



(Trends in 4th Quarter 2025 & Outlook for 1st Quarter 2026)

Survey concluded on 28.01.2026

The Credit Supply Survey covers all Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs), from which information on all lending categories are obtained. Indices are calculated as 'Diffusion Indices', that take values between -100 and 100, by weighting responses of the licensed banks using exposure of each bank to Total Gross Loan Portfolio of the banking sector.

Key to Interpretation

- Index value > 0 : increase
- Index value < 0 : decrease
- Index value $= 0$: unchanged

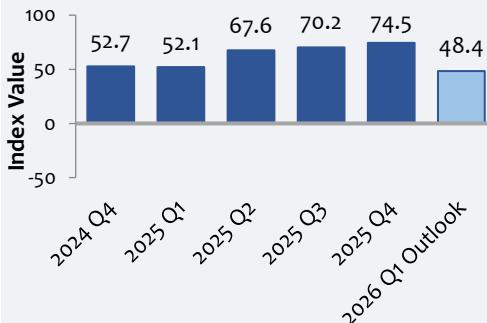
On quarter-on-quarter (Q-o-Q) basis

Willingness to Lend



- The banking sector's willingness to lend increased further during 2025 Q4.
- The observed increase in willingness to lend was led by improved liquidity positions in banks, positive expectations regarding general economic activities, prevailing favourable macroeconomic conditions, and political stability.
- During 2026 Q1, the upward trend is expected to continue, supported by favourable market conditions, ongoing economic recovery, and prevailing macroeconomic stability.

Demand for Loans



- The increasing trend in loan demand continued into the fourth quarter of 2025.
- Stable lending rates, improved consumer confidence, continued economic stability, vehicle imports, and business expansion contributed to this increased demand.
- Loan demand is expected to increase further in 2026 Q1, supported by favourable macroeconomic conditions, accommodative monetary policy, and anticipated business growth.

Non-Performing Loans (NPLs)



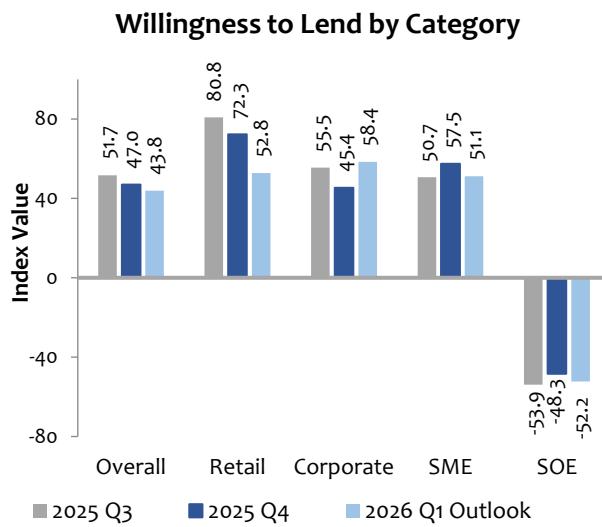
- The overall number of NPLs continued to decline in the 2025 Q4, marking the sixth consecutive quarter of decrease.
- Improved cashflows, reduced interest rates, increased recovery efforts, continued flexible payment options and improved economic conditions may have led to the observed decline in number of NPLs.
- NPLs are expected to decline further during 2026 Q1, supported by expected better cashflow generations, favourable interest rates, and the expected revival of economic activities.

Rejected Loan Applications



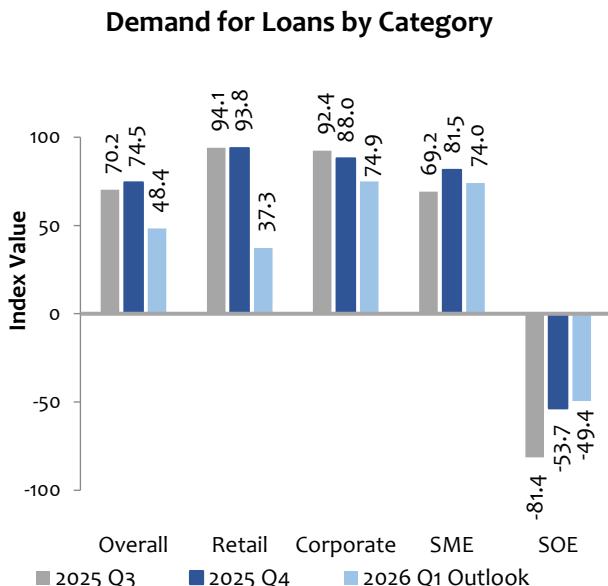
- The number of rejected loan applications continued to decrease during 2025 Q4, partly due to quality proposals and improved economic conditions.
- During 2026 Q1, loan application rejections are expected to decline further, supported by intensified recovery efforts, anticipated improvements in cash flow generation, the revival of economic activities, and more favourable business conditions.

Willingness to Lend



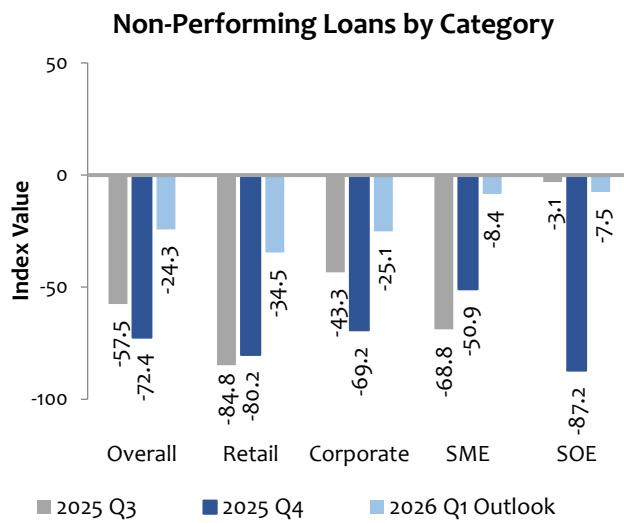
- During 2025 Q4, the willingness to lend to the retail, corporate, and SME sectors continued to increase, alongside a decline recorded to the SOE sector, continuing with the recent trends.
- The observed increase in willingness to lend may have supported by strong capital and liquidity positions of banks, stable interest and exchange rates, political stability, overall macroeconomic stability, favourable inflation conditions, positive economic expectations, and improved business conditions.
- Growth in tourism, automobile imports, stronger exports, and improved manufacturing activity could lead to a continued increase in willingness to lend to the corporate and SME sectors.
- During 2026 Q1, the willingness to lend is expected to increase further across the retail, corporate, and SME sectors, supported by anticipated growth in business activity, improved bank liquidity, favourable economic outlook, political stability, and supportive market conditions.

Demand for Loans



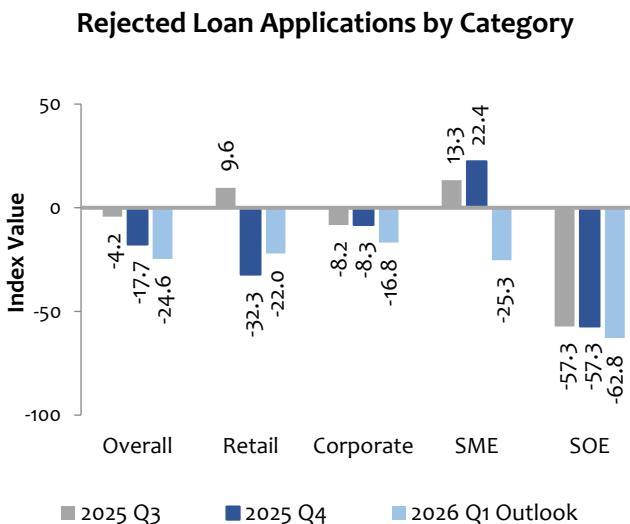
- Loan demand continued to rise across retail, corporate and SME sectors during 2025 Q4.
- Favourable interest rates, improved consumer confidence, political and macroeconomic stability, increased economic and business activity, higher vehicle imports, and stable exchange rates are likely to have contributed to the observed increase in loan demand.
- Low-cost funding schemes aimed at supporting the SME sector, growth in tourism, improvements in domestic manufacturing, elevated vehicle imports, higher production levels, improved market sentiment, and overall business expansion are likely to have contributed to the observed increase in loan demand across the SME and corporate sectors.
- In 2026 Q1, loan demand is expected to increase across all sectors except the SOE sector, supported by low and stable interest rates, anticipated economic growth, rising investor confidence, and a favourable economic outlook.

Non-Performing Loans



- During 2025 Q4, the overall number of NPLs decreased across all sectors.
- The observed decline in the overall number of NPLs may have been supported by the continuation of repayment support mechanisms, improved cash flow generation and disposable income of businesses and individuals, the execution of parate rights, intensified recovery efforts, and improved economic conditions.
- The continued decline in NPLs during 2026 Q1 is expected to be supported by intensified recovery initiatives, flexible repayment arrangements, improving borrower cash flows and incomes, easing interest rate conditions, macroeconomic stabilisation, business sector recovery, prevailing economic stability and expected economic growth.

Rejected Loan Applications



- During 2025 Q4, loan application rejections declined across the retail, corporate, and SOE sectors, while a slight increase was observed in the SME sector compared to the previous quarter.
- Improved economic conditions, high quality loan proposals, favourable business environment, stable interest rates, and stronger cash flows may have contributed to the observed decline in loan rejections during the quarter.
- The observed increase in loan rejections in the SME sector may have been attributed to the impact of adverse weather conditions and repayment capacity constraints.
- Improving business conditions, stronger cash flow generation, sustained economic stability, renewed business activity, and favourable economic outlook are expected to contribute to a decline in loan application rejections across all sectors during 2026 Q1.