



FINANCIAL SOUNDNESS INDICATORS

Q2 of 2026



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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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The Financial Soundness Indicators – Q2 of 2026 focus on data ending June 2026. The data for Q2 of 2026 are provisional and may include calculations made specifically for this publication. Banking sector indicators are derived from financial statements prepared in accordance with SLFRS-9 from 01 January 2022 onwards, while FCs sector indicators are based on financial statements prepared in accordance with SLFRS-9 from Q1 of 2023 onwards.

Banking Sector Assets

01

Banking sector assets recorded a growth of 9.3% y-o-y at end Q2 of 2026, primarily driven by the increased loans and receivables. Accordingly, credit growth of the sector accelerated to 23.6% y-o-y at end Q2 of 2026. However, investment recorded a y-o-y decline during the same reference period.

Table 1 Banking Sector Assets (Rs. bn)

Indicators	2025 Q2	2026 Q2	% Change (Y-o-Y)
Total Assets	23,809.6	26,027.8	9.3
Gross Loans & Receivables	12,347.9	15,263.5	23.6
Investments (Net)	9,904.2	8,925.6	-9.9

Chart 1 Total Assets

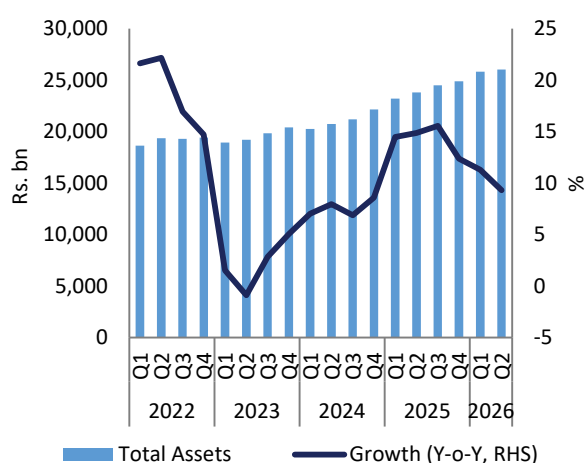


Chart 2 Loans & Receivables

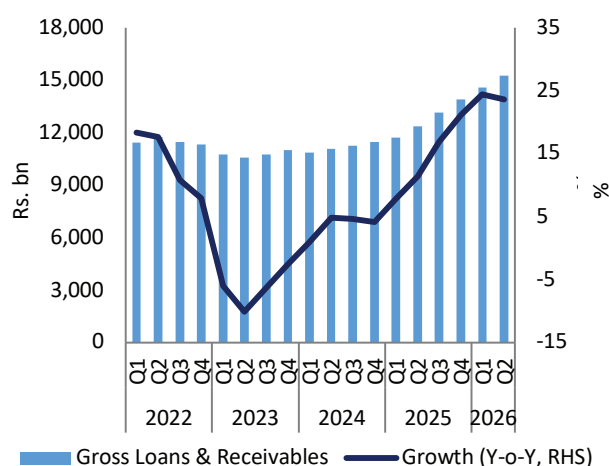


Chart 3 Investments

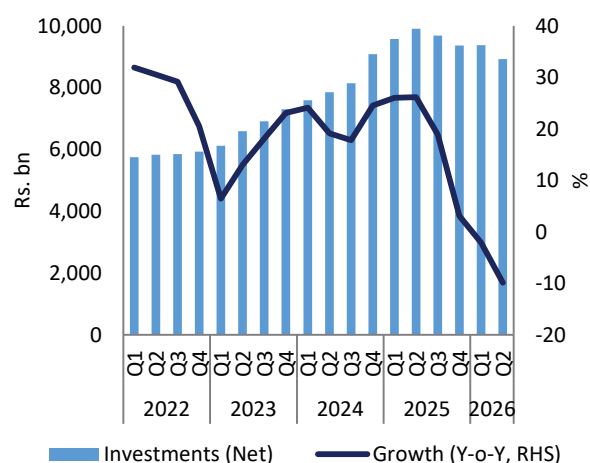
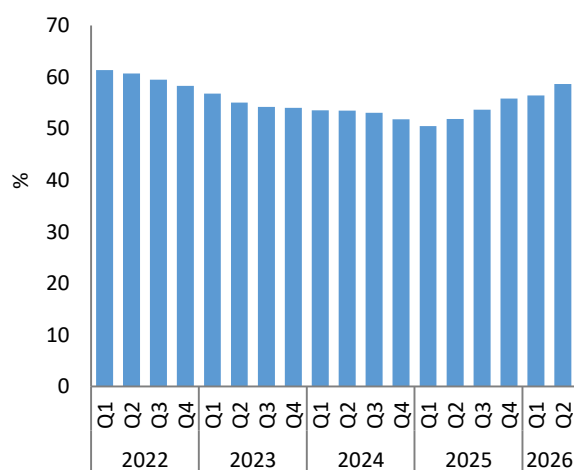


Chart 4 Gross Loans to Total Assets



Banking Sector Liabilities & Equity

02

Total liabilities (excluding equity) of the sector increased by 8.7% y-o-y at end Q2 of 2026, mainly due to increased deposits. Furthermore, growth in borrowings remained high at 26.9% y-o-y at end Q2 of 2026.

Table 2 Liabilities & Equity (Rs. bn)

Indicators	2025 Q2	2026 Q2	% Change (Y-o-Y)
Total Liabilities	21,617.0	23,491.5	8.7
Deposits	19,219.7	20,616.9	7.3
Borrowings	1,485.8	1,885.9	26.9
Equity Capital & Reserves	2,192.6	2,536.2	15.7

Chart 5 Total Liabilities

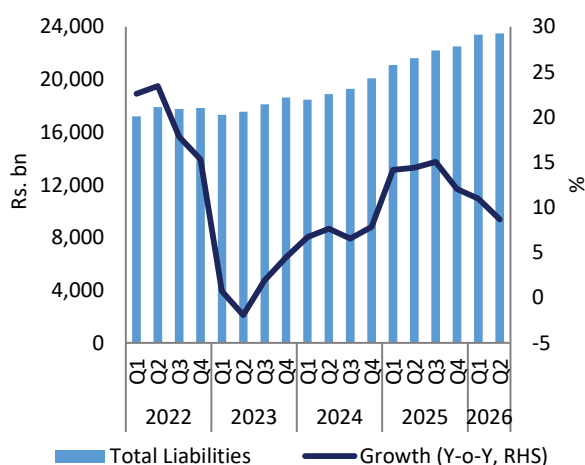


Chart 6 Deposits

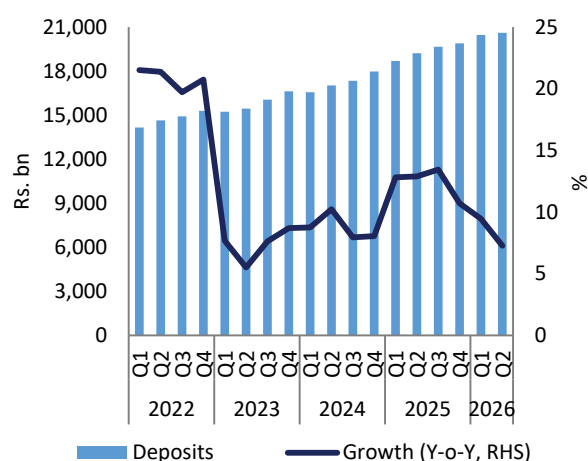


Chart 7 Borrowings

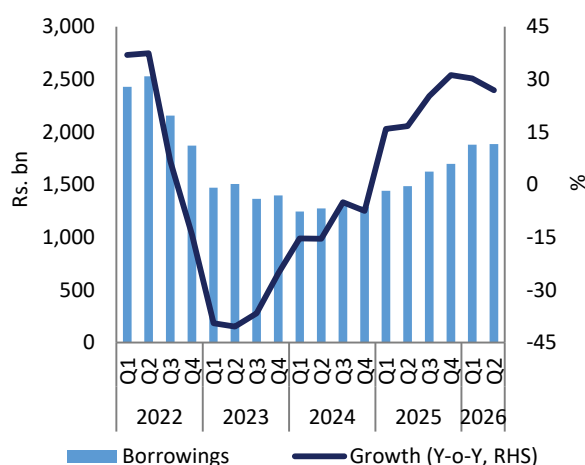
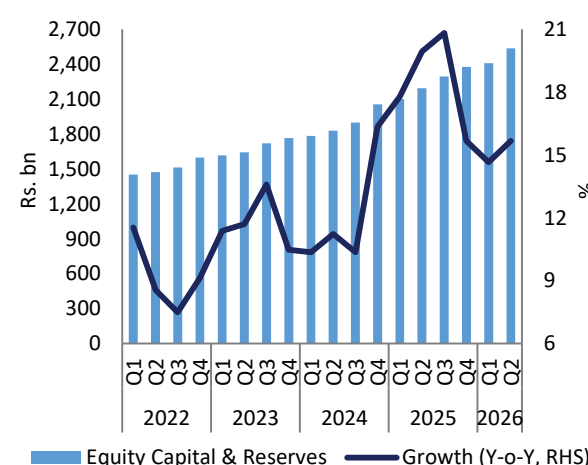


Chart 8 Equity Capital & Reserves



Banking Sector Capital Adequacy

03

Regulatory Capital to Risk Weighted Assets (RWA) of the banking sector declined to 18.2% at end Q2 of 2026 compared to 19.4% at end Q2 of 2025, mainly due to higher growth in RWA driven by credit expansion.

Table 3 Regulatory Capital (Rs. bn)

Indicators	2025 Q2	2026 Q2	% Change (Y-o-Y)
Total Regulatory Capital	2,040.5	2,366.0	15.9
Tier 1 Capital	1,685.9	1,926.2	14.3
Risk Weighted Assets (RWA)	10,518.4	13,019.6	23.8
Leverage Exposure	24,627.1	26,824.8	8.9

Chart 9 Total Regulatory Capital

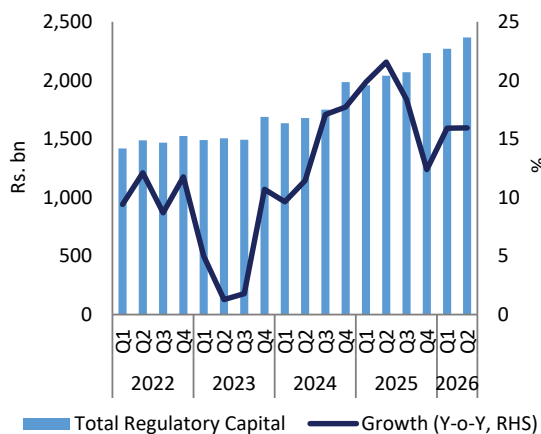


Chart 10 Total Regulatory Capital to RWA

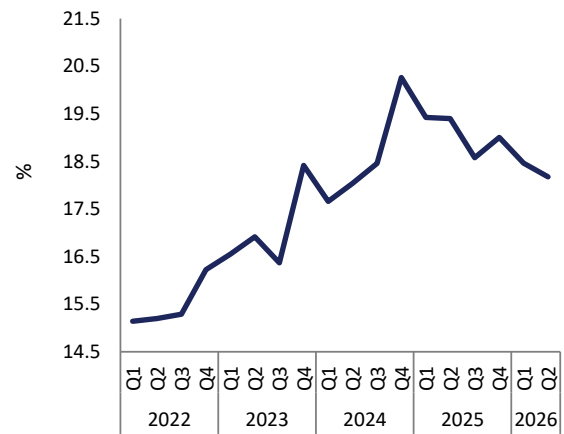


Chart 11 Tier-1 Capital to RWA

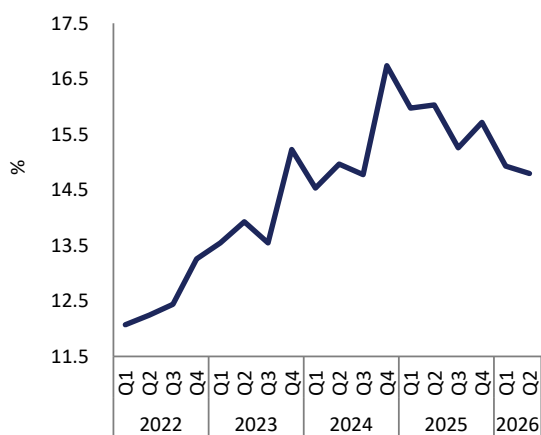
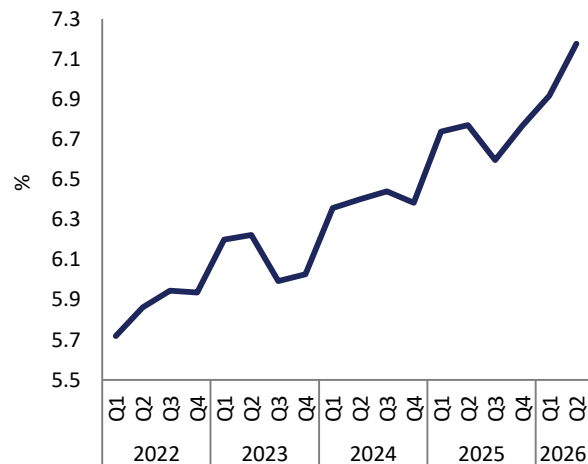


Chart 12 Leverage Ratio



Banking Sector Asset Quality*

04

Stage 3 Loans to Total Loans^(a) of the banking sector declined to 9.1% at end Q2 of 2026 compared to 11.9% at end Q2 of 2025.

Table 4 Asset Quality (Rs. bn)

Indicators	2025 Q2	2026 Q2	% Change (Y-o-Y)
Stage 3 Loans	1,474.8	1,388.9	-5.8
Impairment for Total Loans	1,011.3	1,092.9	8.1
Impairment for Stage 3 Loans	808.8	851.2	5.2
Gross Stage 3 Loans to Total Loans ^(a) (%)	11.9	9.1	N/A

Chart 13 Stage 3 Loans to Total Loans

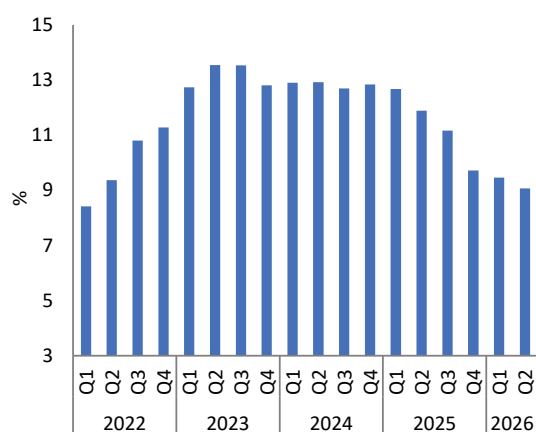


Chart 14 Impairment Coverage for Stage 3 Loans

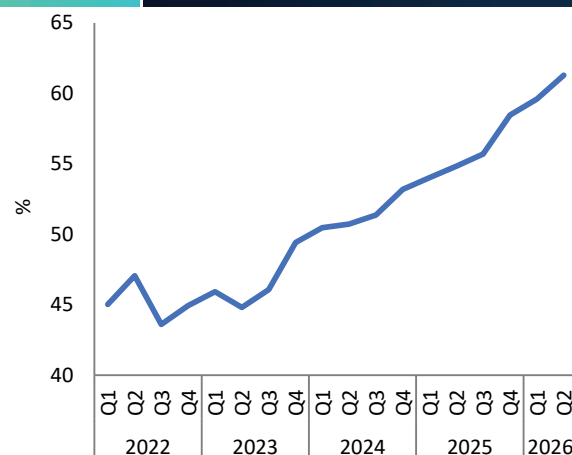


Chart 15 Net Stage 3 Loans^(b) to Capital

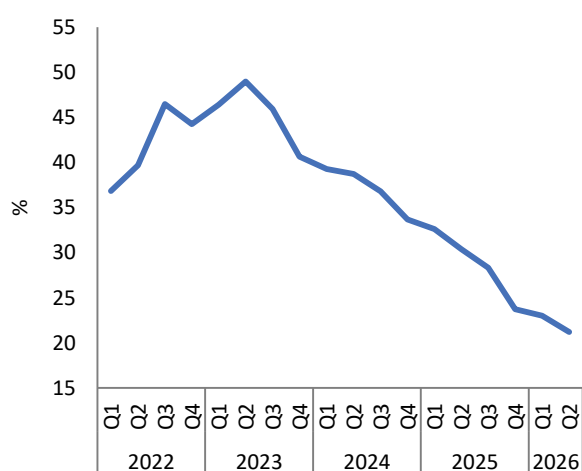
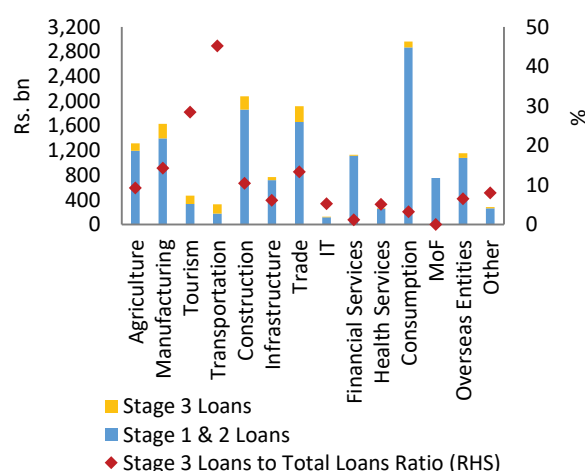


Chart 16 Loan Concentration by Economic Activity at end Q2 of 2026



(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 Exposure to Real Estate Sector

05

The banking sector loans to the real estate sector increased by 16.9% y-o-y at end Q2 of 2026, while stage 3 loans pertaining to the real estate sector contracted by 13.4% y-o-y during the same period.

Table 5 Loans to Real Estate (RE) Sector (Rs. bn)

Indicators	2025 Q2	2026 Q2	% Change (Y-o-Y)
Loans to RE Sector	1,775.5	2,075.7	16.9
Stage 3 Loans of RE Sector	249.2	215.9	-13.4
Stage 3 Loans Ratio of RE Sector	14.0	10.4	N/A

Chart 17 Loans to RE Sector

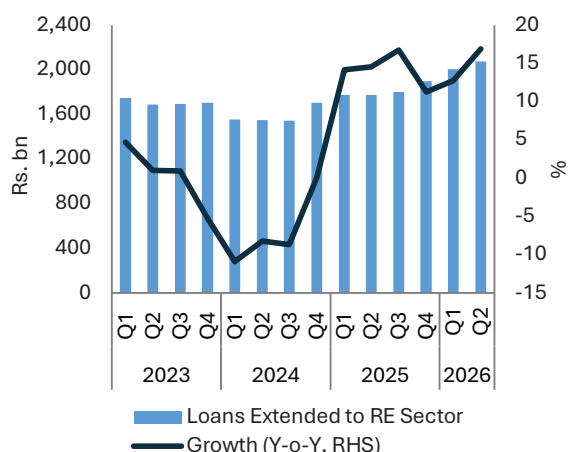


Chart 18 RE Sector Loans to Total Loans

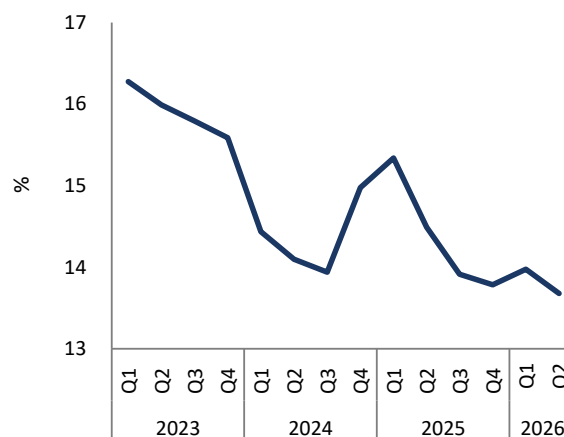


Chart 19 Stage 3 Loans of RE Sector

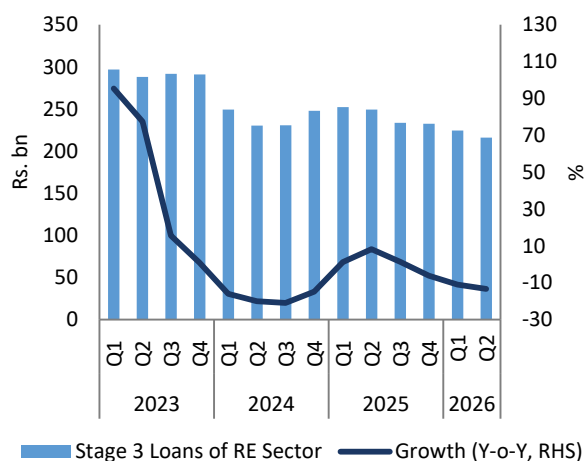
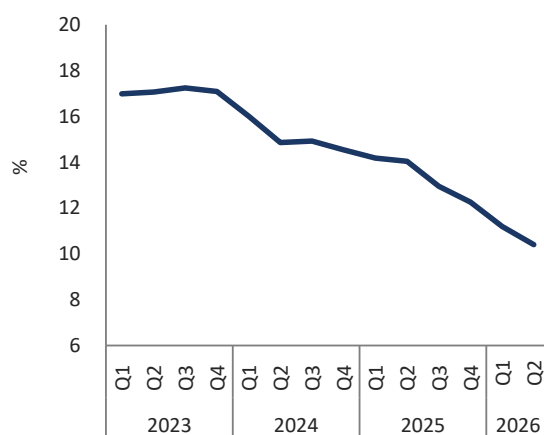


Chart 20 Stage 3 Loans Ratio of RE Sector



Banking Sector Earnings & Profitability

06

The banking sector reported a profit after tax of Rs. 208.7 bn during the first six months of 2026, recording an increase of 12.9% y-o-y.

Table 6 Earnings and Profitability (Rs. bn)

Indicators	First 6 months of 2025	First 6 months of 2026	% Change (Y-o-Y)
Net Interest Income	498.9	555.1	11.3
Gross Income ^(c)	633.7	732.9	15.6
Profit Before Tax	288.1	311.6	8.2
Profit After Tax	184.8	208.7	12.9

Chart 21 Return on Assets

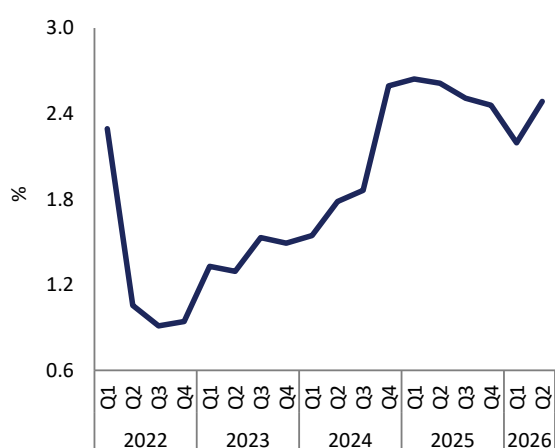


Chart 22 Return on Equity

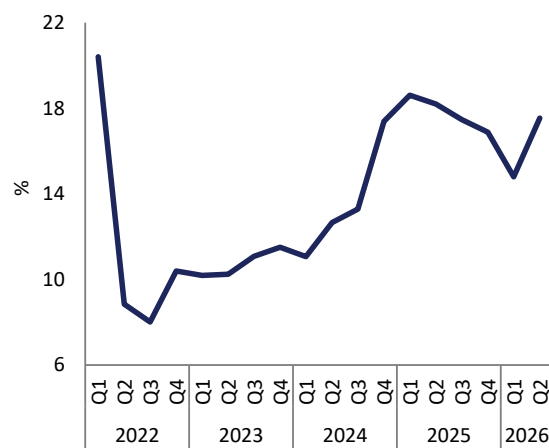


Chart 23 Net Interest Income to Gross Income

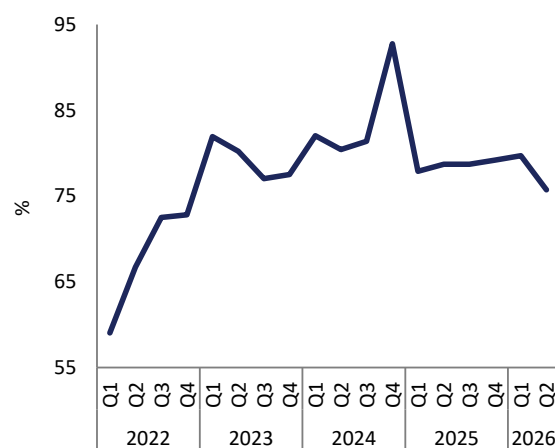
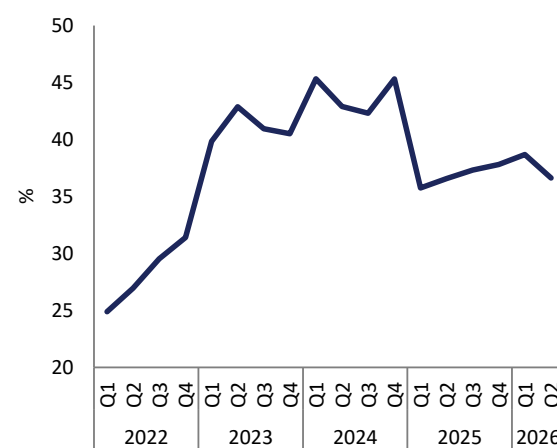


Chart 24 Non-Interest Expense to Gross Income



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

Banking Sector Liquidity

07

Reflecting the considerable credit expansion, liquidity of the banking sector in terms of liquidity coverage ratios and net stable funding ratio declined at end Q2 of 2026 compared to a year ago yet remained above the minimum regulatory requirements.

Table 7 Liquidity (%)

Indicators	2025 Q2	2026 Q2
Liquidity Coverage Ratio - Rupee	328.5	272.5
Liquidity Coverage Ratio - All Currency	283.7	229.7
Net Stable Funding Ratio	162.7	148.1

Chart 25 Liquidity Coverage Ratio - Rupee

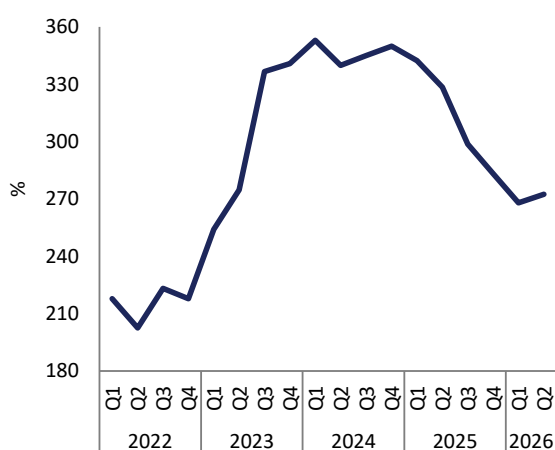


Chart 26 Liquidity Coverage Ratio – All Currency

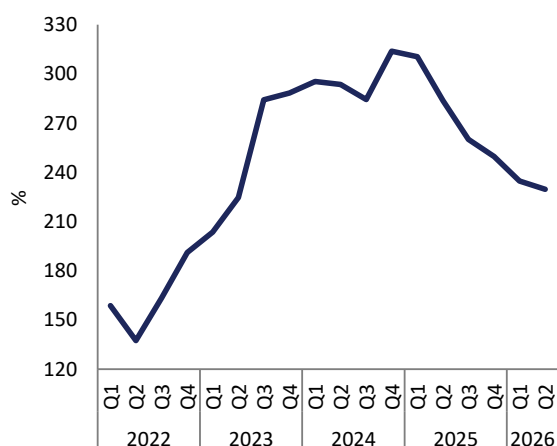
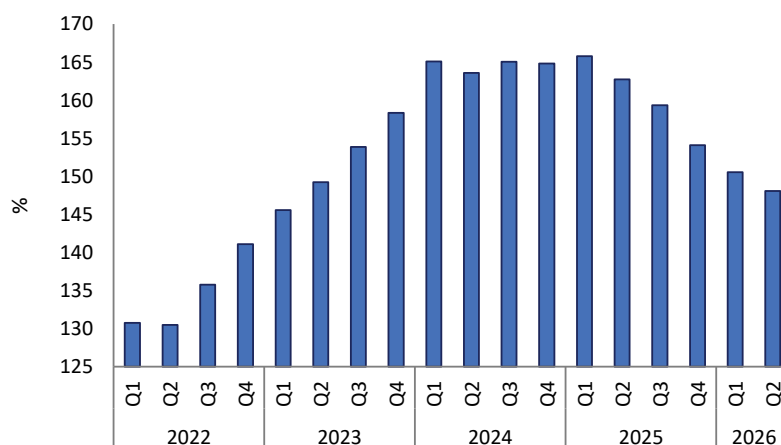


Chart 27 Net Stable Funding Ratio



Banking Sector Foreign Currency Operations

08

Core forex operations of the banking sector such as FCY loans and receivables, FCY borrowings and FCY deposits expanded on a y-o-y basis at end Q2 of 2026. However, FCY investments recorded a y-o-y decline at end Q2 of 2026.

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

Indicators	2025 Q2	2026 Q2	% Change (Y-o-Y)
FCY Loans & Receivables	8,855.9	9,248.5	4.4
FCY Investments	2,383.2	1,890.8	-20.7
FCY Borrowings	744.1	760.4	2.2
FCY Deposits	12,181.4	12,798.4	5.1

Chart 28 FCY Loans to Total Loans

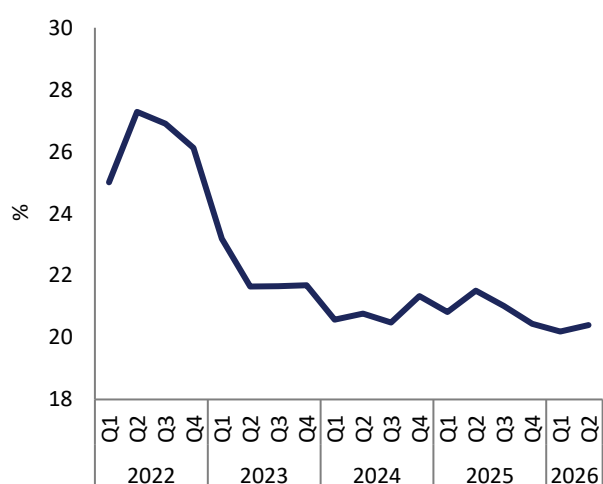


Chart 29 FCY Investments to Total Investments

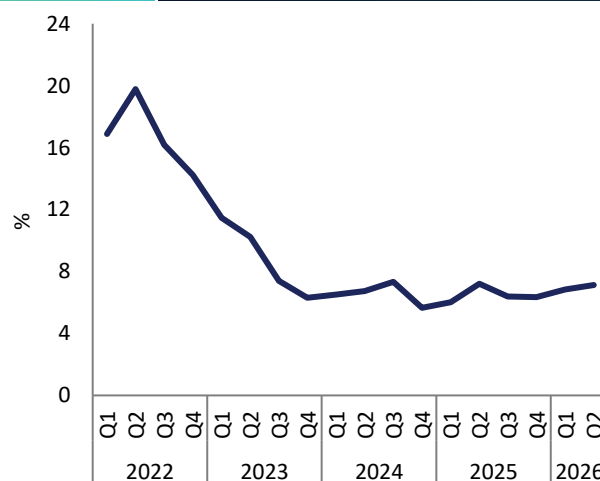


Chart 30 FCY Borrowings to Total Borrowings

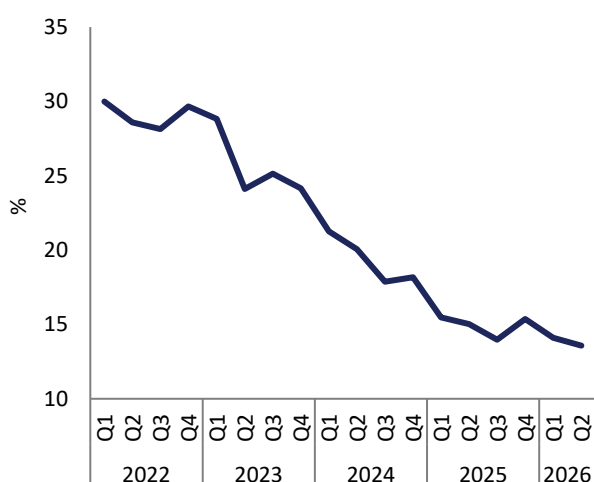
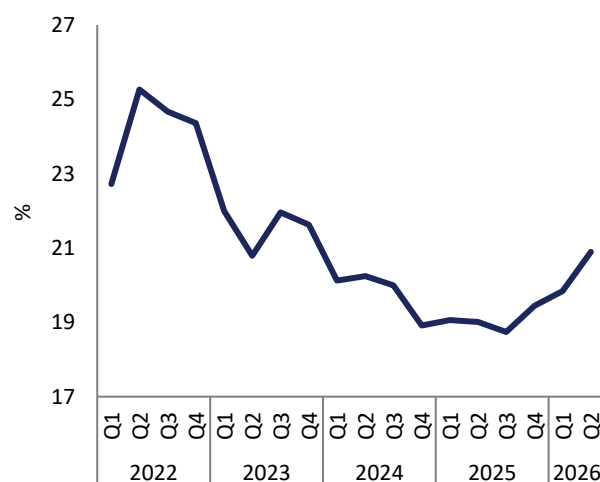


Chart 31 FCY Deposits to Total Deposits



Finance Companies (FCs) Sector Assets

09

Total assets of the FCs sector grew by 41.0% y-o-y at end Q2 of 2026, mainly due to increased loans and advances.

Table 9 Assets (Rs. bn)

Indicators	2025 Q2	2026 Q2	% Change (Y-o-Y)
Total Assets	2,279.7	3,214.5	41.0
Loans & Advances (Net)	1,745.1	2,578.7	47.8
Investments	362.5	434.1	19.7

Chart 32 Total Assets

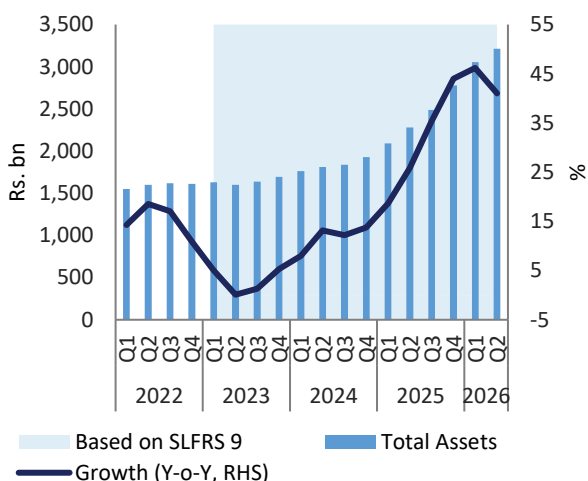


Chart 33 Loans & Advances

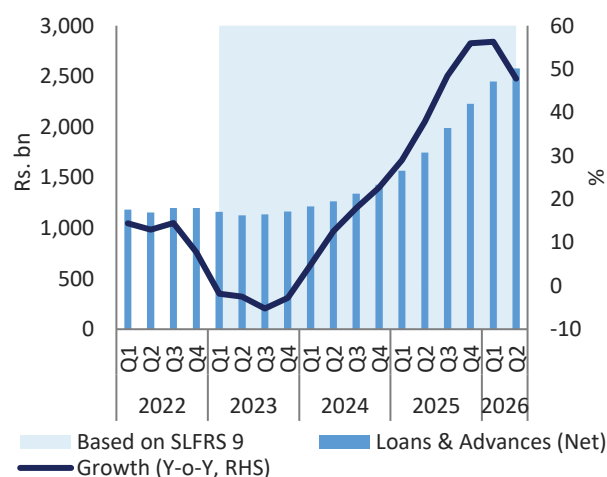


Chart 34 Investments

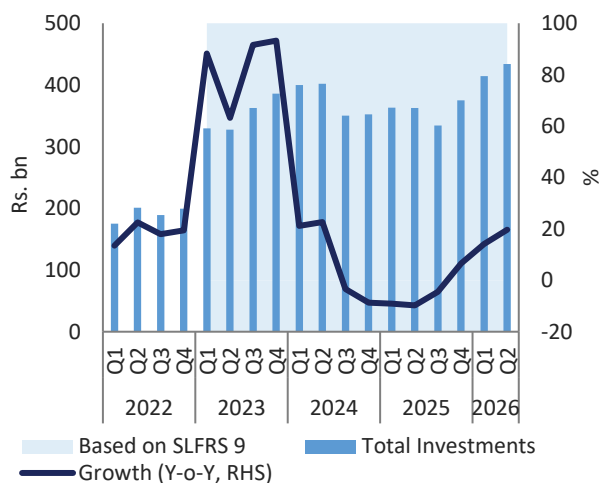
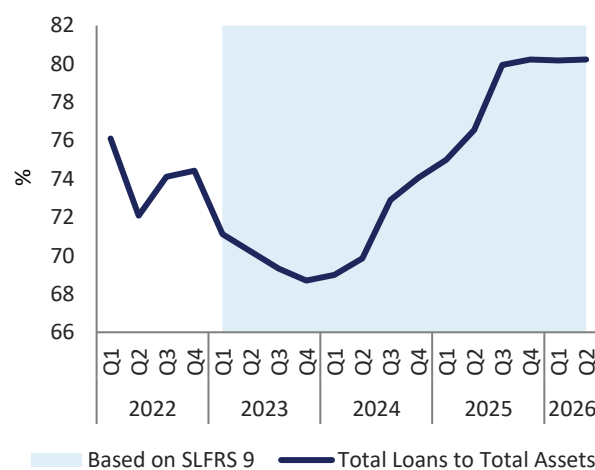


Chart 35 Loans & Advances to Total Assets



FCs Sector Liabilities & Equity

10

Total liabilities (excluding equity) of the sector increased by 49.0% y-o-y at end Q2 of 2026, mainly due to increased borrowings. Furthermore, equity funds grew by 13.4% y-o-y at end Q2 of 2026.

Table 10 Liabilities & Equity (Rs. bn)

Indicators	2025 Q2	2026 Q2	% Change (Y-o-Y)
Total Liabilities (Excluding Equity)	1,769.7	2,636.3	49.0
Deposits	1,165.9	1,433.1	22.9
Borrowings	472.1	1,057.3	124.0
Equity Capital & Reserves	510.0	578.2	13.4

Chart 36 Total Liabilities

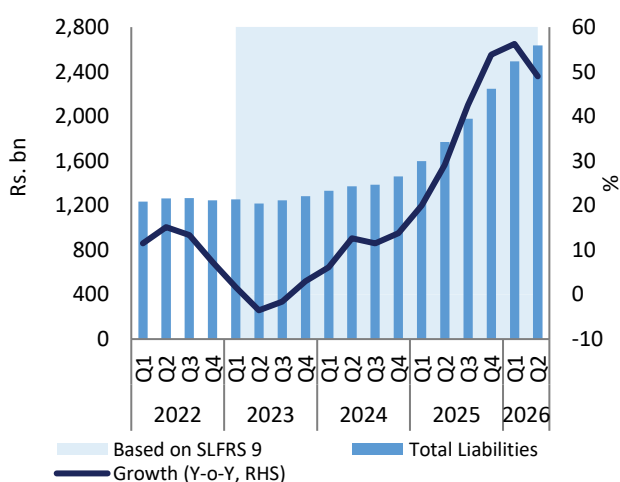


Chart 37 Deposits

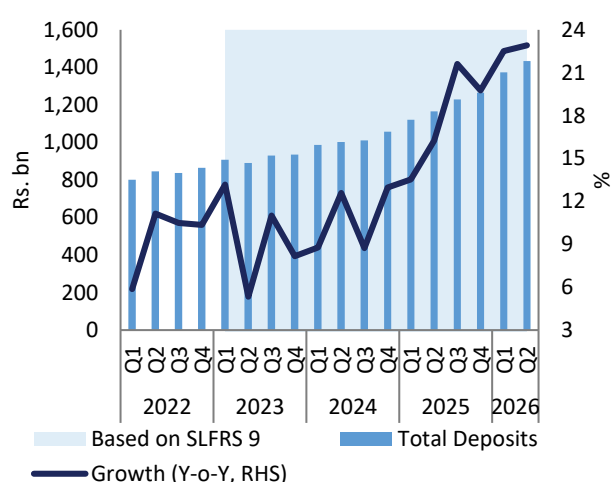


Chart 38 Borrowings

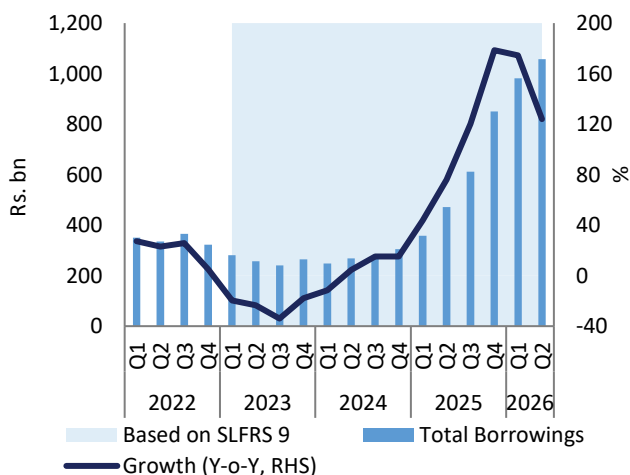
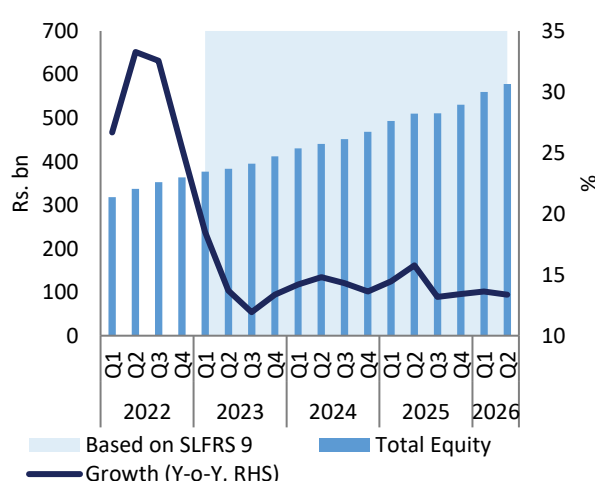


Chart 39 Equity Capital & Reserves



FCs Sector Capital Adequacy

11

Total regulatory capital to risk weighted assets (RWA) of the FCs sector decreased to 19.3% at end Q2 of 2026 from 22.0% at end Q2 of 2025, primarily due to the increase in RWA driven by higher credit expansion.

Table 11 Regulatory Capital (Rs. bn)

Indicators	2025 Q2	2026 Q2	% Change (Y-o-Y)
Regulatory Capital	433.0	523.3	20.8
Tier 1 Capital (Eligible)	409.6	468.8	14.5
Risk Weighted Assets (RWA)	1,969.4	2,710.1	37.6

Chart 40 Regulatory Capital to RWA

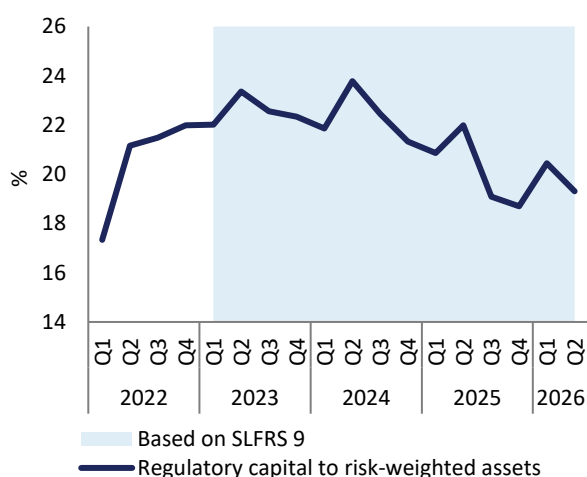


Chart 41 Tier-1 Capital to RWA

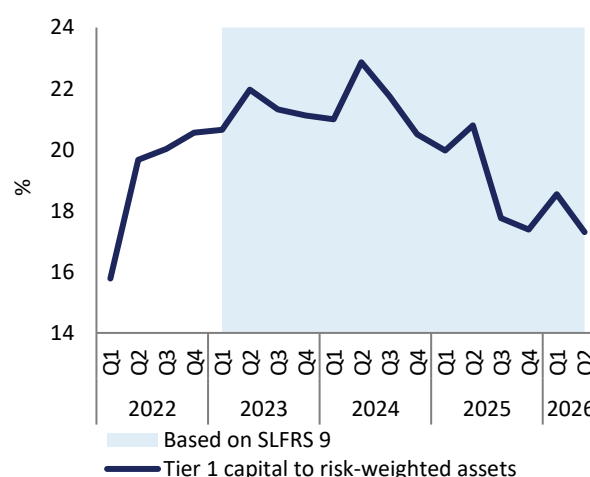


Chart 42 Regulatory Capital to Assets

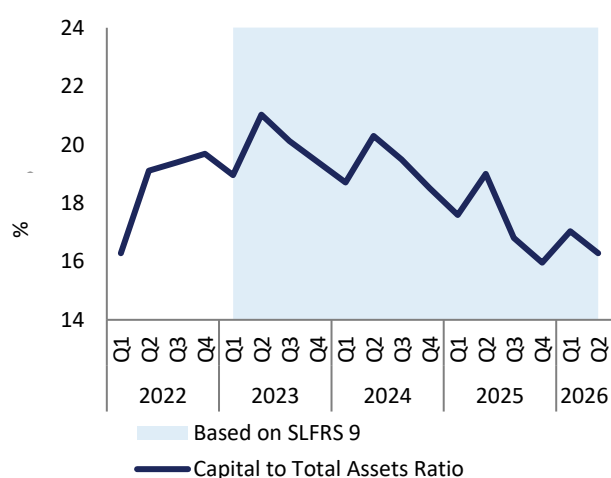
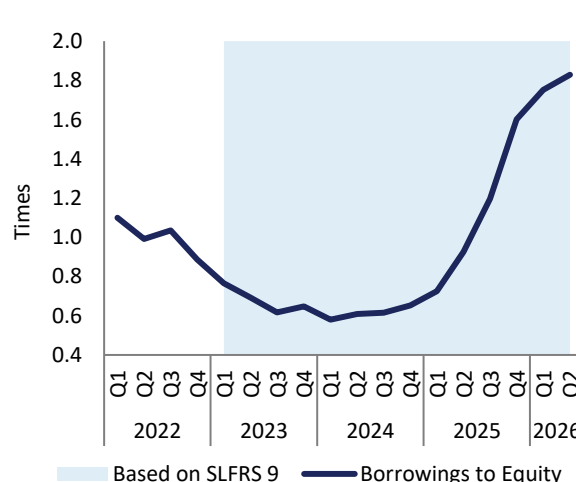


Chart 43 Borrowings to Equity



FCs Sector Asset Quality*

12

Gross Stage 3 loans ratio declined considerably to 5.1% at end Q2 of 2026 compared to 8.3% at end Q2 of 2025, primarily due to the significant credit expansion coupled with the reduction in Stage 3 loans.

Table 12 Asset Quality (Rs. bn)

Indicators	2025 Q2	2026 Q2	% Change (Y-o-Y)
Gross Stage 3 Loans	151.7	135.8	-10.5%
Impairment for Stage 3 Loans	69.9	55.8	-20.2%
Net Stage 3 Loans	81.8	80.1	-2.1%
Gross Stage 3 Loans Ratio (%)	8.3	5.1	N/A
Net Stage 3 Loans Ratio (%)	4.5	3.0	N/A

Chart 44 Gross Stage 3 Loans to Total Loans

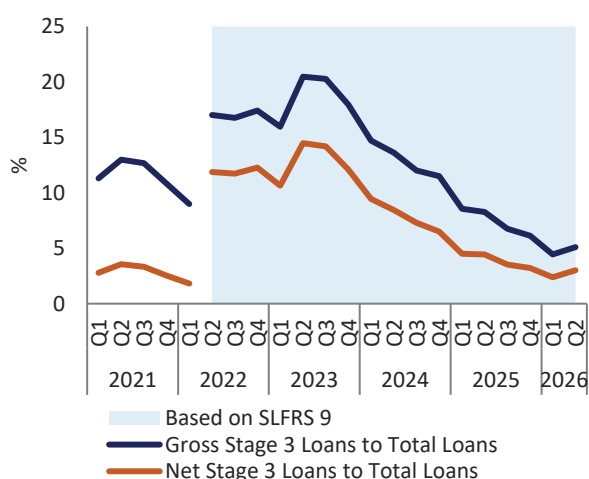


Chart 45 Impairment Coverage for Stage 3 Loans

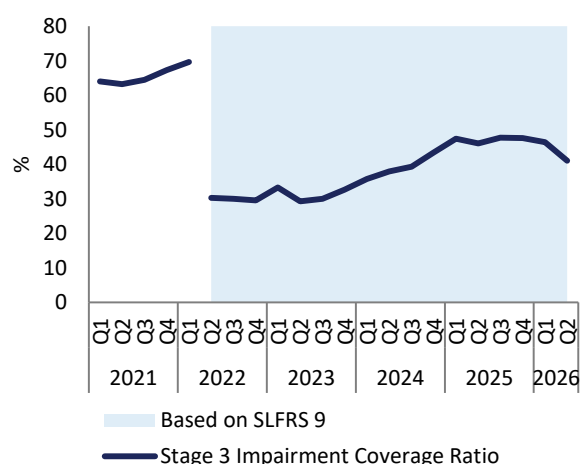


Chart 46 Net Stage 3 Loans to Capital

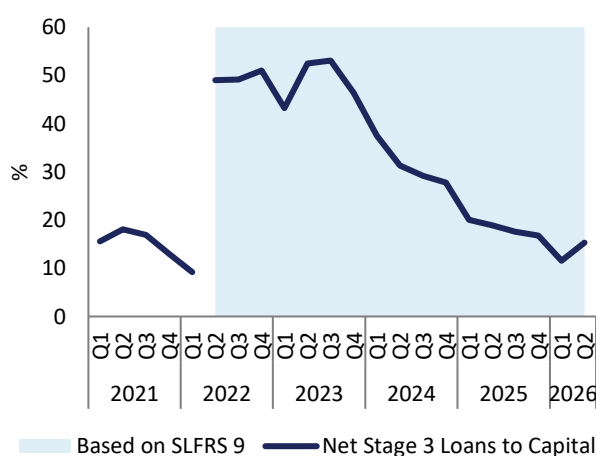
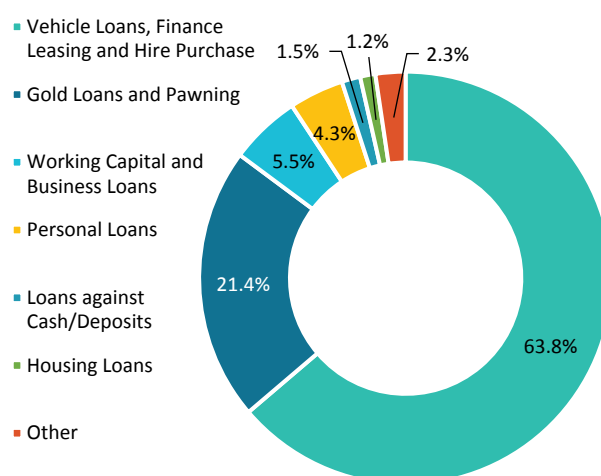


Chart 47 Loan Concentration by Product at end Q2 of 2026



* 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 16.4% y-o-y in the first three months of the financial year (FY) 2026/27, compared to a growth of 59.3% reported in the corresponding period of the FY 2025/26.

Table 13 Earnings & Profitability (Rs. bn)

Indicators	First 3 months of FY 2025/26	First 3 months of FY 2026/27	% Change (Y-o-Y)
Net Interest Income	57.0	72.7	27.6
Gross Income ^(c)	67.2	83.6	24.4
Profit Before Tax	26.0	30.5	17.0
Profit After Tax	18.0	21.0	16.4

Chart 48 Return on Assets

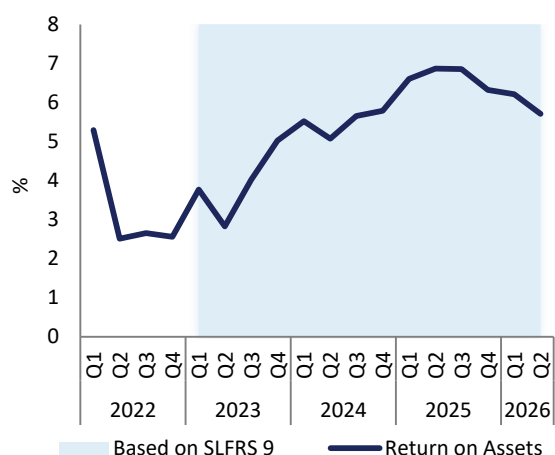


Chart 49 Return on Equity

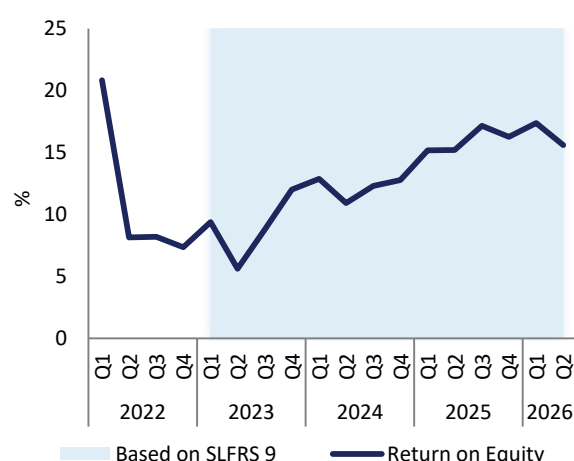


Chart 50 Net Interest Income to Gross Income

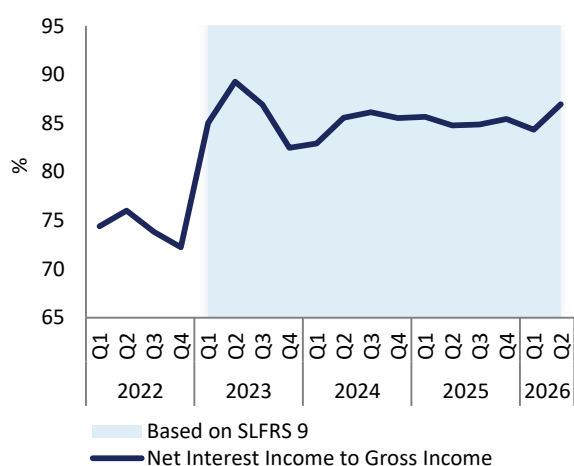
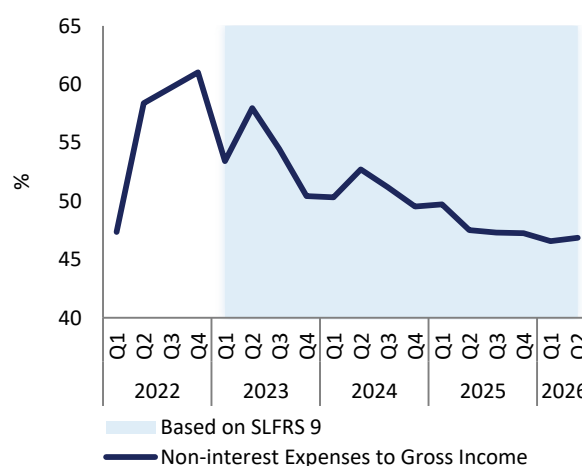


Chart 51 Non-interest Expenses to Gross Income



(c) 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 8.5% at end Q2 of 2026 compared to 10.8% reported a year ago.

Table 14 Liquidity (%)

Indicators	2025 Q2	2026 Q2
Liquid Assets to Total Assets	10.8	8.5
Credit to Deposits Ratio	157.6	185.8
Liquid Assets to Deposits & Borrowings	15.0	10.9

Chart 52 Liquid Assets

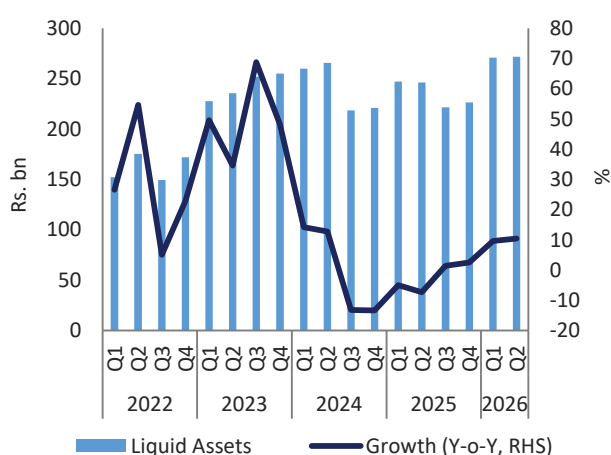


Chart 53 Liquid Assets to Total Assets Ratio

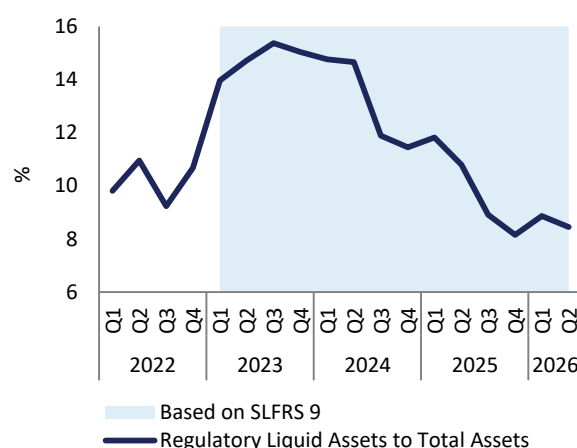


Chart 54 Liquid Assets to Deposits & Borrowings

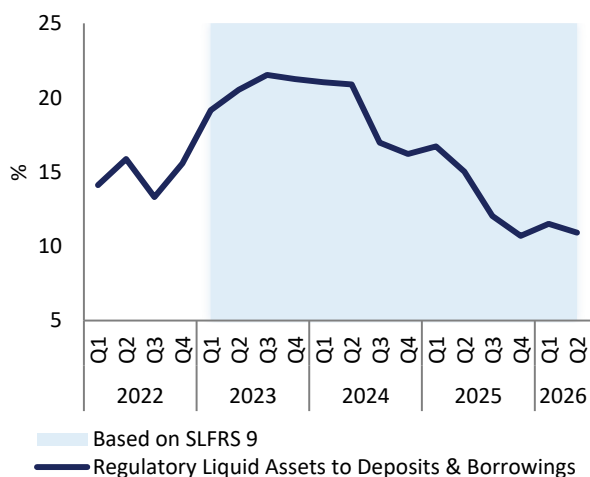


Chart 55 Credit to Deposits Ratio

