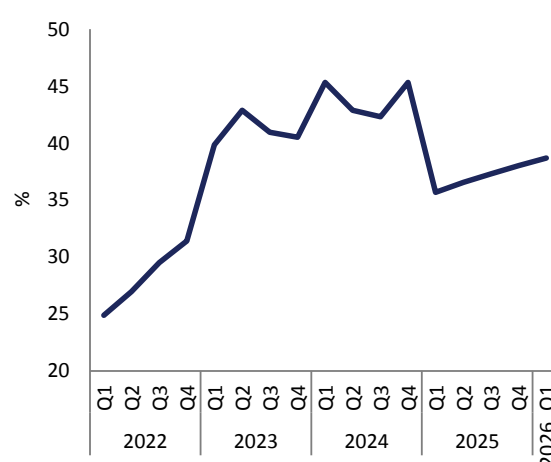
**Chart 22** Return on Equity



**Chart 23** Net Interest Income to Gross Income



**Chart 24** Non-Interest Expense to Gross Income



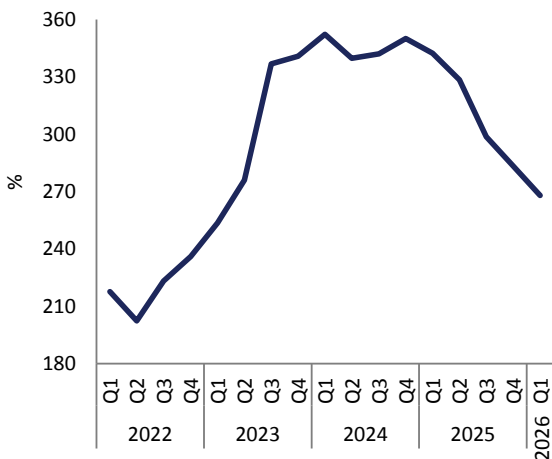
(c) Gross income includes net interest income and non-interest income.

Reflecting the considerable credit expansion, liquidity of the banking sector in terms of liquidity coverage ratios and net stable funding ratio declined at end Q1 of 2026 compared to a year ago, yet remained above the minimum regulatory requirements.

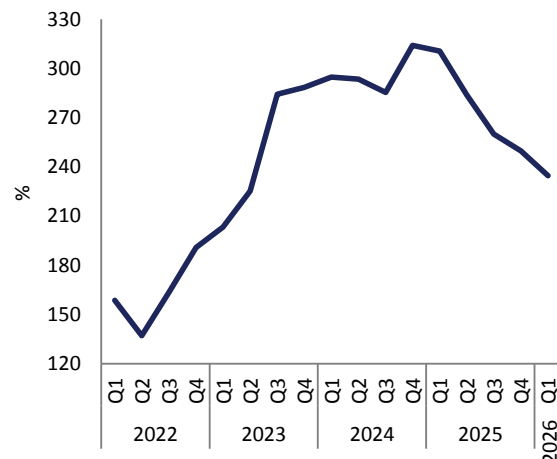
**Table 7** Liquidity (%)

Indicators	2025 Q1	2026 Q1
Liquidity Coverage Ratio - Rupee	342.4	267.9
Liquidity Coverage Ratio - All Currency	310.6	234.7
Net Stable Funding Ratio	165.8	150.6

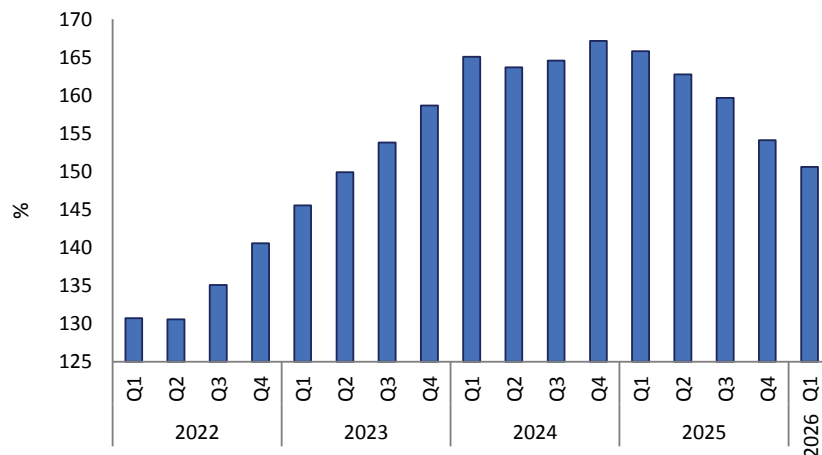
**Chart 25** Liquidity Coverage Ratio - Rupee



**Chart 26** Liquidity Coverage Ratio - All Currency



**Chart 27** Net Stable Funding Ratio

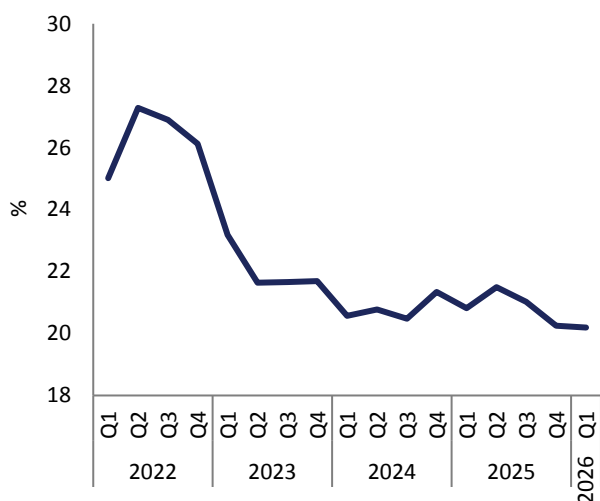


Core forex operations of the banking sector expanded on a y-o-y basis at end Q1 of 2026.

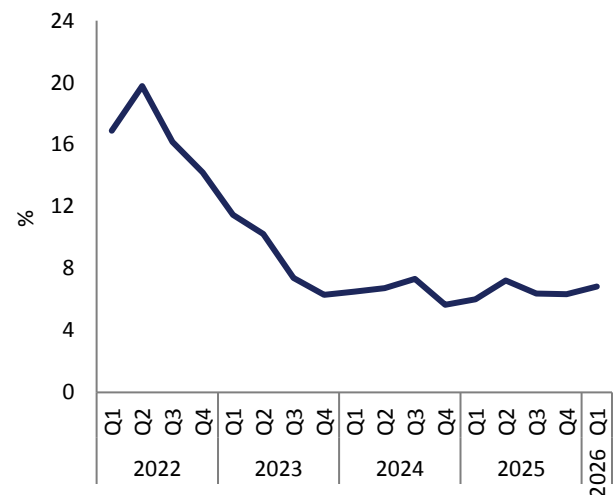
**Table 8** Foreign Currency (FCY) Operations (USD mn)

Indicators	2025 Q1	2026 Q1	% Change (Y-o-Y)
FCY Loans & Receivables	8,237.3	9,331.2	13.3
FCY Investments	1,943.2	2,033.5	4.6
FCY Borrowings	753.1	839.8	11.5
FCY Deposits	12,022.6	12,876.9	7.1

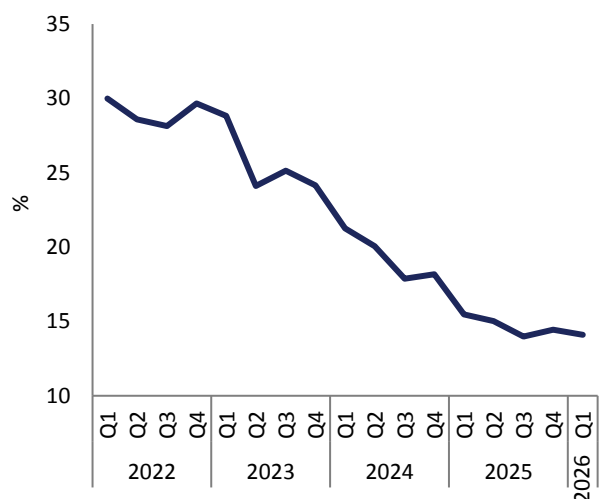
**Chart 28** FCY Loans to Total Loans



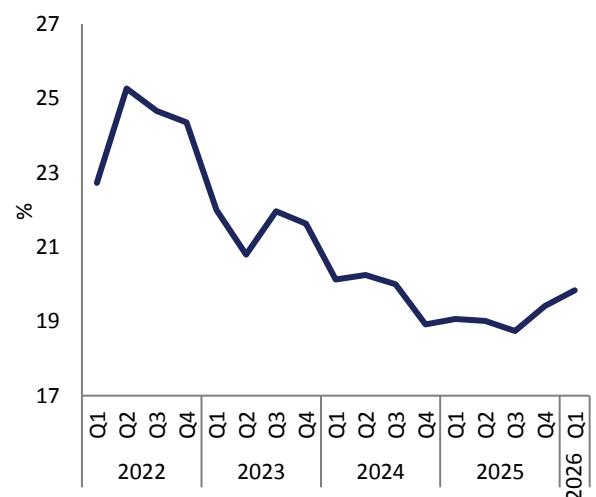
**Chart 29** FCY Investments to Total Investments



**Chart 30** FCY Borrowings to Total Borrowings



**Chart 31** FCY Deposits to Total Deposits



# Finance Companies (FCs) Sector Assets

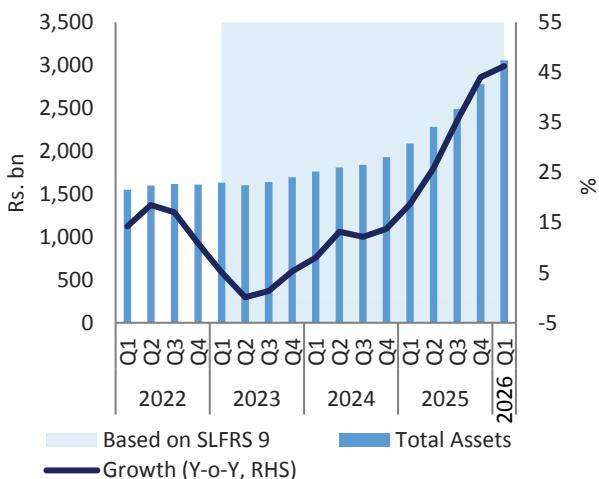
09

Total assets of the FCs sector grew by 46.2% y-o-y at end Q1 of 2026, mainly due to increased loans and advances.

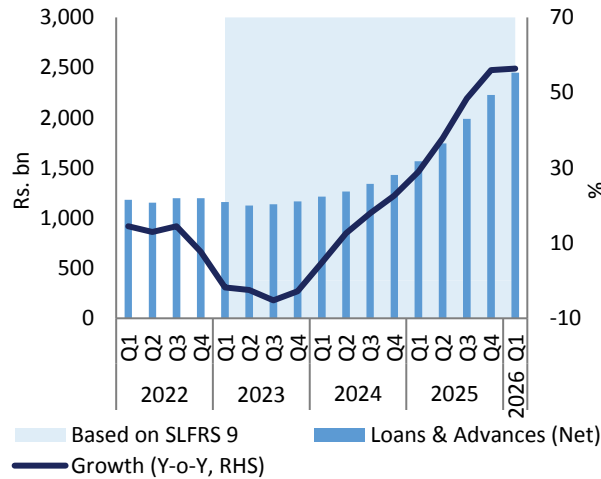
**Table 9** Assets (Rs. bn)

Indicators	2025 Q1	2026 Q1	% Change (Y-o-Y)
Total Assets	2,089.3	3,055.3	46.2
Loans & Advances (Net)	1,566.7	2,450.3	56.4
Investments	363.4	412.6	13.6

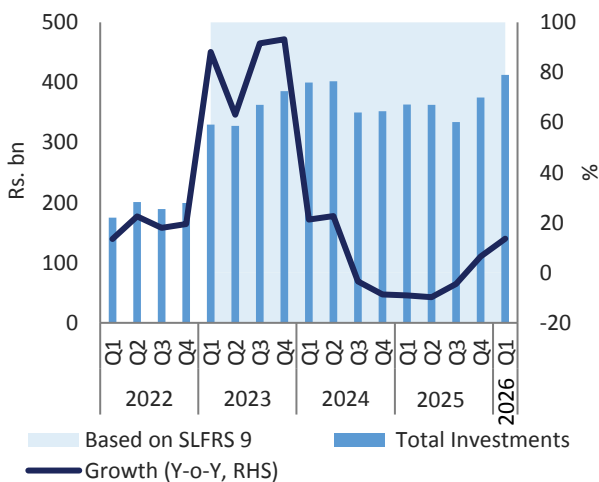
**Chart 32** Total Assets



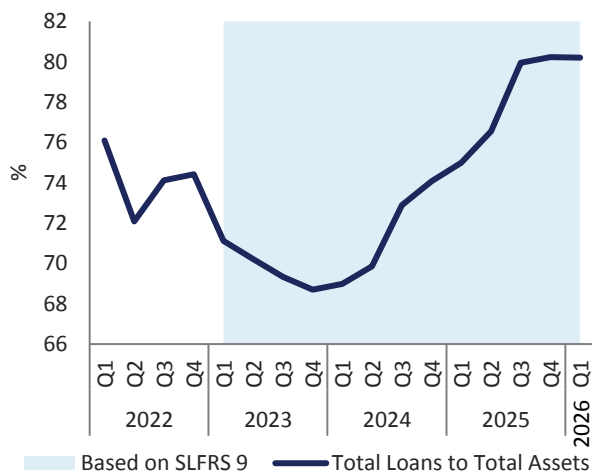
**Chart 33** Loans & Advances



**Chart 34** Investments



**Chart 35** Loans & Advances to Total Assets



# FCs Sector Liabilities & Equity

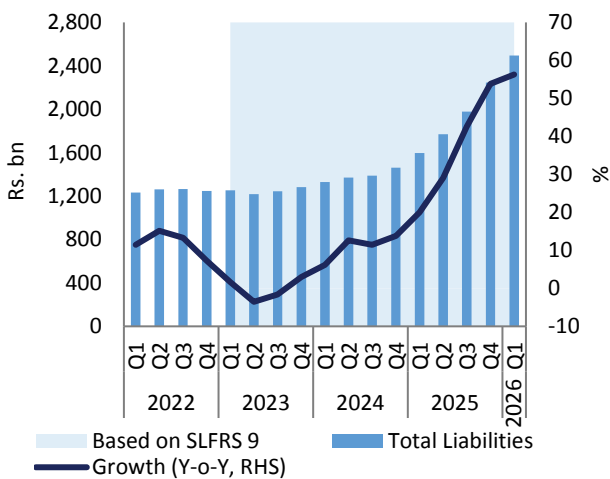
# 10

Total liabilities (excluding equity) of the sector increased by 56.3% y-o-y at end Q1 of 2026, mainly due to increased borrowings. Furthermore, equity funds grew by 13.7% y-o-y at end Q1 of 2026.

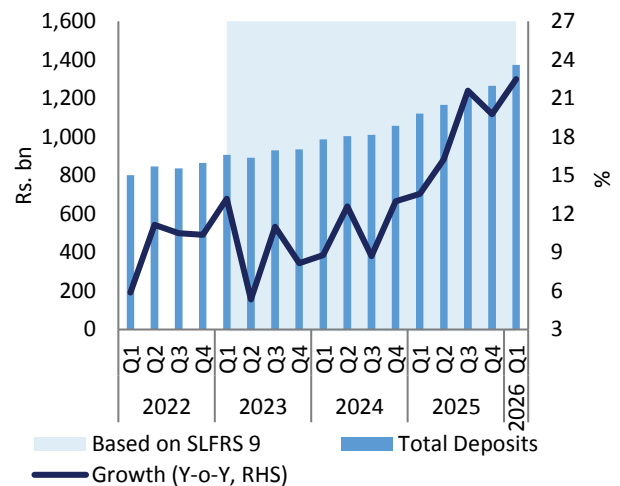
**Table 10** Liabilities & Equity (Rs. bn)

Indicators	2025 Q1	2026 Q1	% Change (Y-o-Y)
Total Liabilities (Excluding Equity)	1,596.4	2,494.8	56.3
Deposits	1,120.7	1,372.8	22.5
Borrowings	357.5	981.3	174.5
Equity Capital & Reserves	492.9	560.4	13.7

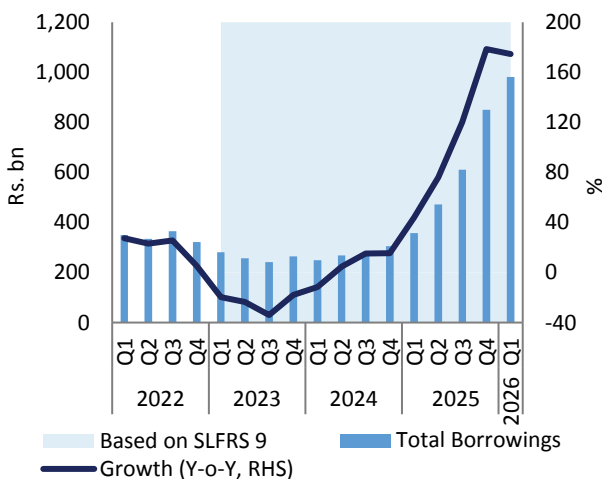
**Chart 36** Total Liabilities



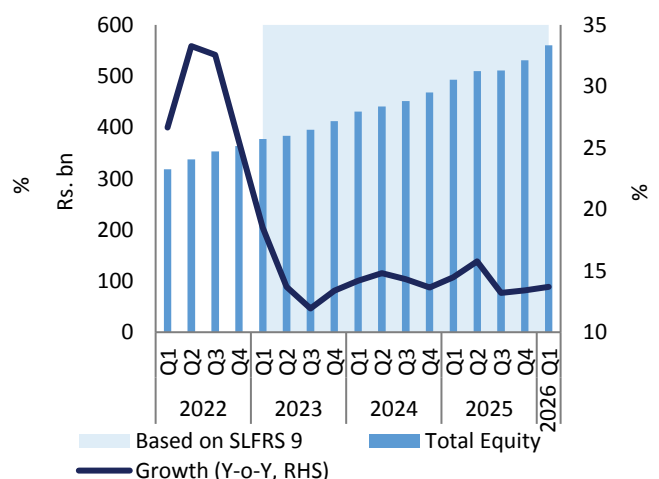
**Chart 37** Deposits



**Chart 38** Borrowings



**Chart 39** Equity Capital & Reserves



# FCs Sector Capital Adequacy

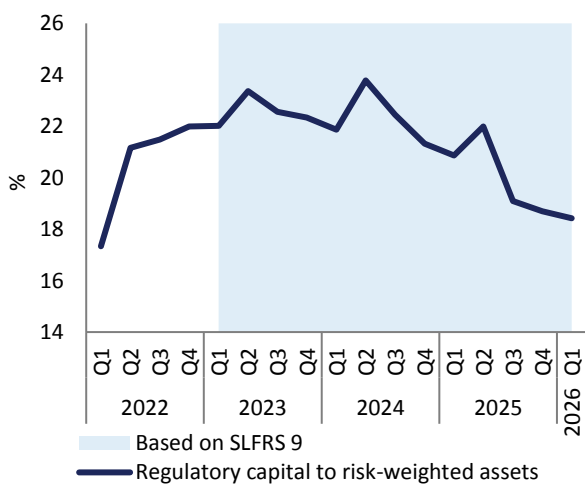
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Total regulatory capital to risk weighted assets (RWA) of the FCs sector decreased to 18.4% at end Q1 of 2026 from 20.9% at end Q1 of 2025, primarily due to the increase in RWA driven by higher credit expansion.

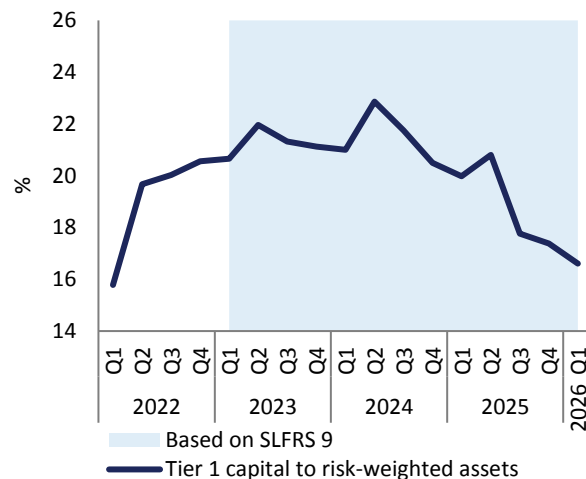
**Table 11** Regulatory Capital (Rs. bn)

Indicators	2025 Q1	2026 Q1	% Change (Y-o-Y)
Regulatory Capital	372.2	470.7	26.5
Tier 1 Capital (Eligible)	356.3	424.2	19.1
Risk Weighted Assets (RWA)	1,783.7	2,555.1	43.2

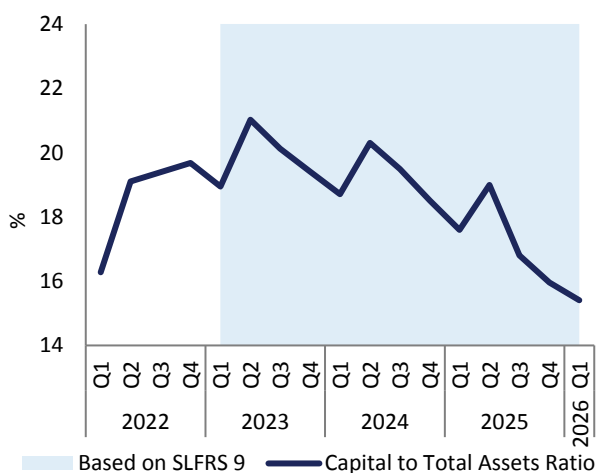
**Chart 40** Regulatory Capital to RWA



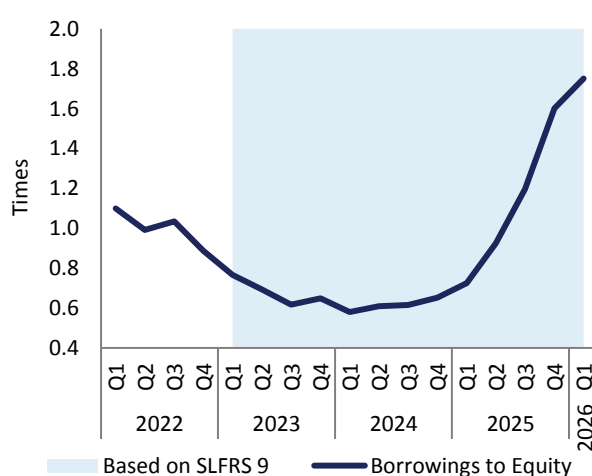
**Chart 41** Tier-1 Capital to RWA



**Chart 42** Regulatory Capital to Assets



**Chart 43** Borrowings to Equity



# FCs Sector Asset Quality\*

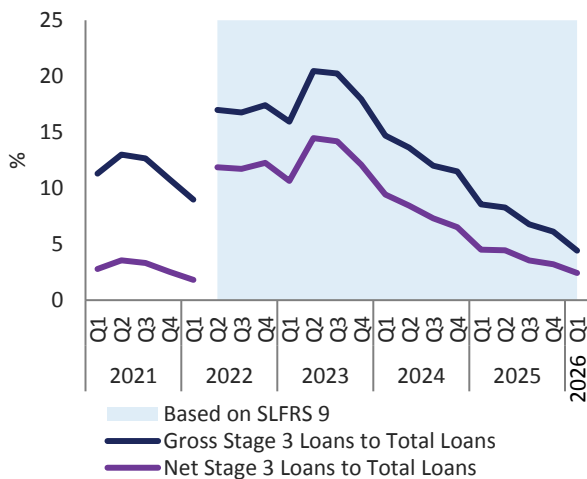
# 12

Gross stage 3 loans ratio declined considerably to 4.4% at end Q1 of 2026 compared to 8.6% at end Q1 of 2025, primarily due to the significant credit expansion coupled with the reduction in stage 3 loans.

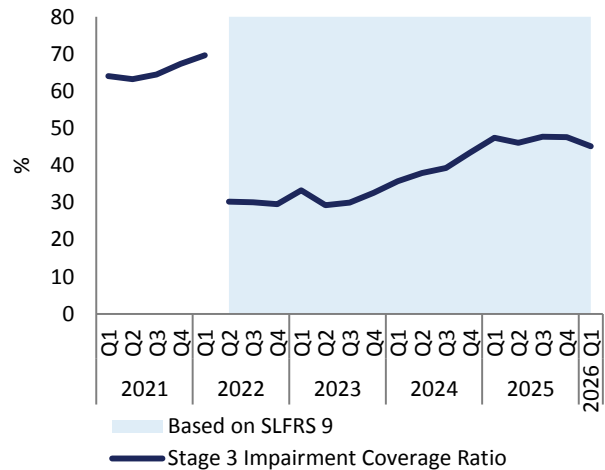
**Table 12** Asset Quality

Indicators	2025 Q1	2026 Q1	% Change (Y-o-Y)
Gross Stage 3 Loans (Rs. bn)	141.8	111.8	-21.2
Impairment for Stage 3 Loans (Rs. bn)	67.2	50.5	-25.0
Net Stage 3 Loans (Rs. bn)	74.5	61.3	-17.8
Gross Stage 3 Loans Ratio (%)	8.6	4.4	N/A
Net Stage 3 Loans Ratio (%)	4.5	2.4	N/A

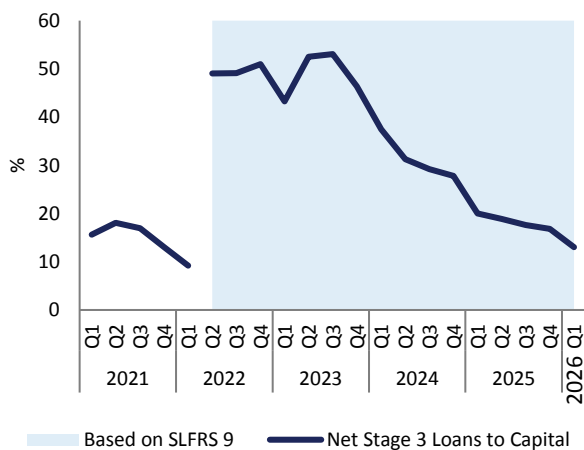
**Chart 44** Gross Stage 3 Loans to Total Loans



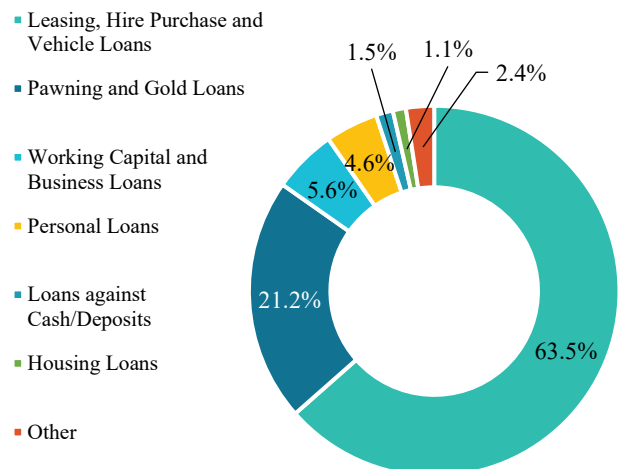
**Chart 45** Impairment Coverage for Stage 3 Loans



**Chart 46** Net Stage 3 Loans to Capital



**Chart 47** Loan Concentration by Product at end Q1 of 2026



\* The FCs sector adopted the Finance Business Act Direction No. 01 of 2020 on the Classification and Measurement of Credit Facilities with effect from 01 April 2022. Stage 3 Loans and Impairment Coverage would reflect Non-performing Loans and Provision Coverage, respectively.

# FCs Sector Earnings & Profitability

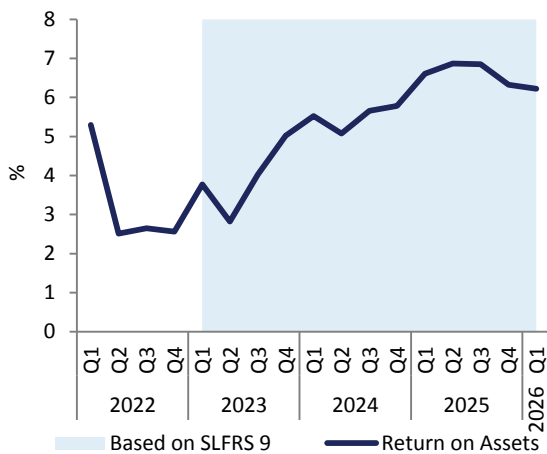
# 13

Profit after tax of the FCs sector grew by 28.8% y-o-y in the financial year (FY) 2025/26, compared to a growth of 34.8% reported in the FY 2024/25.

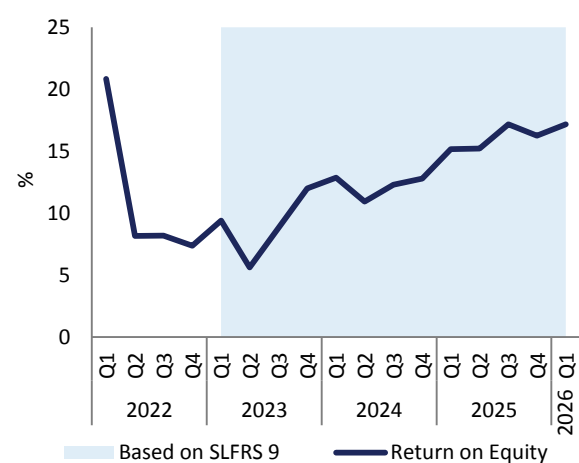
**Table 13** Earnings & Profitability (Rs. bn)

Indicators	FY 2024/25	FY 2025/26	% Change (Y-o-Y)
Net Interest Income	201.0	253.5	26.1
Gross Income <sup>(d)</sup>	234.8	297.9	26.9
Profit Before Tax	95.9	122.8	28.1
Profit After Tax	69.4	89.4	28.8

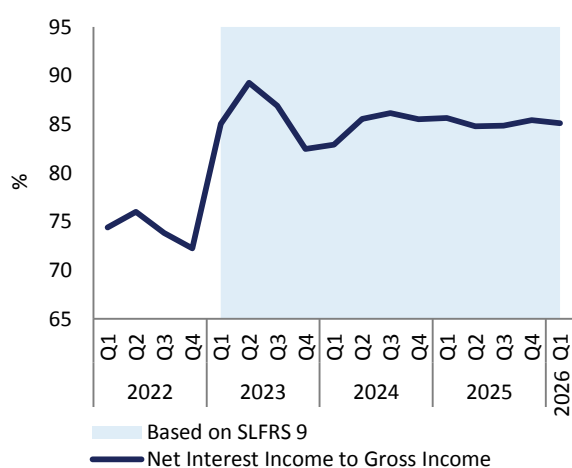
**Chart 48** Return on Assets



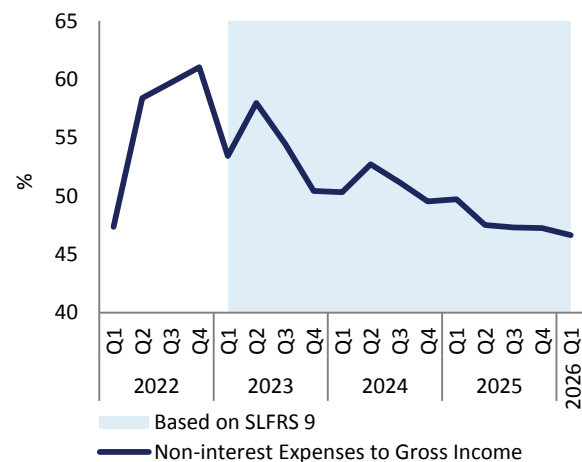
**Chart 49** Return on Equity



**Chart 50** Net Interest Income to Gross Income



**Chart 51** Non-interest Expenses to Gross Income



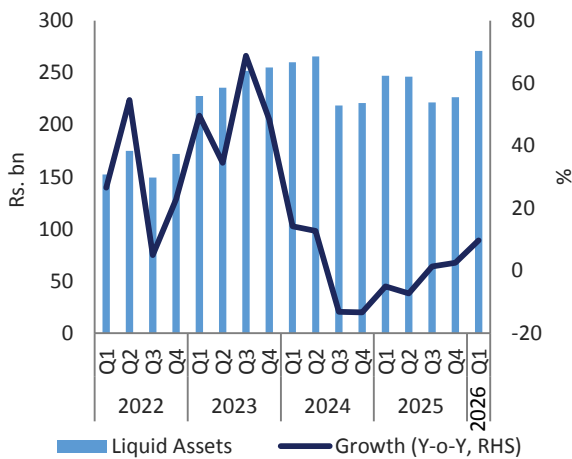
(d) Gross income includes net interest income and non-interest income.

The FCs sector maintained a liquidity buffer above the minimum regulatory requirement. However, the ratio of liquid assets to total assets decreased to 8.9% at end Q1 of 2026 compared to 11.8% reported a year ago.

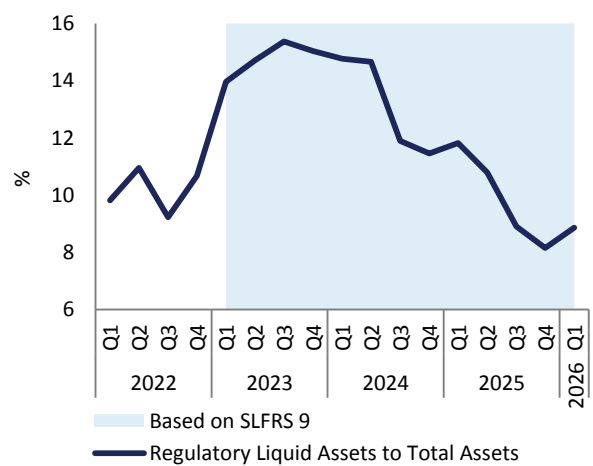
**Table 14** Liquidity (%)

Indicators	2025 Q1	2026 Q1
Liquid Assets to Total Assets	11.8	8.9
Credit to Deposits Ratio	147.9	184.1
Liquid Assets to Deposits & Borrowings	16.7	11.5

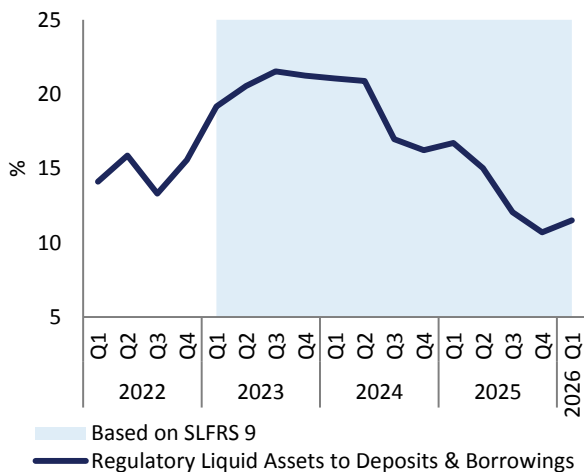
**Chart 52** Liquid Assets



**Chart 53** Liquid Assets to Total Assets Ratio



**Chart 54** Liquid Assets to Deposits & Borrowings



**Chart 55** Credit to Deposits Ratio

