Sri Lanka Banking Sector Roundup – Q1 CY2026

JULY 2026

Seven themes shaping Sri Lanka's banking sector in 2026

Long-term Transformation Plans

Sri Lankan banks have aligned on bold 2030 transformation visions, and are in the early execution phase

Credit outpaces deposits; funding gap widens

Credit growth has sharply outpaced deposit growth putting pressure on CD ratios and signaling that deposit mobilization will be a key funding priority for Sri Lankan banks

AI is moving to core

AI moving from pilots into underwriting, service and analytics

M&A & D-SIB Reshaping Market Structure

Retail franchises changing hands; Offshore and regional expansion broadening the footprint

Fraud & Operational Risk

Banks in SL are driving stronger internal controls, fraud monitoring & governance

Hawkish rate environment

Banks face a near-term squeeze on margins and credit quality due to the 100-bps increase before the benefits of tighter policy flow through

Sustainability

Climate risk, thematic finance and inclusion entering core strategy

Banks have launched multi-year transformation programmes; execution is the test ahead

Ambitions are being reset for 2030

Boards are codifying long-horizon visions (based on annual reports – Publicly disclosed transformation programs)

- HNB launched a two-phase agenda to become Sri Lanka's largest private-sector bank by 2030
- BOC built a 2026–2030 Blueprint; NDB set a 5-year transformation programme

Strategies converge on the same priorities

Customer-centricity, digital and operating-model change recur across banks

- Sampath set a four-pillar strategy with analytics as a core capability; ComBank began a four-year retail transformation
- Customer-centricity, segment focus, productivity and digital-first service observed across nearly every bank's plan

Delivery is still early-stage

What is being tested: turning roadmaps into measurable change

- Most programmes are in year one of multi-year journeys
- Emphasis has clearly shifted from post-crisis recovery to deliberate, structural reinvention

HNB - Hatton National Bank; BOC – Bank of Ceylon; NDB - National Development Bank
Source: Annual Reports, BCG Analysis

Digital and AI investment is deepening across channels, infrastructure and the core

Customer platforms are scaling

Adoption is now mainstream, not a niche channel

- BOC Flex (new banking app) crossed 1.2m registrations; ComBank Digital hit 56% digital penetration; NTB reports 96% of transactions completed across digital platforms
- Apps are being refreshed and consolidated into unified platforms (NDB NEOS 2.0, DFCC ONE / iConnect 2.0)

Banks are building transaction infrastructure

Investment is moving beyond apps into market-level rails

- HNB launched TxB TradeX for transaction banking and HNB Accept, a Visa global-first acceptance solution
- A national card-based toll system and API/host-to-host banking (NTB NDE, Sampath) extend banks into customer ecosystems

AI is moving into the core

What is being tested: scaling AI from pilots to P&L impact on solid data foundations

- ComBank deployed AI powered SME underwriting and initiated personal and housing loan scorecards
- Sampath added "Sampath Select" AI powered Instant personal loan solution; Seylan built an AI & Transformation team to enhance adoption of AI
- Core-banking and data-governance build-outs (BOC, Sampath, NSB, HNB) underpin it; NSB is adopting AI on a phased basis

HNB - Hatton National Bank; BOC - Bank of Ceylon; NDB - National Development Bank; NTB - Nations Trust Bank; NSB - National Savings Bank; DFCC - Development Finance Corporation of Ceylon
Source: Annual Reports, BCG Analysis

M&A and systemic-bank designations are reshaping the competitive structure

Structural move	Banks involved	What is changing
Retail & wealth acquisition Retail franchise acquisition	DFCC acquiring Standard Chartered's Sri Lanka retail & wealth business	Step-change in DFCC's retail and wealth franchise; absorbs an established affluent customer base and branches
	NTB acquiring HSBC's retail franchise	Adds 200,000+ customer accounts, cards and premium banking; materially scales NTB's retail position
D-SIB designation	Expanding D-SIB obligations now bind HNB and Sampath alongside the state banks and ComBank	Higher capital, governance and loss-absorbency obligations; raises the systemic-resilience bar for the largest private banks
Offshore & regional growth	Parallel offshore / regional pushes: ComBank's DIFC presence; Seylan, HNB and NDB growing foreign-currency exposure	Expanding foreign-currency, trade and cross-border presence beyond the domestic market

HNB - Hatton National Bank; NDB - National Development Bank; NTB – Nations Trust Bank; DFCC - Development Finance Corporation of Ceylon; D-SIB - Domestic Systemically Important Banks
Source: Annual Reports, BCG Analysis

Fraud and Operational Risk have become a sector-wide priority in SL

Banks are responding with tighter fraud monitoring, stronger cyber controls, and better vendor & data governance

Examples of the capabilities being built by banks in Sri Lanka to build operational resilience

Bank 1

- Rolling out a Managed Security Operations Centre for real-time threat detection
- It has also introduced AI/ML governance and data-quality controls to manage new technology risks.

Bank 2

- Runs a dedicated Potential Fraud Monitoring Unit using data analytics & whistle-blower inputs to identify high-risk areas
- It also introduced branch-level fraud monitoring visits in 2025

Bank 3

- Approved a staff-related fraud risk framework & automating incident reporting
- It has also deployed SIEM[1], cloud WAF[2] and network-access controls to improve cyber detection

Bank 4

- Reducing manual processing risk by automating selected transaction limits
- It also reviews outsourced providers through a dedicated monitoring committee & on-site continuity checks

Bank 5

- Invited expressions of interest from vendors to submit their proposals to acquire an Enterprise Fraud Management System, a bank-wide fraud detection and monitoring platform

1. SIEM: Security Information and Event Management 2. WAF: Cloud Web Application Firewall
Source; BCG analysis

Inflation and rupee pressure drove a 100bps hike that now tests SL banks

Conditions before the hike

- **Inflation spike:** Headline inflation jumped to 5.4% YoY in April 2026 (from 2.2% in March), driven by an Iran-conflict-led energy shock
- **Currency pressure:** Rupee depreciated ~9% since early March 2026 tied to the Middle East conflict
- **Resilient credit:** Credit kept expanding at a decade-high 27% YoY in Q1CY26
- **Reserves under strain:** Gross official reserves stood at USD 6.8bn (end-April 2026) after heavy fuel-import spending, ahead of the IMF's third EFF review (~Sept 2026)

What CBSL did

- **100-bp rate hike:** CBSL raised the Overnight Policy Rate to 8.75% from 7.75% on 26 May 2026, the sharpest tightening in three years
- **Linked rates follow suit:** The Standing Deposit Facility Rate and Standing Lending Facility Rate, linked to the OPR, rose to 8.25% and 9.25% respectively
- **A reversal of the easing cycle:** It is the first hike since March 2023, erasing over a year of policy easing
- **More tightening signalled:** CBSL flagged readiness for further action if needed; the next policy review is scheduled for 22 July 2026

Implications for SL Banks

- **Margin pressure before relief:** Deposit costs typically reprice faster than the loan book, and could reignite the “deposit war” for funding
- **Credit growth set to cool:** Tighter policy aims to cool the 27% YoY credit boom
- **Asset-quality risk creeps up:** Higher rates raise debt-servicing costs for variable-rate retail/SME borrowers

Source: CBSL, Press Search, BCG analysis

Sustainability and climate risk are being embedded into core strategy

Disclosure and governance are formalising Climate is entering board oversight and credit processes	- First-year SLFRS S1 / S2 adoption brings climate into governance, credit appraisal and portfolio monitoring - Cyclone Ditwah (est. USD 4.1bn damage) sharpened focus on portfolio resilience and relief lending
Sustainable finance is scaling Thematic instruments are moving into mainstream funding	- BOC issued a LKR 20bn Sustainability Bond; HNB a LKR 10bn Sustainable Bond plus a USD 1bn sustainability-linked facility - NDB raised GSS+ funding to support eligible green, blue, social, sustainable and sustainability linked loan financing and DFCC issued its first Blue Bond
Inclusion is becoming strategic What is being tested: scaling inclusion while keeping it commercially sound	- HNB Sarusara (agricultural modernization through technology) reaches 30,000 farmers; - DFCC Aloka (support for women-led enterprises) surpassed 100,000+ women; ComBank is scaling Diribala and agency banking - SME, women and youth segments feature prominently across the sector's inclusion agendas

SLFRS - Sri Lanka Financial Reporting Standards; BOC – Bank of Ceylon; HNB - Hatton National Bank; NDB - National Development Bank; NTB – Nations Trust Bank; DFCC - Development Finance Corporation of Ceylon; D-SIB - Domestic Systemically Important Banks
Source: Annual Reports, BCG Analysis

Q1CY26 results: Banking industry snapshot

Business

Total Deposits	Total Net Advances	CASA Deposits	Term Deposits
LKR 18,451.4 Bn	LKR 11,841.4 Bn	LKR 6,005.6 Bn	LKR 12,410.8 Bn
10% YoY	27% YoY	15% YoY	7% YoY

Profitability

Total Income[1]	Net Interest Income	Non-Interest Income[2]	PAT
LKR 292.5 Bn	LKR 236.6 Bn	LKR 55.8 Bn	LKR 78.4 Bn
9% YoY	11% YoY	5% YoY	1% YoY

Key Ratios

ROA	CASA Ratio	Cost-Income	NIM (%)
1.4%	32.5%	37.1%	4.4%
18 bps YoY	155 bps YoY	120 bps YoY	11 bps YoY

1. Calculated as Net Total income and Net Non-Interest Income 2. Calculated as Net Fee and Other Operating Income
Analysis has been made based on 3 Government Banks, 3 Large Private Banks and 4 Mid-Sized Private Banks
Source: Financial Results, Investor Presentation; BCG analysis

Summary Snapshot (I/II)

Business: Advances & Deposits

- **Credit growth** surged to a decade-high 27% YoY in Q1 CY26, with large private banks (+39%) dramatically outpacing government banks (+14%), accelerating a structural market share shift away from state-owned institutions
- **Total Deposits** grew 10% YoY with CASA deposits growing at 15% vs. term deposits at 10%, pushing the CASA ratio up 155 bps YoY to 32.5%, a positive signal for cost-of-funds trajectory
- **Lending rates** rebounded 87 bps YoY by March 2026 while deposit rates remained virtually flat (+2 bps), widening the spread and setting up a potential NIM recovery tailwind into FY27
- **High-growth loan products** - leasing (+93% YoY), pawning (+42%), and trade finance (+37%) reflect a broadening credit recovery beyond traditional term loans

Key Performance Indicators

- **Headline income looks healthy** - Total income grew 9% and NII rose 11%, but PAT grew only 1% as surging provisions (+88%) absorbed most of the income expansion
- **ROA** compressed 18 bps YoY to 1.4% and NIM declined 11 bps to 4.4%; the margin squeeze is real but appears near its trough given the lending rate rebound
- **Cost-income ratio** deteriorated 120 bps to 37.1%; cost discipline remains a critical execution challenge as banks simultaneously invest in transformation and absorb provision headwinds
- Most Private banks trade at **Price/Book** of 0.6–0.8x despite healthy market cap returns since March 2025

Analysis has been made based on 3 Government Banks, 3 Large Private Banks and 4 Mid-Sized Private Bank

Summary Snapshot (II/II)

NPA & Risk Mgmt.

- **Asset quality** improved meaningfully YoY - Stage 3 loan ratios declined across all private banks; large private banks showed the sharpest improvement
- Despite improving ratios, **provisions** rose sharply at several banks, signaling proactive balance sheet clean-up
- **Capital adequacy** remains robust providing ample buffer to sustain the strong credit growth trajectory

Digital & Payments

- **Digital adoption** has crossed the mainstream threshold - BOC Flex surpassed 1.2M registrations, NTB processes 96% of transactions digitally, ComBank hit 56% digital penetration; digital is now table stakes, not a differentiator
- HNB leads on **mobile app retention** (Day-30: 13% vs. sector average ~5–6%) - the metric that separates sticky financial platforms from transactional apps; People's Bank leads on raw scale at 1,026K MAU
- **AI is moving from pilots into the core -** ComBank deployed AI-powered SME underwriting; Sampath launched an AI instant personal loan product; Seylan established a dedicated AI & Transformation team
- A stark 4x **website traffic** disparity persists between leaders and laggards; paid and social investment remains largely untapped across the sector

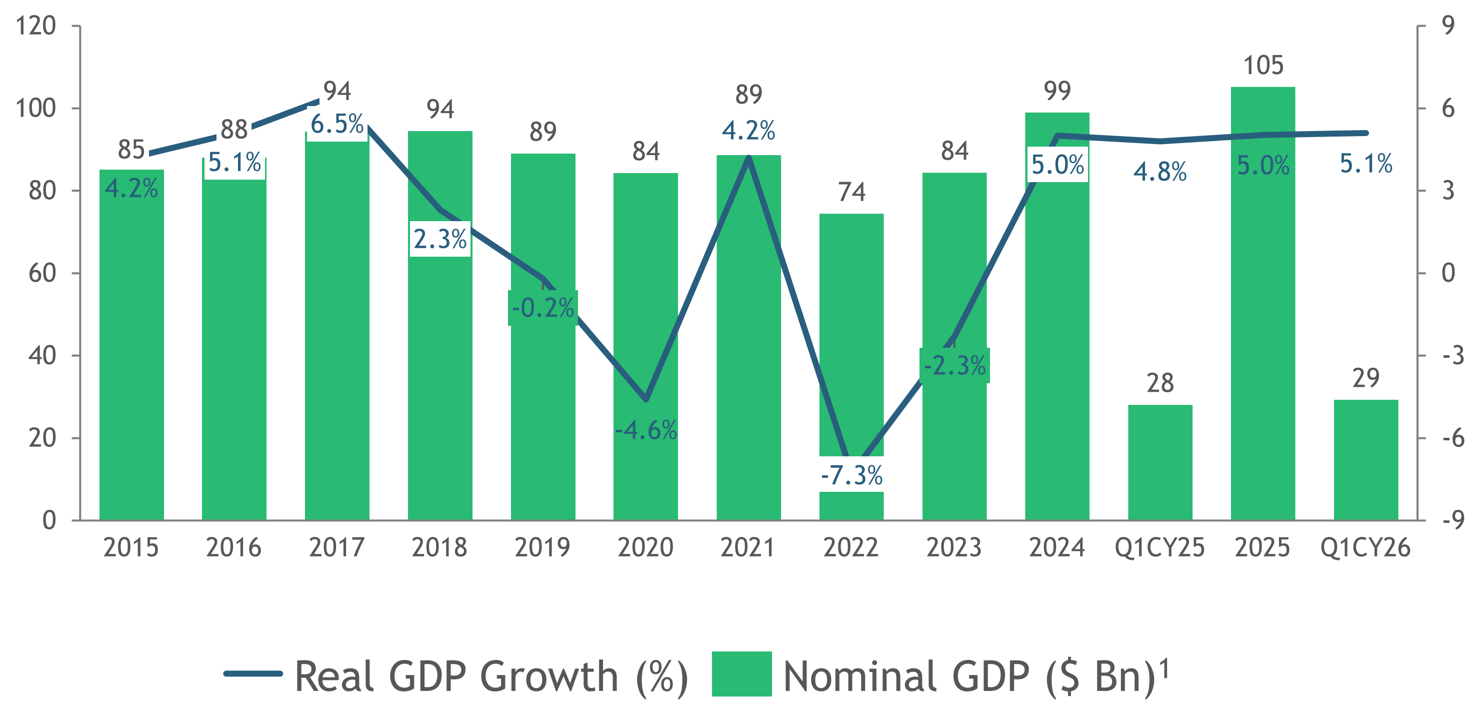
Analysis has been made based on 3 Government Banks, 3 Large Private Banks and 4 Mid-Sized Private Bank

Banking sector overview

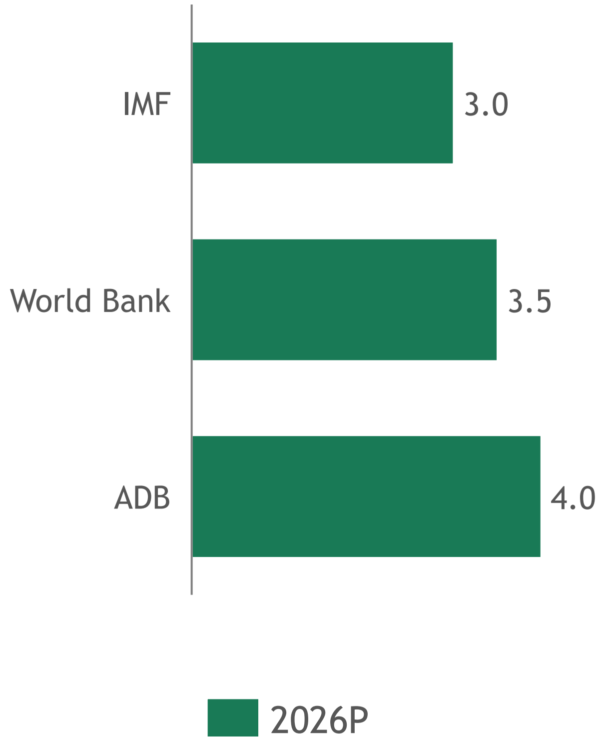
- Macro Indicators
- Business: Advances & Deposits
- Key Performance Indicators – Banking Sector
- NPA & Risk Management
- Branch Efficiency and Employee Productivity
- Digital in Banking
- Key Regulatory Measures
- Individual Player Performance

Sri Lanka's economy showed significant resilience in the first quarter of 2026, recording a positive real GDP growth rate of 5.1%

Gross Domestic Product (GDP)

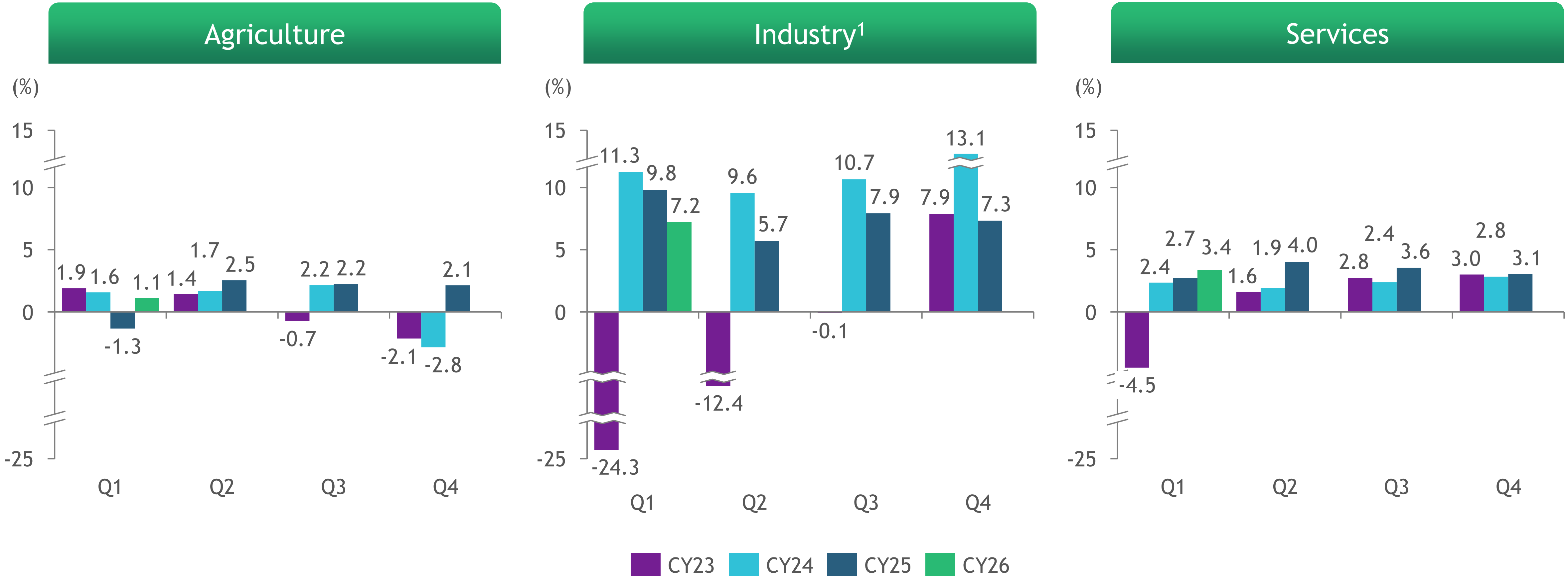


GDP growth forecast[2]



1. Nominal GDP in Billion USD 2: Forecast are likely to be revised further
Source: Central Bank of Sri Lanka, World Bank, BCG analysis

Sectoral GDP Growth (%): Services remains the largest pillar of the economy, accounting for 54.2% of GDP, followed by Industry at 27.2% & Agriculture at 7.3%



1. Industry includes Mining and quarrying; Manufacturing; Electricity, gas, steam and air conditioning supply; Water collection, treatment and supply; Sewerage, Waste collection, treatment and disposal activities; materials recovery

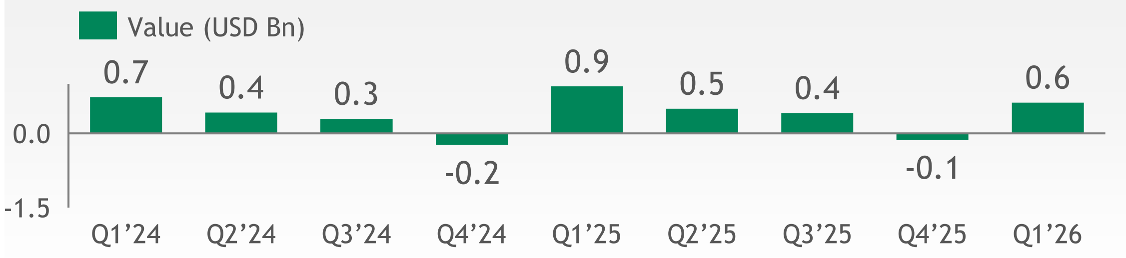
Note: Growth (%) for each quarter calculated over the same quarter of the previous year

Source: Central Bank of Sri Lanka; Press Search; BCG analysis

Macro Stability Strengthens| Strengthening fiscal and external positions reinforce macroeconomic resilience

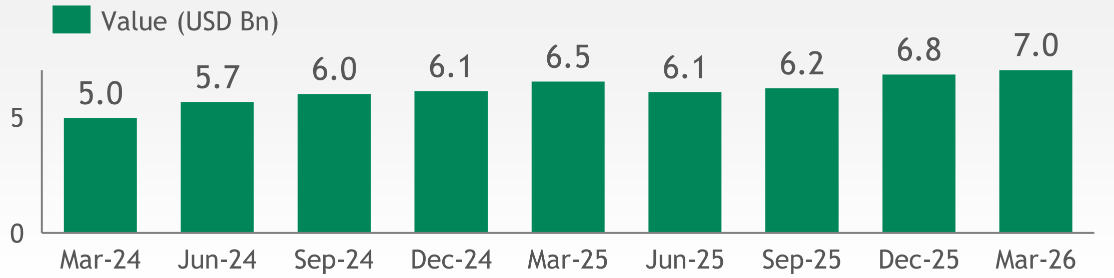
Current Account Balance

Current account surplus of USD 623 Mn in Q1CY26, bouncing back from a deficit in the previous quarter



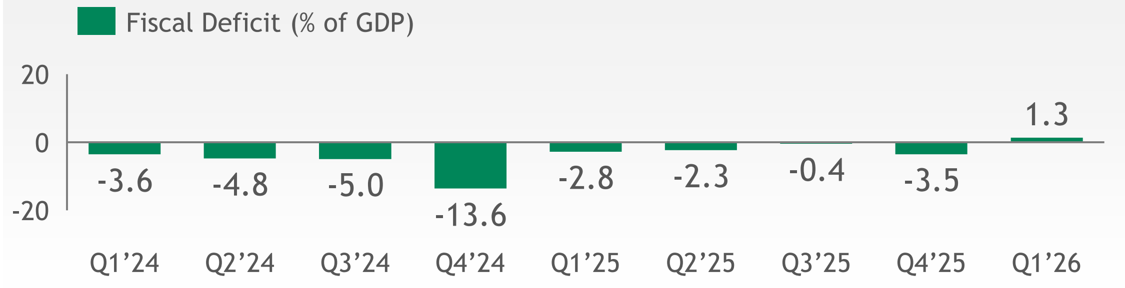
Forex Reserves

Forex reserves strengthen, up 7.6% YoY



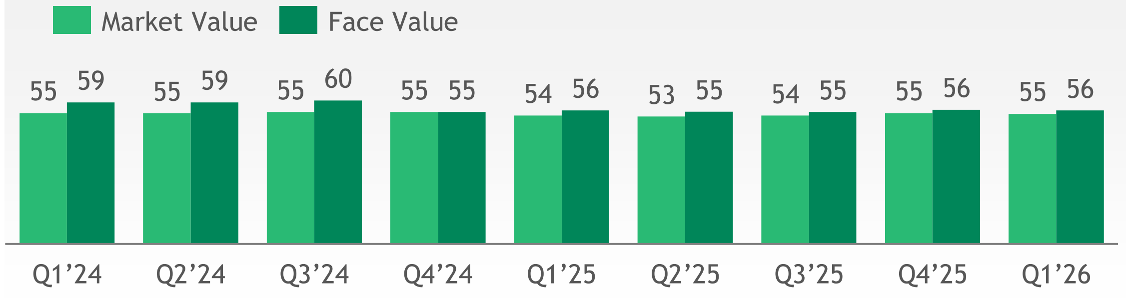
Overall Fiscal Surplus (+)/Deficit (-)

Fiscal consolidation delivers a return to surplus in Q1CY26



Gross External Debt (USD Bn)

External debt remains moderate in Q1CY26



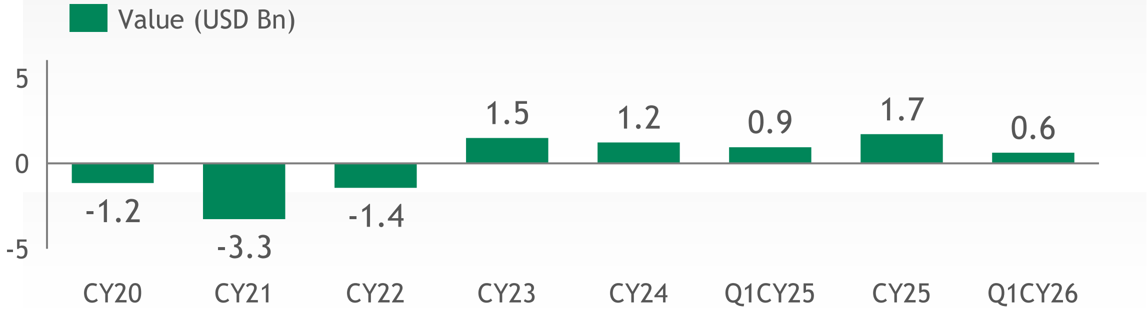
1. Fiscal Surplus/Deficit is calculated as Overall Fiscal Surplus (+)/Deficit (-)/GDP at Current Market Price (Nominal GDP)

Source: Central Bank of Sri Lanka; Dept. of Sensus and Statistics; Press Search; BCG analysis

External Position Remains Resilient | Remittances and FDI continue to cushion external sector pressures

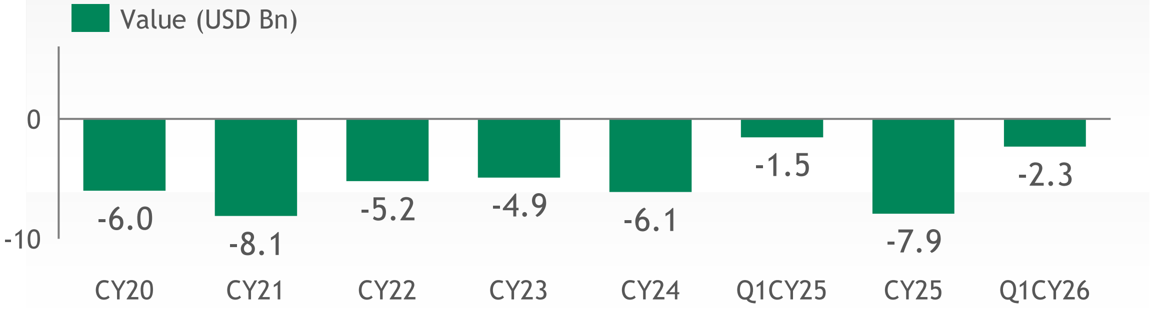
Balance of Payment (Current and Capital Account)

BOP has remained positive since CY23, reflecting stronger external sector resilience



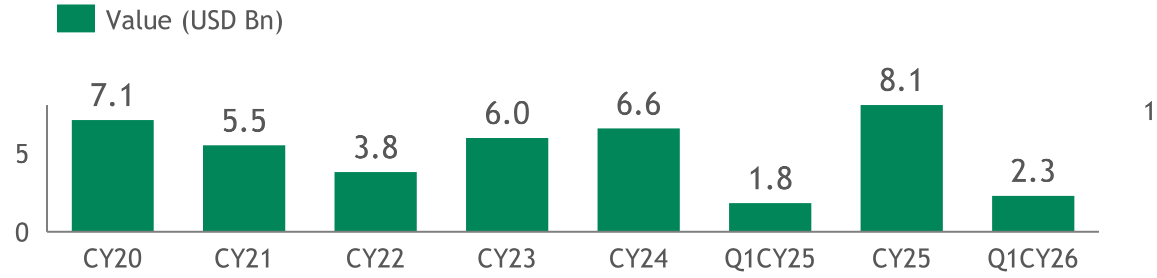
Trade Balance

Trade deficit remains structurally elevated



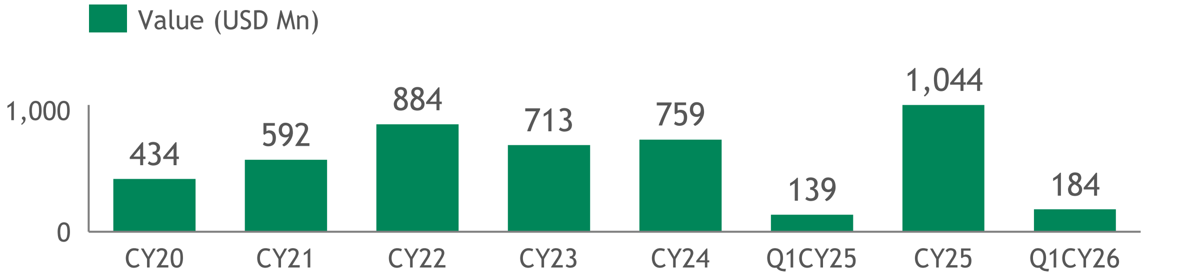
Workers' Remittances

Recorded 26.5% YoY growth in Q1CY26



Foreign Direct Investment[1]

FDI increased by 32.4% YoY in Q1CY26



1. FDI excluding foreign loans to the direct investment enterprises
Source: Central Bank of Sri Lanka; Dept. of Sensus and Statistics; Press Search; BCG analysis

Economic landscape & Market dynamics| Recovery continues, supported by improving industrial activity

	Latest Month	Vs. Last year		Vs. Last quarter	
	Mar'26	Mar'25	YoY	Dec'25	QoQ
Industry (Base: 2015=100)					
IIP (Index)	106.9	103.9	2.9%	99.0	8.0%
Food Products	114.1	113.3	0.7%	107.4	6.2%
Manufacturing Textile	123.2	97.3	26.6%	90.0	36.9%
Non-Metallic Mineral Products	126.2	108.2	16.6%	105.2	20.0%
Coke & Refined Petroleum	102.6	116.9	-12.2%	104.9	-2.2%
Trade & Investment					
Merchandize Exports ($ Mn)	1,254.3	1,241.7	1.0%	1,158.0	8.3%
Merchandize Imports ($ Mn)	2,134.1	1,637.3	30.3%	2,155.2	-1.0%
Services Inflow ($ Mn)	562.9	665.0	-15.4%	720.6	-21.9%
Services Outflow ($ Mn)	342.9	271.7	26.2%	376.9	-9.0%
Inflation[5] (Base: 2021=100)					
Columbo Consumer Price Index	195.8	191.6	2.2%	195.8	0.0%
National Consumer Price Index	210.9	206.0	2.4%	210.5	0.2%
CCPI Food Inflation	240.9	239.2	0.7%	247.9	-2.8%
CCPI Non-Food Inflation	179.7	174.6	2.9%	177.3	1.4%

	Latest Month	Vs. Last year		Vs. Last quarter	
	Mar'26	Mar'25	YoY	Dec'25	QoQ
Producer Price Index (Base: 2018 Q4=100)					
PPI (Index)	238.8	237.5	0.5%	241.3	-1.0%
Agriculture	243.0	291.1	-16.5%	272.4	-10.8%
Manufacturing	242.1	235.1	3.0%	241.2	0.4%
Electricity, Gas, Steam & Air Conditioning Supply	159.4	135.1	18.0%	156.5	1.9%
Financial Flows					
CSE Inflows[3] ($ Mn)	6.4	7.6	-16.4%	5.0	28.1%
CSE Outflows[4] ($ Mn)	18.1	13.3	36.0%	11.7	54.6%
CSE Net Flows ($ Mn)	(11.7)	(5.7)	-106.8%	(6.7)	-74.2%
G.Sec Market Net Flows ($ Mn)	(63.9)	49.2	-229.9%	(4.6)	-1289.1%
PMI and Tourism					
Manufacturing PMI (Index)	66.7	63.9	4.4%	60.9	9.52%
Services PMI (Index)[1]	59.4	69.8	-14.9%	67.9	-12.5%
Construction PMI (Index)[2]	57.1	54.3	5.2%	67.1	-14.9%
Earnings from Tourism ($ Mn)	244.8	354.0	-30.8%	308.6	-20.7%

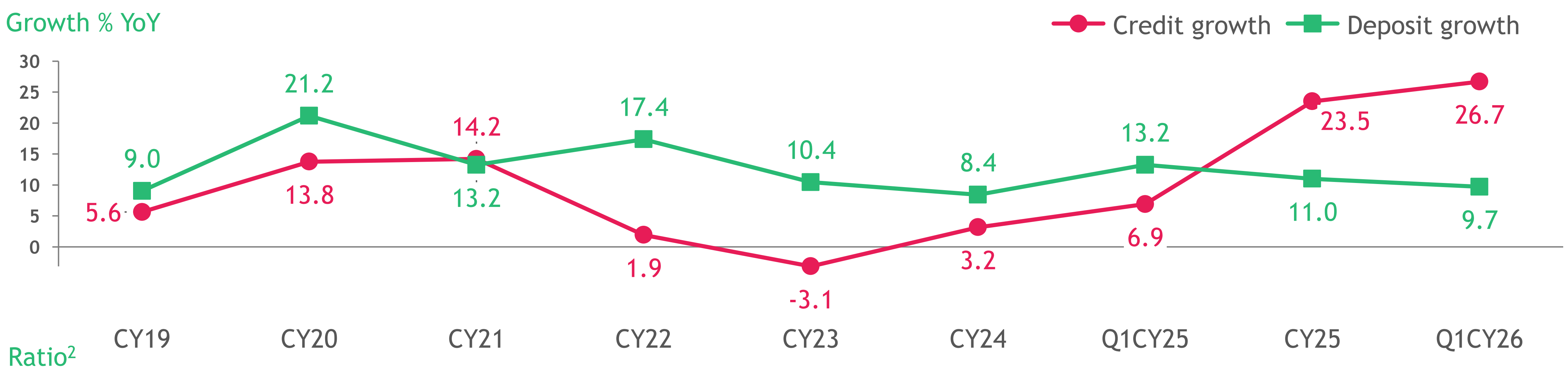
1. Business Activity Index 2. Total Activity Index 3. Columbo Exchange Secondary Market Inflows 4. Columbo Exchange Secondary Market Outflows 5. Headline Inflation
Note: YoY change is Monthly % change (YoY Basis), QoQ change is Monthly % change (QoQ Basis)
Source: Central Bank of Sri Lanka; Dept. of Sensus and Statistics; Press Search; BCG analysis

Banking sector overview

Decade-high credit growth driving system recovery

Private banks continue to gain momentum, with higher CD ratio

Credit[1] and deposit growth rate (%)



CD Ratio[2]

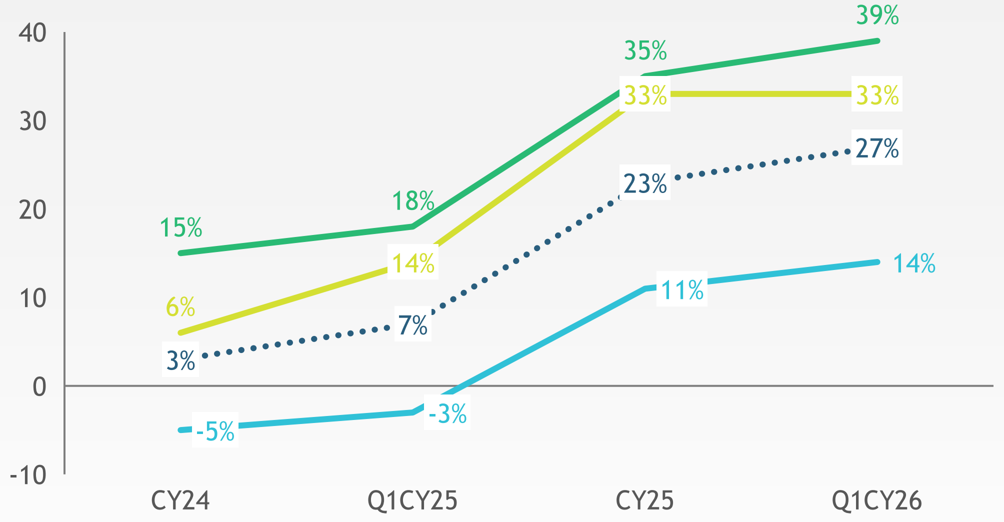
	CY19	CY20	CY21	CY22	CY23	CY24	Q1CY25	CY25	Q1CY26
Govt. Banks	74%	75%	75%	65%	56%	49%	47%	51%	52%
Large Pvt	90%	77%	76%	66%	59%	61%	61%	72%	73%
Mid-Sized Pvt	100%	90%	96%	85%	77%	75%	77%	85%	86%
Industry	83%	78%	78%	68%	60%	57%	56%	63%	64%

1. Credit includes loans and Advances
Analysis has been made based on 3 Government Banks, 3 Large Private Banks and 4 Mid-Sized Private Bank
Source: Central Bank of Sri Lanka; Press Search; BCG analysis

Credit growth continues to accelerate led by Pvt. Banks

Govt. Banks continue to lose market share to Private banks across Credit and Deposits

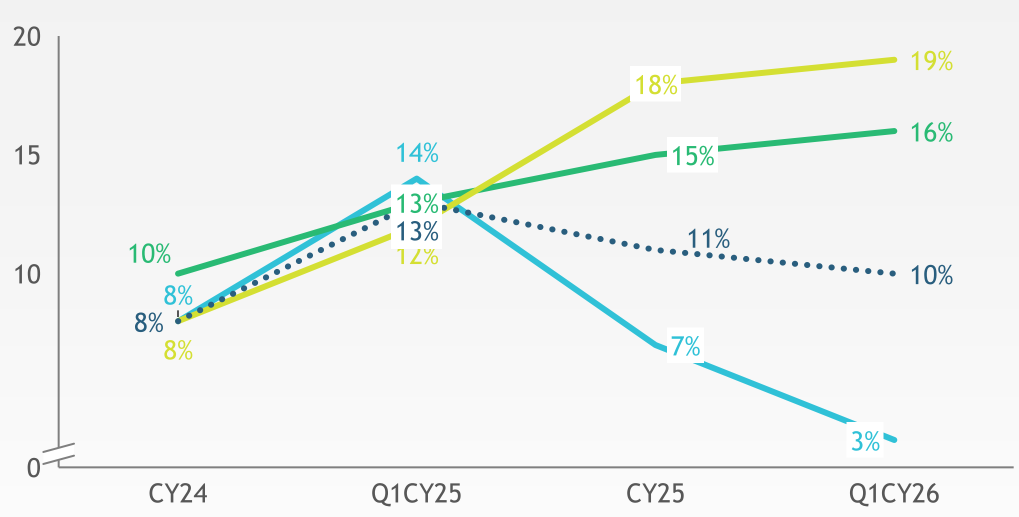
Credit growth (%) by bank category



Market share (%)

	CY24	Q1CY25	CY25	Q1CY26
Govt. Banks	46%	45%	42%	41%
Large Pvt	36%	37%	39%	40%
Mid-Sized Pvt	18%	18%	19%	19%

Total Deposits growth (%) by bank category



Market share (%)

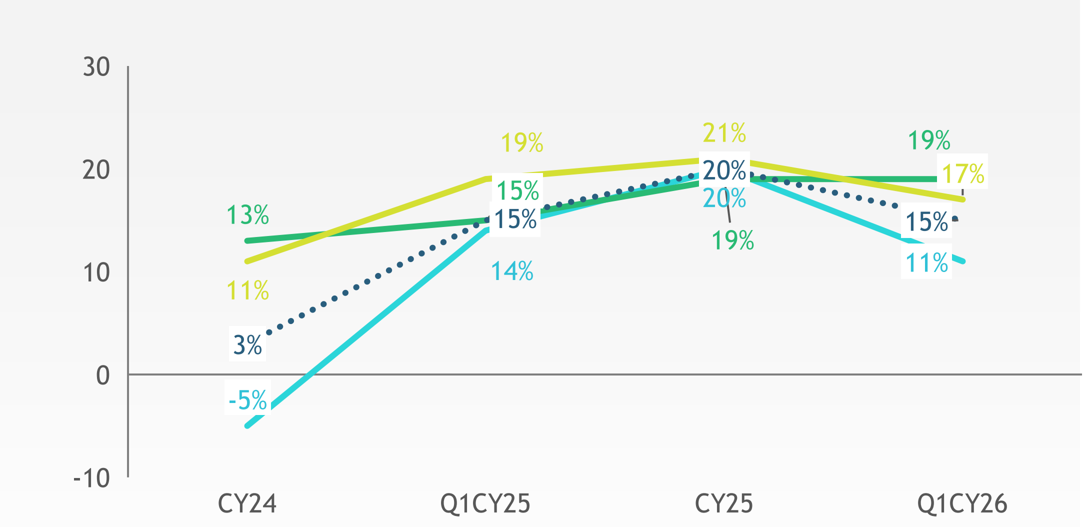
	CY24	Q1CY25	CY25	Q1CY26
Govt. Banks	53%	54%	51%	51%
Large Pvt	33%	33%	35%	35%
Mid-Sized Pvt	13%	13%	14%	14%

Govt. Banks — Large Pvt. Banks — Mid-Sized Pvt. Banks — Industry

Analysis has been made based on 3 Government Banks, 3 Large Private Banks and 4 Mid-Sized Private Bank
Source: Central Bank of Sri Lanka; Press Search; BCG analysis

Private Banks lead deposit growth as Govt. Banks lose momentum in Q1CY26

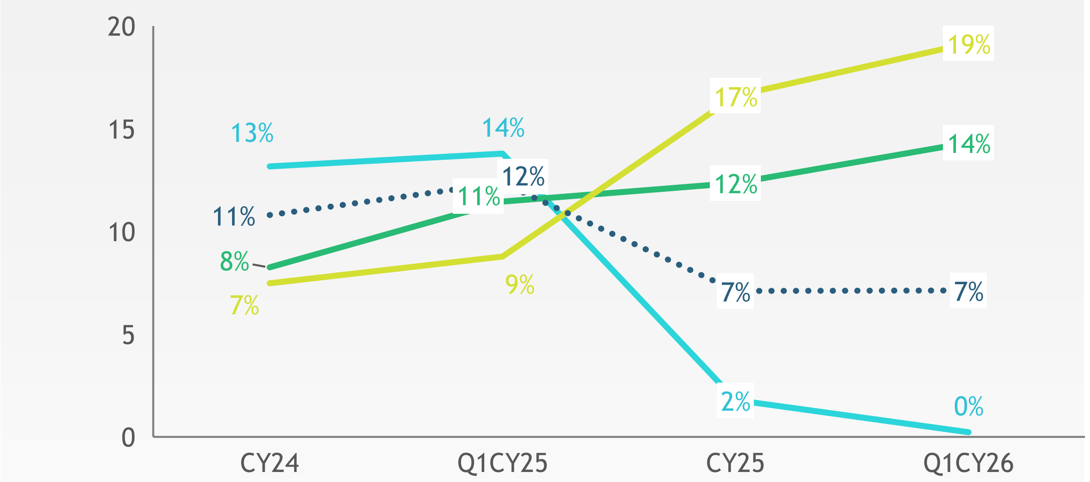
CASA growth YoY by bank category (%)



Market share (%)

	CY24	Q1CY25	CY25	Q1CY26
Govt. Banks	49%	49%	49%	48%
Large Pvt	39%	39%	39%	41%
Mid-Sized Pvt	12%	12%	12%	12%

Term Deposits growth YoY by bank category (%)



Market share (%)

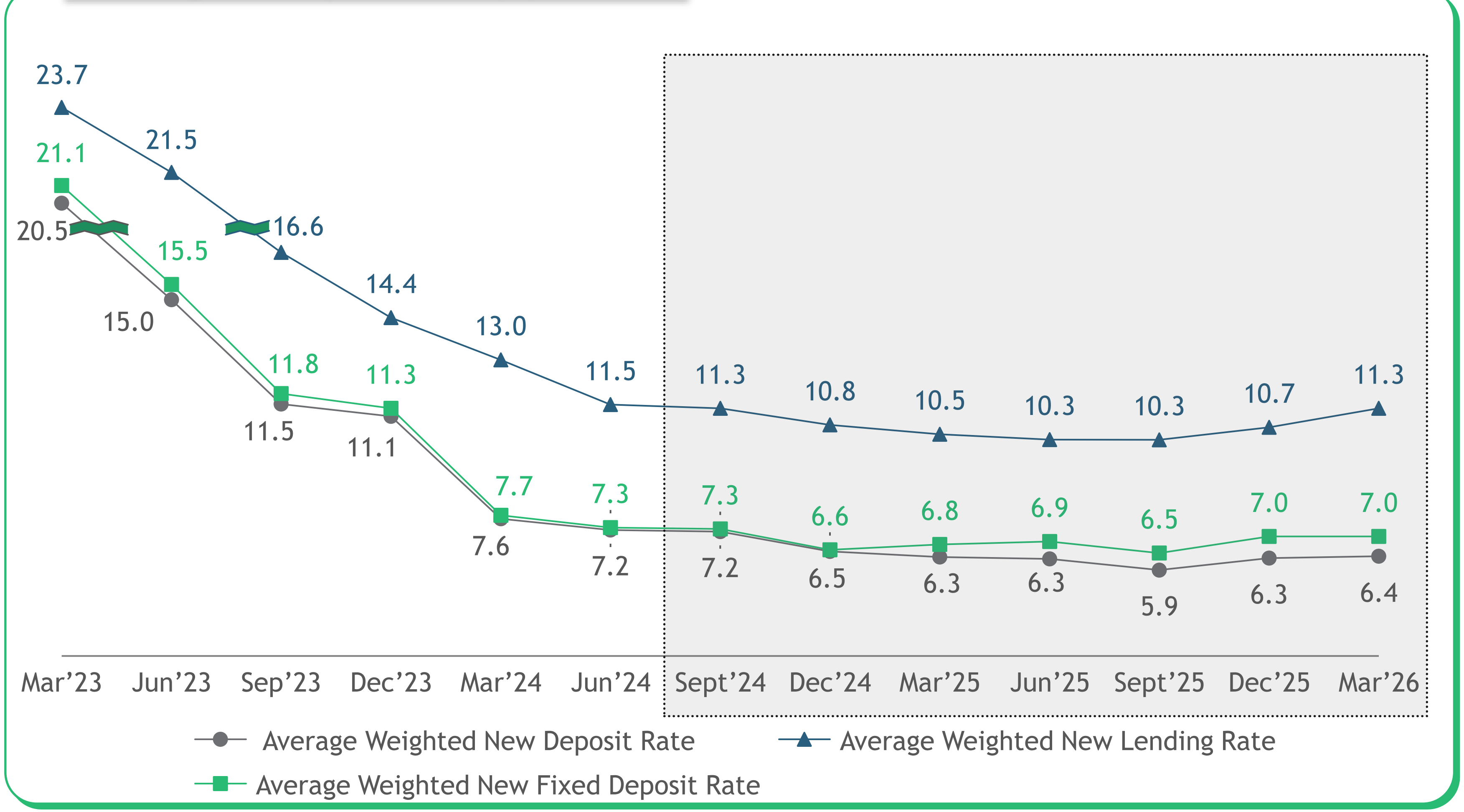
	CY24	Q1CY25	CY25	Q1CY26
Govt. Banks	55%	56%	53%	52%
Large Pvt	31%	31%	32%	33%
Mid-Sized Pvt	14%	14%	15%	15%

Govt. Banks · Large Pvt. Banks · Mid-Sized Pvt. Banks · Industry

Analysis has been made based on 3 Government Banks, 3 Large Private Banks and 4 Mid-Sized Private Bank
Source: Central Bank of Sri Lanka; Press Search; BCG analysis

The spread widened in Q1CY26 as lending rates rebounded while deposit rates remained broadly stable

Lending and Deposit rate (%)



Note: Average Weighted New Lending, Deposit & Fixed Deposit Rates, based on interest rates pertaining to all new interest-bearing rupee deposits mobilised by LCBs during a particular month
Source: CBSL

Change in key rates in Mar'26 vs. Mar'25

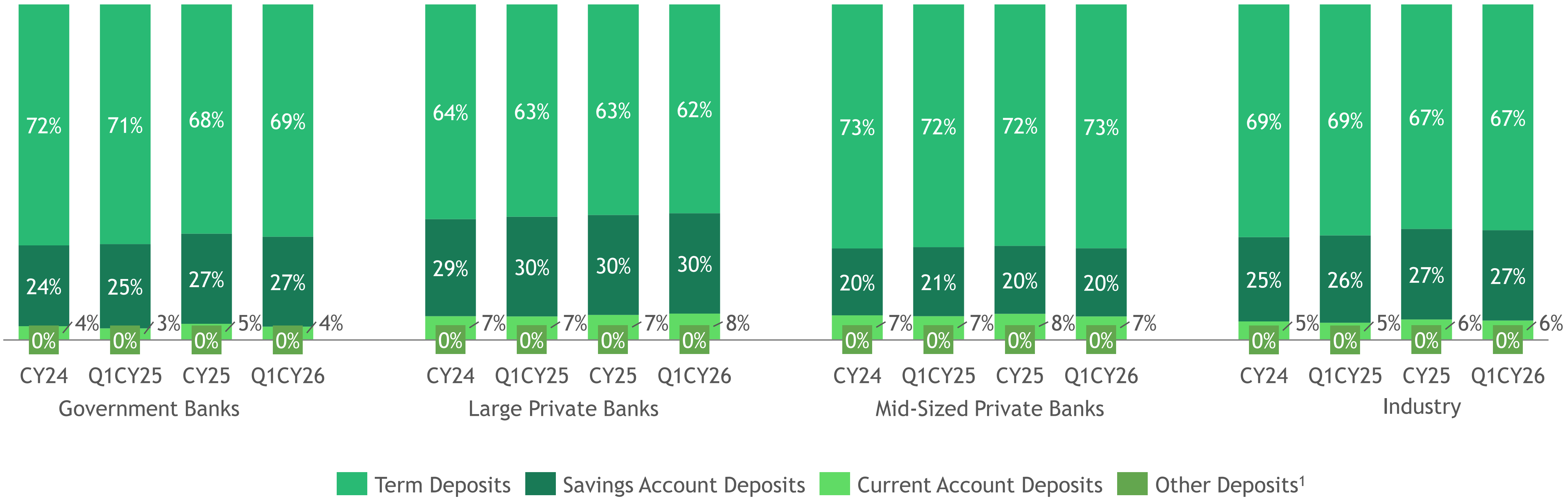
2 bps Average Weighted New Deposit Rate (Industry)

27 bps Average Weighted New Fixed Deposit Rate (Industry)

87 bps Average Weighted New Lending Rate (Industry)

Deposit mix remains skewed toward Term deposits, with modest improvement in CASA across banks

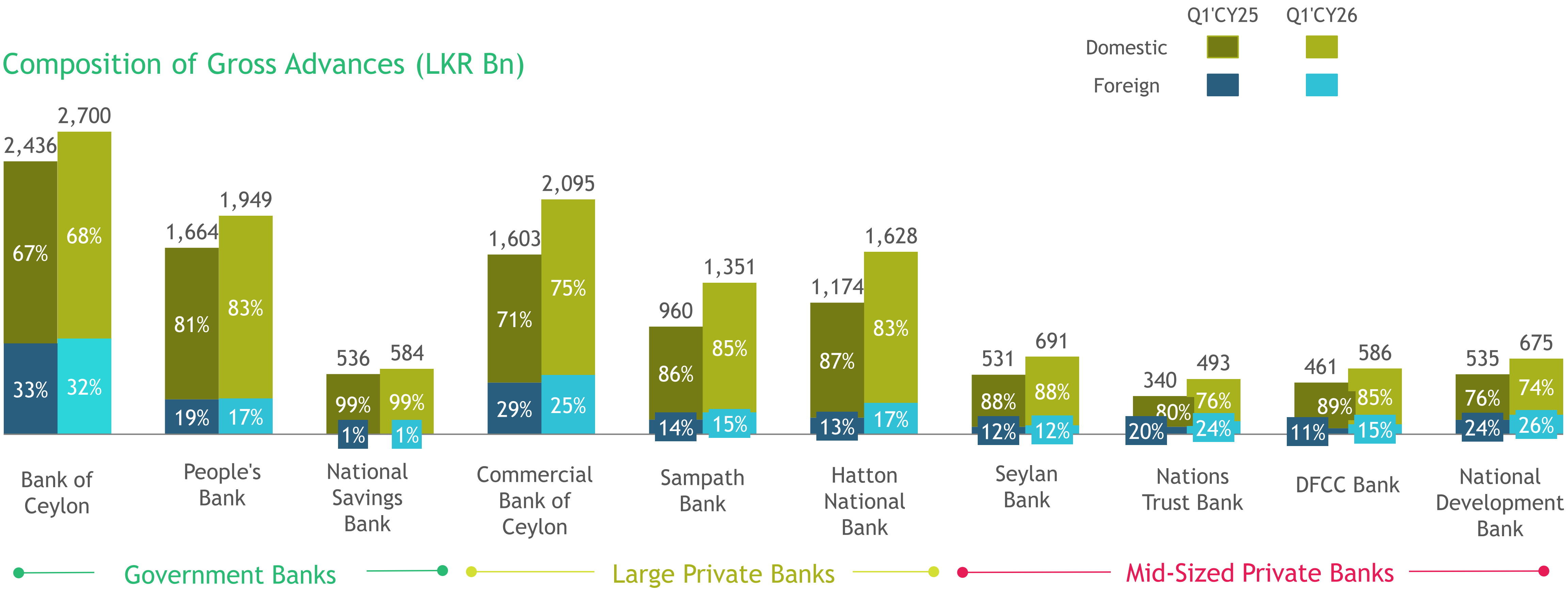
Composition of Total Deposits (%)



Note: 1. Other Deposits include Certificate of deposits, Call deposits, Margin deposits and other deposits; 2. Analysis has been made based on 3 Government Banks, 3 Large Private Banks and 4 Mid-Sized Private Bank
Source: Central Bank of Sri Lanka; Press Search; BCG analysis

Domestic advances account for 79% of total lending, with foreign exposure broadly stable

Composition of Gross Advances (LKR Bn)

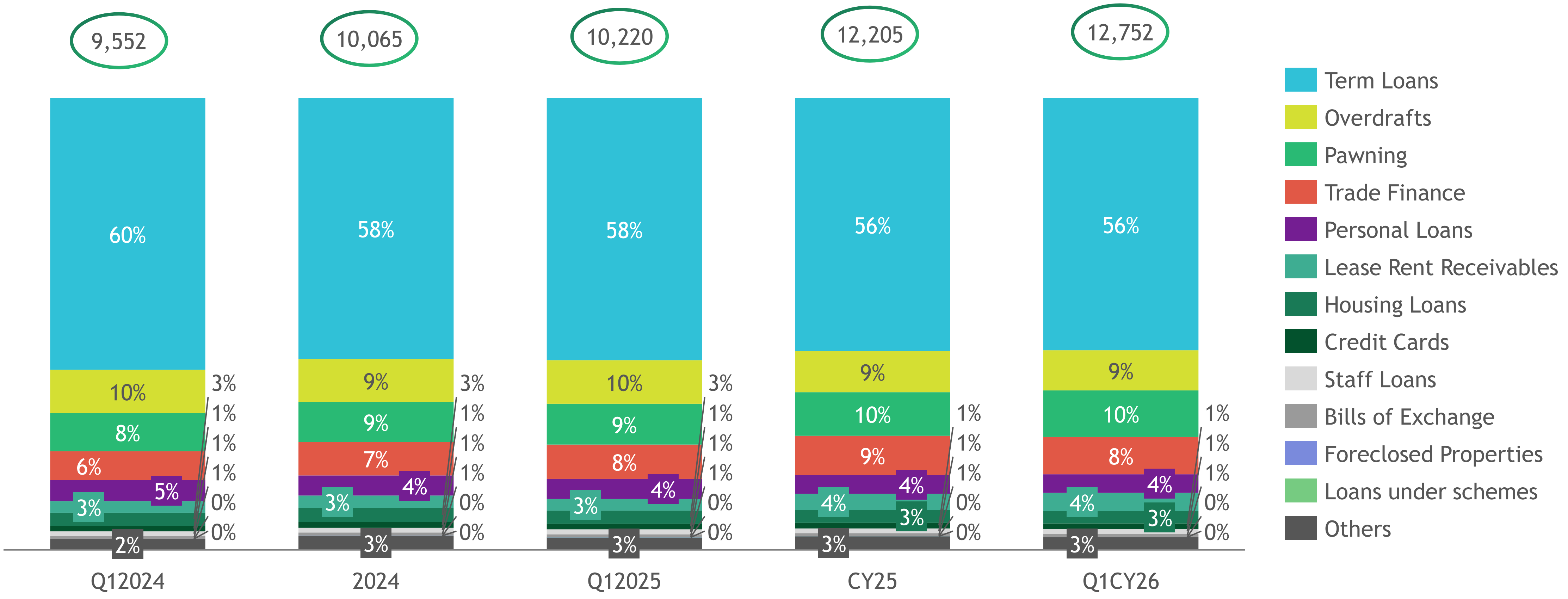


Source: Central Bank of Sri Lanka; Press Search; BCG analysis

~56% of loan portfolio in Term loans

High growth products include Lease Rent Receivables (93% YoY), Trade finance (37% YoY) and Pawning (42% YoY)

Loans & Advances mix (%) by product

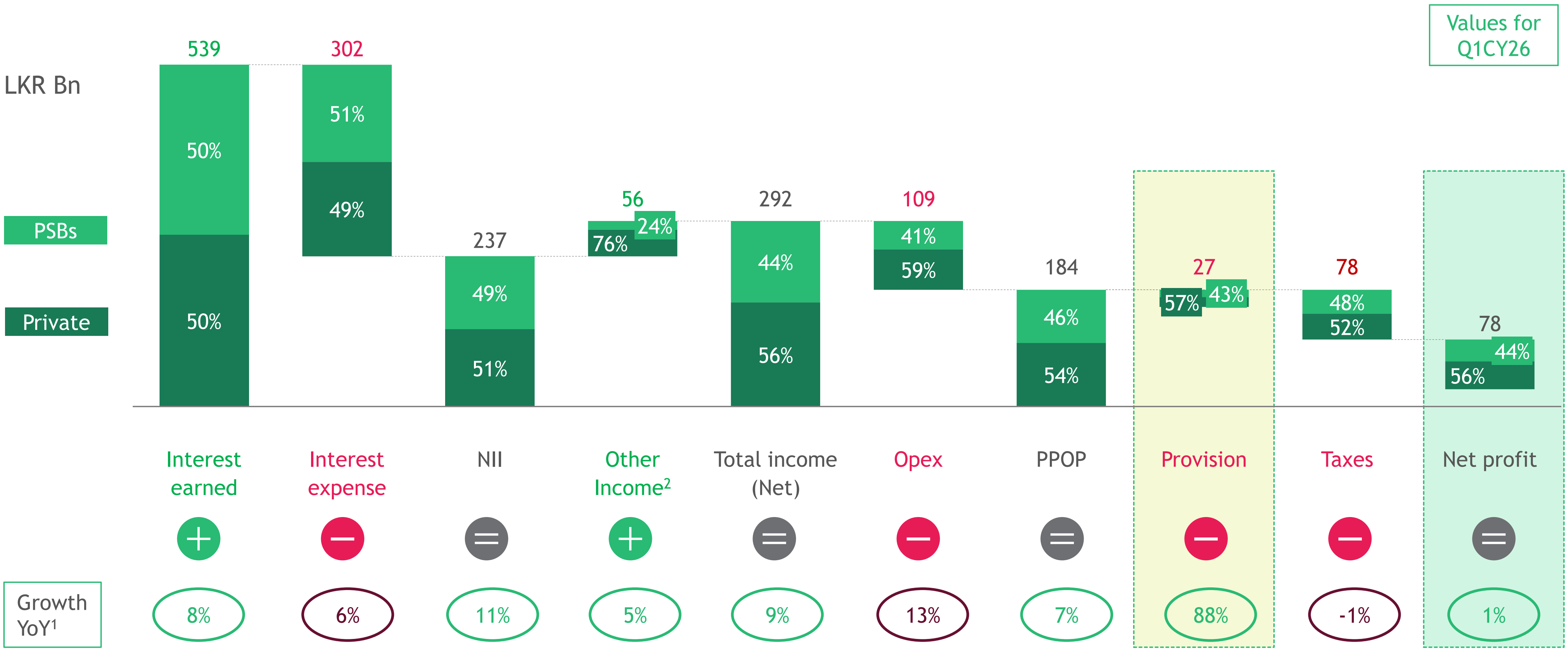


Note: 1. Credit cost is coming out to be negative because of reversal in provisioning's in exceptional years 2. Analysis has been made based on 3 Government Banks, 3 Large Private Banks and 4 Mid-Sized Private Bank
Source: Central Bank of Sri Lanka; Press Search; BCG analysis

Banking sector overview

- Macro Indicators
- Business: Advances & Deposits
- Key Performance Indicators – Banking Sector
- NPA & Risk Management
- Branch Efficiency and Employee Productivity
- Digital in Banking
- Key Regulatory Measures
- Individual Player Performance

Surging provisions compress Net Profit growth to just 1% despite healthy income expansion



1. YoY growth over Q1CY25 2. Other income includes Net fee and commission income and other operating income
Analysis has been made based on 3 Government Banks, 3 Large Private Banks and 4 Mid-Sized Private Bank
Source: Financial Results, Investor Presentation, Press release; BCG analysis

Profitability softened across Bank categories, driven by NIM compression and higher credit costs

RoA Tree		Govt. Banks		Large Private		Mid-Sized Private		Industry	
Particulars[1]	UoM	Q1CY26	Q1CY25	Q1CY26	Q1CY25	Q1CY26	Q1CY25	Q1CY26	Q1CY25
+ Net interest Margin	(%)	4.2%	4.3%	4.5%	4.7%	4.5%	4.8%	4.4%	4.5%
+ Fee + Other Income	(%)	0.5%	0.6%	1.5%	1.7%	1.6%	1.6%	1.0%	1.1%
− Operating expenses	(%)	1.6%	1.6%	2.2%	2.1%	2.8%	3.1%	2.0%	2.0%
= Pre-Provision Profit[2]	(%)	3.1%	3.2%	3.9%	4.3%	3.3%	3.3%	3.4%	3.6%
− Credit costs	(%)	0.4%	0.2%	0.5%	0.4%	0.7%	0.6%	0.5%	0.3%
− Tax	(%)	1.4%	1.6%	1.6%	1.8%	1.3%	1.4%	1.4%	1.7%
= Return on Assets	(%)	1.3%	1.4%	1.8%	2.0%	1.3%	1.4%	1.4%	1.6%

1. All the above #s are as a % of Opening and closing average assets for the quarter 2. Figures may not tally due to rounding off differences;
Analysis has been made based on 3 Government Banks, 3 Large Private Banks and 4 Mid-Sized Private Bank
Source: Financial Statements; BCG analysis

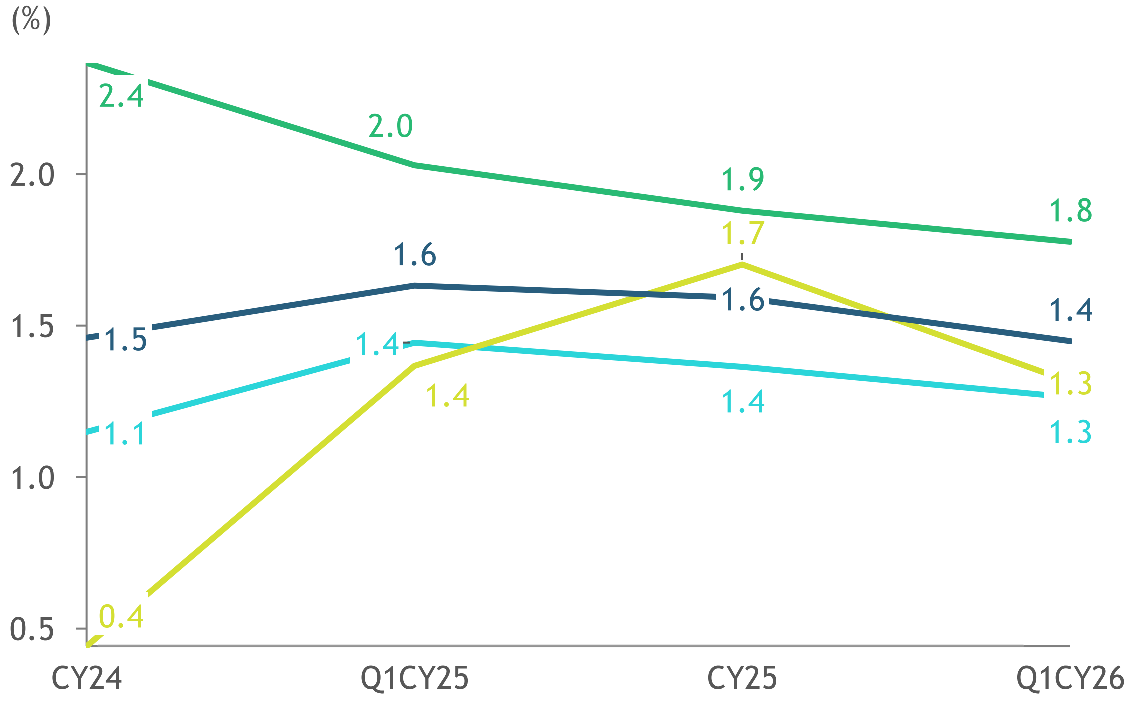
RoA tree | Several levers to enhance the RoA

Values for Q1CY26	BOC	People's Bank	NSB	Commercial Bank	Sampath Bank	HNB	NDB bank	Seylan	DFCC Bank	Nations Trust Bank
RoE	19.8%	19.1%	23.7%	22.7%	14.8%	15.8%	9.0%	15.2%	6.9%	20.2%
RoA	1.3%	1.1%	1.5%	2.2%	1.2%	1.7%	0.8%	1.3%	0.8%	2.6%
NII	3.9%	4.4%	4.8%	4.7%	4.1%	4.6%	4.0%	4.5%	4.0%	6.0%
Interest Income	9.2%	10.3%	10.7%	10.1%	9.4%	9.7%	9.9%	10.6%	10.7%	11.4%
Interest Expense	5.3%	5.9%	5.9%	5.4%	5.3%	5.1%	6.0%	6.0%	6.7%	5.4%
Other Income	0.5%	0.7%	0.1%	1.4%	1.7%	1.6%	1.6%	1.2%	1.7%	2.0%
Fee Income	0.5%	0.5%	0.2%	0.9%	1.2%	1.2%	1.0%	1.1%	0.9%	1.3%
Non-fee income	0.0%	0.2%	0.0%	0.6%	0.5%	0.4%	0.7%	0.2%	0.8%	0.6%
OpEx	1.3%	2.0%	2.0%	1.8%	2.6%	2.3%	3.3%	2.8%	2.6%	2.6%
Employee OpEx	0.8%	1.1%	1.5%	0.9%	1.1%	1.0%	1.0%	1.5%	1.1%	1.4%
Non-emp OpEx	0.5%	0.9%	0.5%	0.9%	1.5%	1.3%	2.3%	1.3%	1.4%	1.2%
PPOP	3.2%	3.1%	2.9%	4.3%	3.2%	3.9%	2.3%	2.9%	3.2%	5.4%
Provisioning	0.6%	0.6%	-0.5%	0.4%	0.9%	0.4%	0.8%	0.0%	1.5%	0.4%
Total Tax	1.3%	1.3%	1.9%	1.8%	1.0%	1.7%	0.8%	1.5%	0.8%	2.4%
Leverage	15.4	17.3	15.7	10.6	11.9	10.6	11.8	11.3	8.3	7.8
CA Ratio (%)	5.5%	3.3%	NA	10.1%	5.2%	6.4%	8.6%	6.3%	3.5%	8.3%
SA Ratio (%)	24.7%	32.3%	21.6%	30.0%	30.6%	29.0%	16.7%	22.0%	20.3%	22.9%

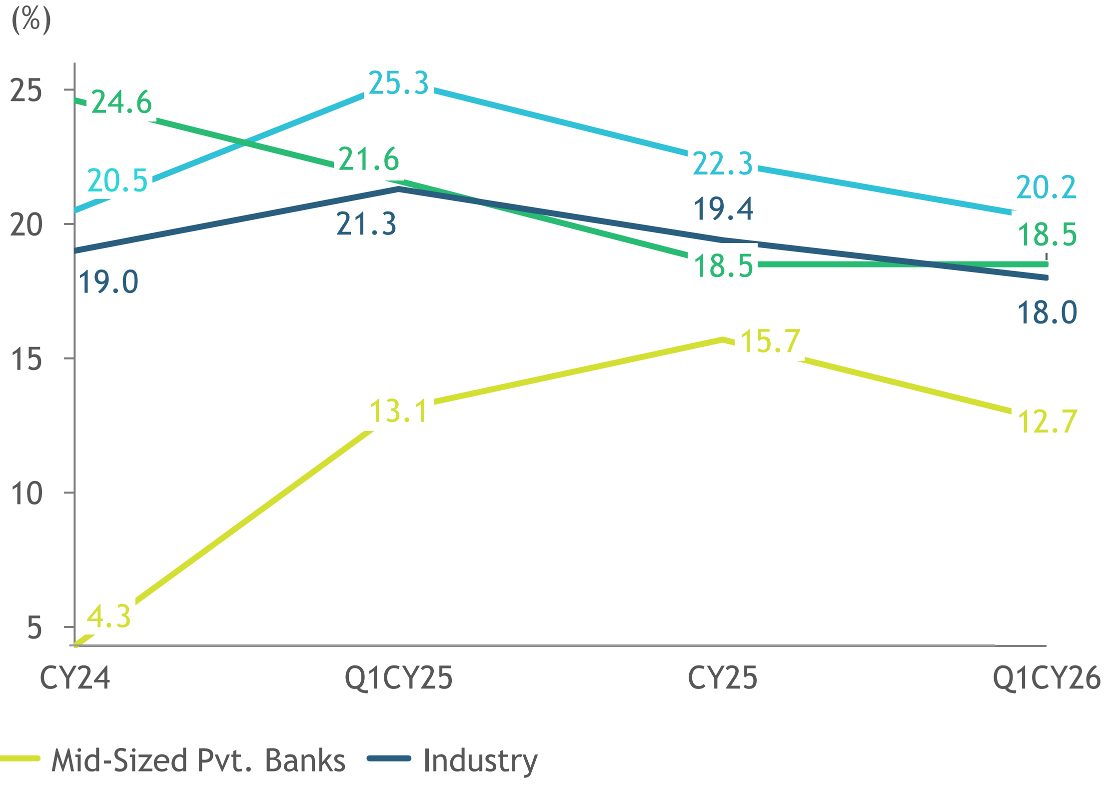
Note: Credit cost is coming out to be negative because of reversal in provisioning's in exceptional years
Source: Annual Reports, Quarterly Results; BCG Analysis

Return on Assets and Equity declining across all Bank categories in Q1CY26

Return on Assets[1] by bank category



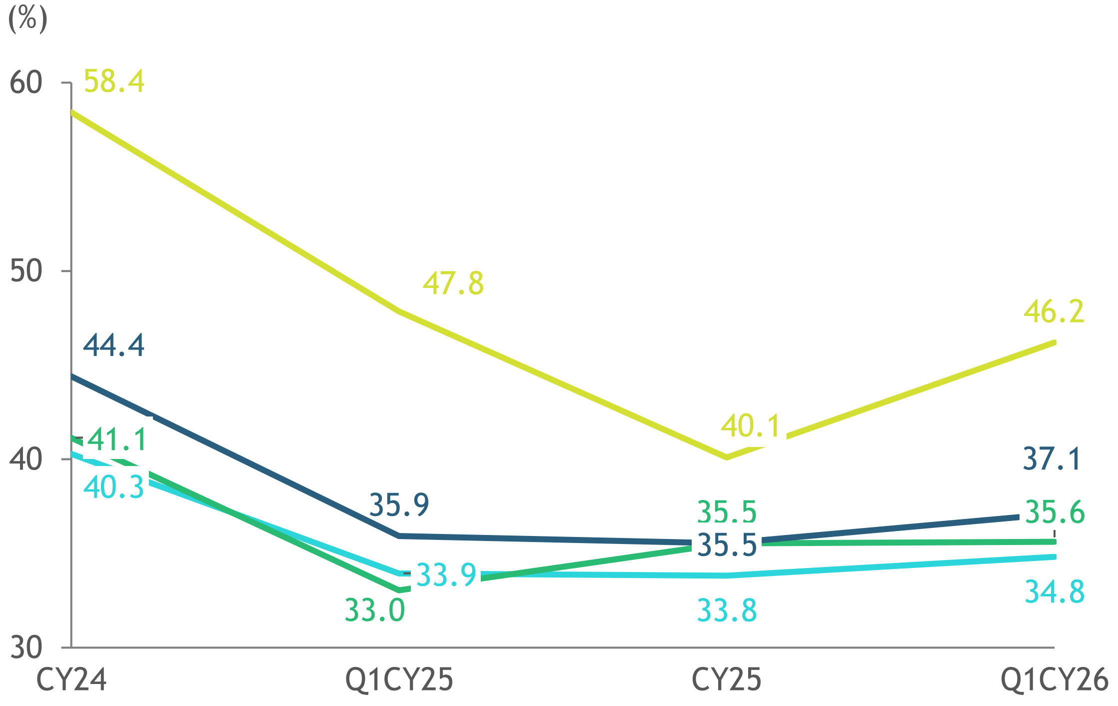
Return on Equity[2] by bank category



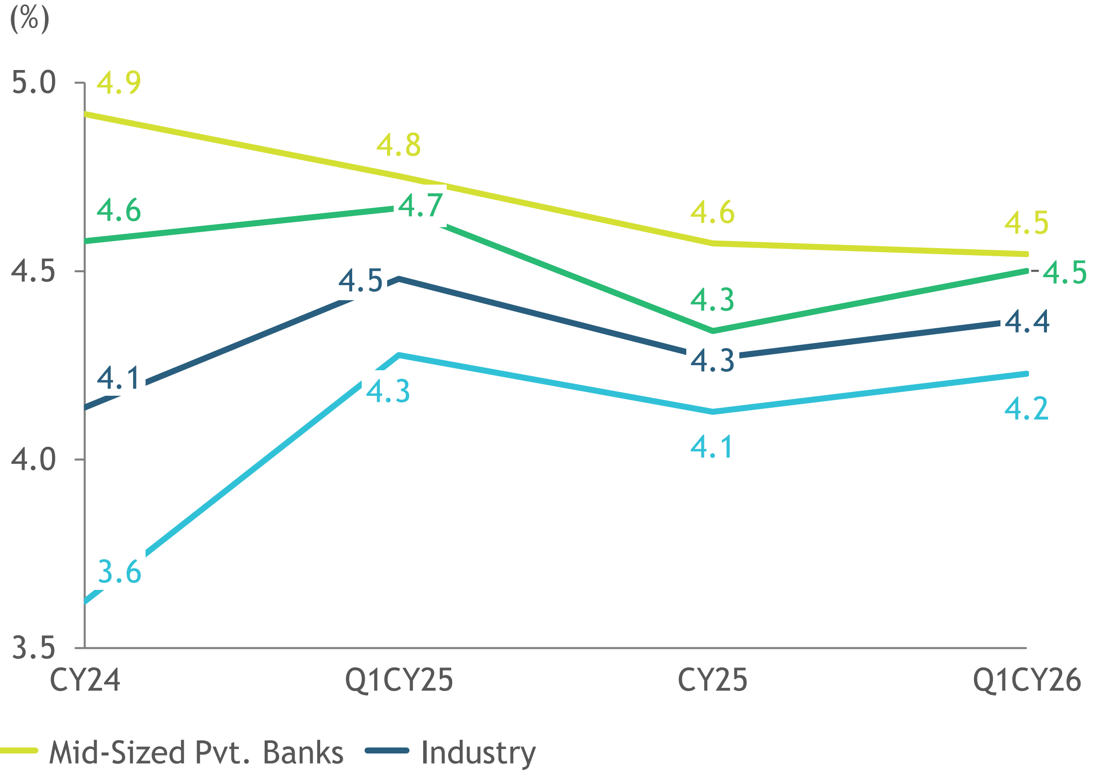
1. Return on Assets is calculated as net profit/average opening and closing assets for the period or quarter 2. Return on Equity is calculated as net profit/average average opening and closing shareholders' fund for the period or quarter
Note: Analysis has been made based on 3 Government Banks, 3 Large Private Banks and 4 Mid-Sized Private Bank
Source: Annual Reports; Press Search; BCG analysis

Govt. Banks lead on cost efficiency while NIM converges across segments in Q1CY26

Cost to Income Ratio[1] by bank category (%)



Net Interest Margin[2] by bank category (%)



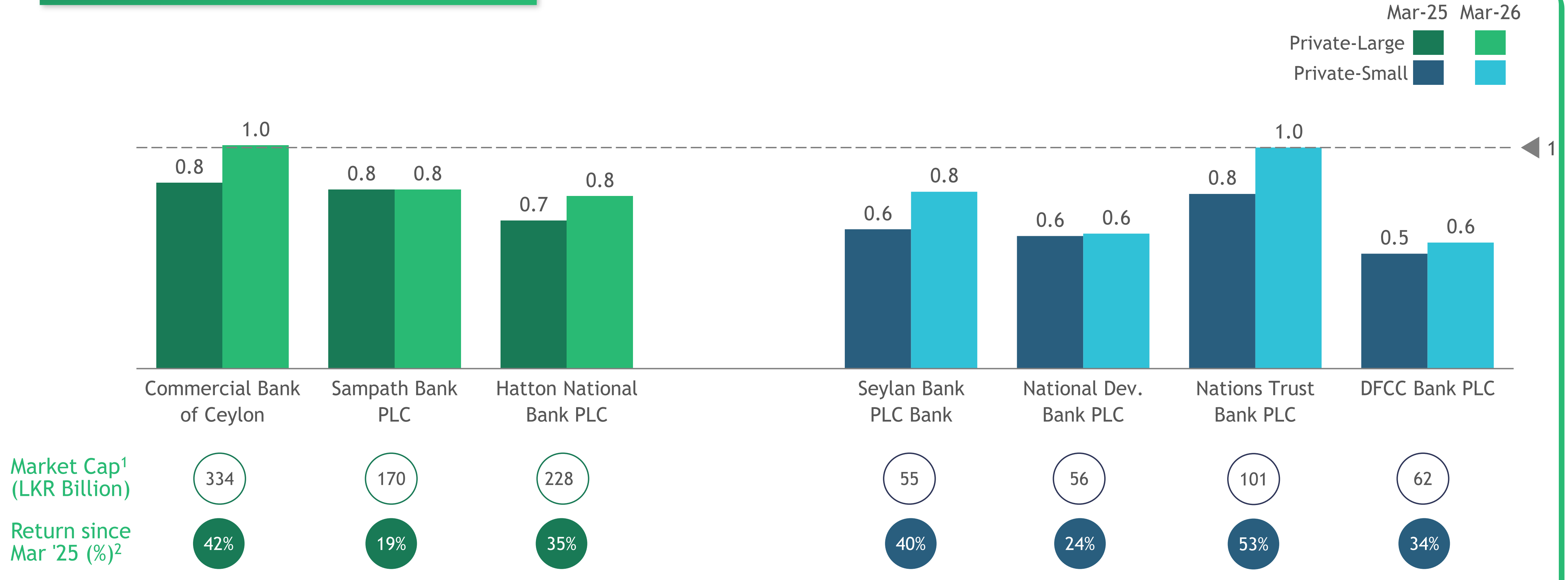
1. Cost to Income is calculated as Operation expense/(net interest income + other income) 2. NIM is calculated as (Interest Income - Interest Expense)/Average of opening and closing Assets for the quarter or period

Note: Analysis has been made based on 3 Government Banks, 3 Large Private Banks and 4 Mid-Sized Private Bank

Source: Annual Reports; Press Search; BCG analysis

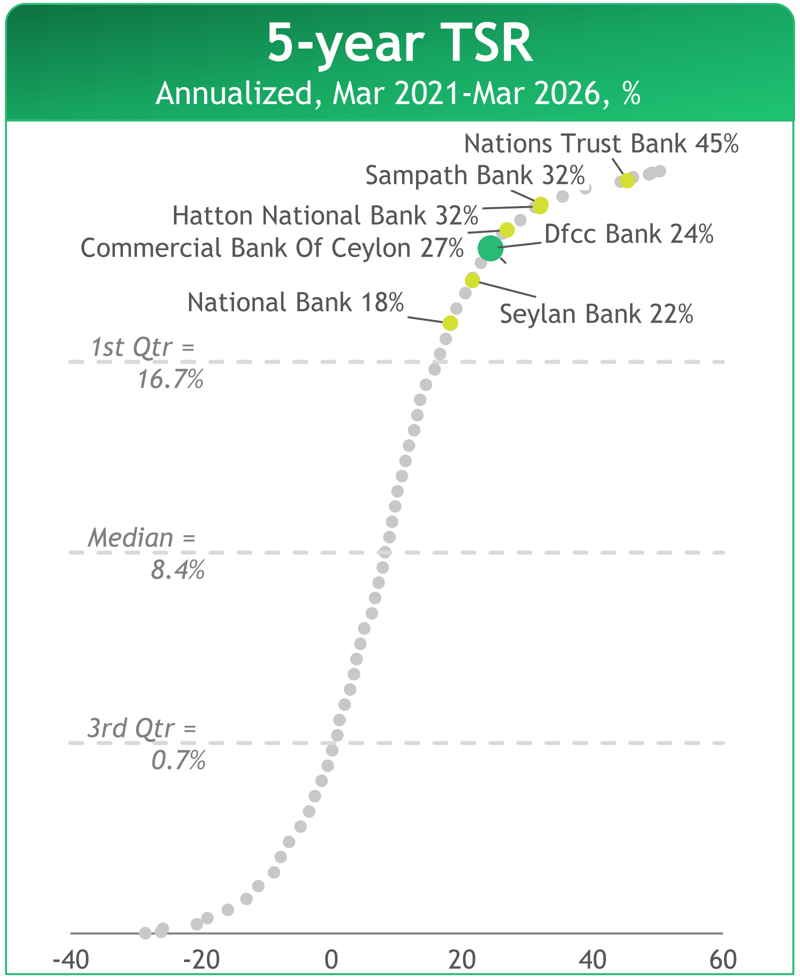
Most Private banks continue to trade at discount, despite strong YoY growth in market cap

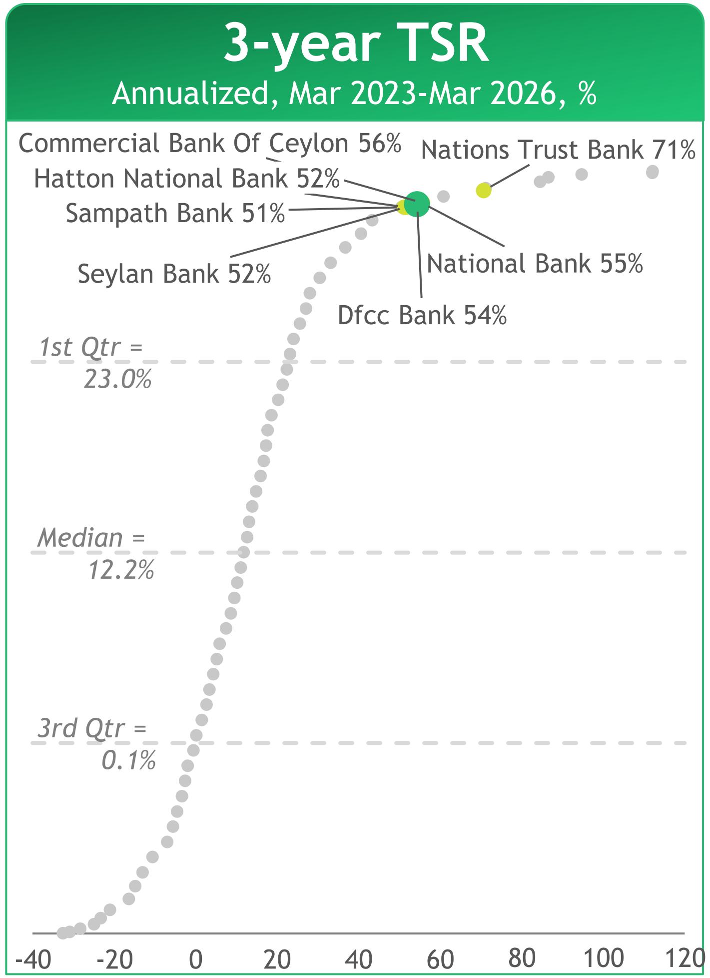
Price/Book for Private Banks

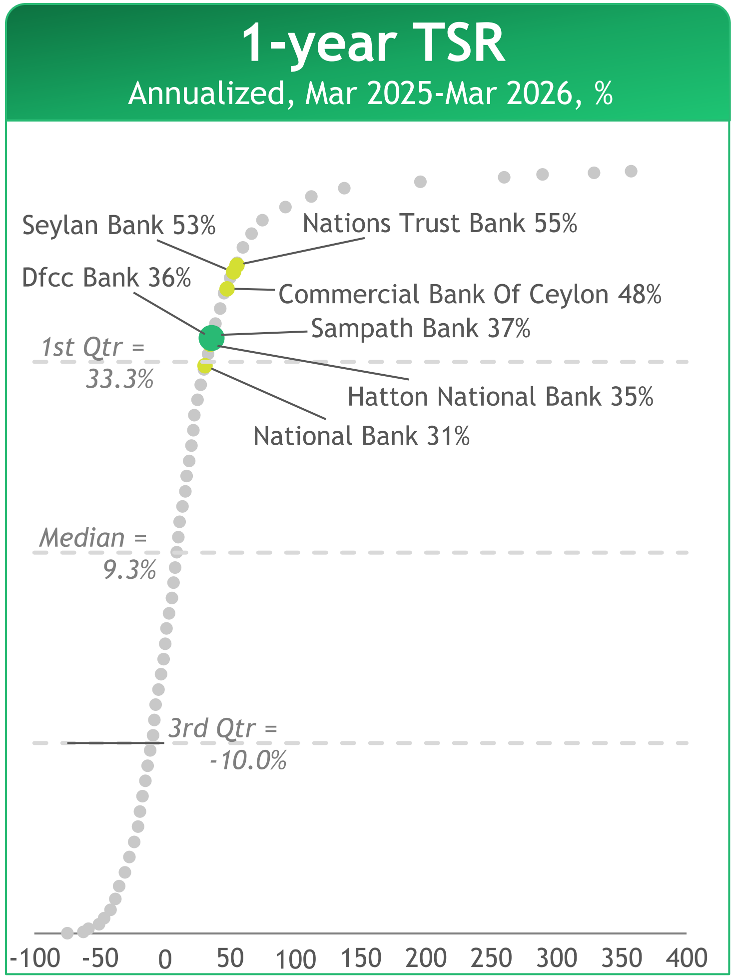


1. Pricing as of the filing date of the balance sheet period end date (i.e March 2025), 2.Return refer to YoY change in Market Cap
Source: Capital IQ, BCG Analysis

Mid-sized private banks continue to demonstrate strong TSR performance, while large private banks sustain steady value creation



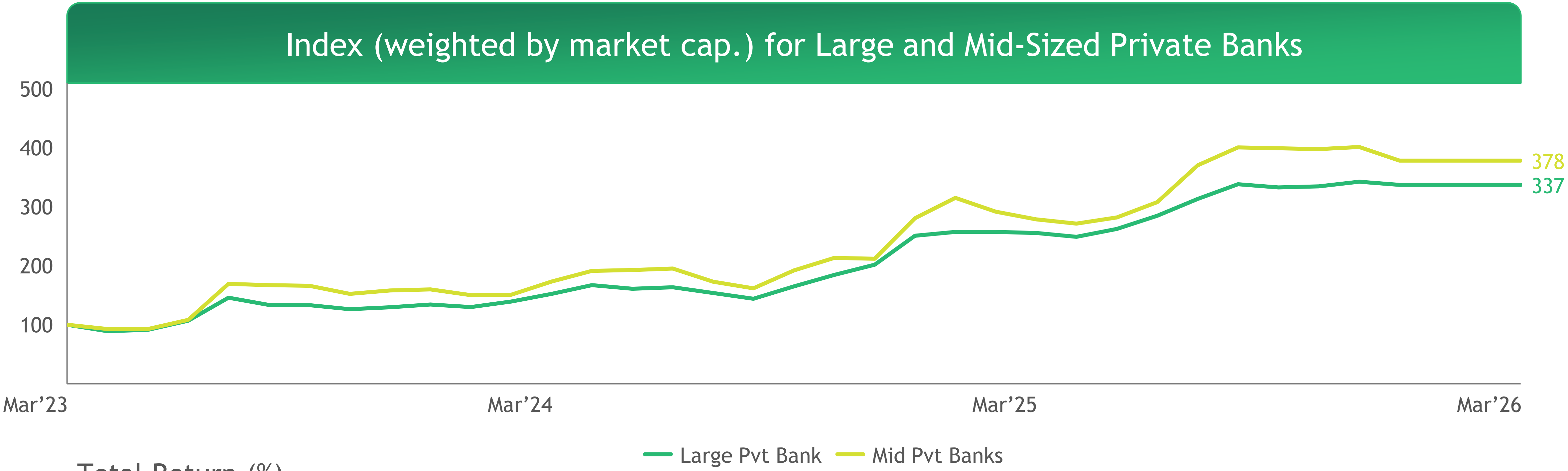




Large Pvt. Banks Mid Sized Pvt. Banks

Note: Background Curve: S&P 500 Large Cap, Based on data ending in March. TSRs use company reporting currency.
Source: S&P Capital IQ; BCG ValueScience® Center

Private bank returns remain resilient, with Mid-sized Banks continuing to outperform despite moderating momentum



Total Return (%)

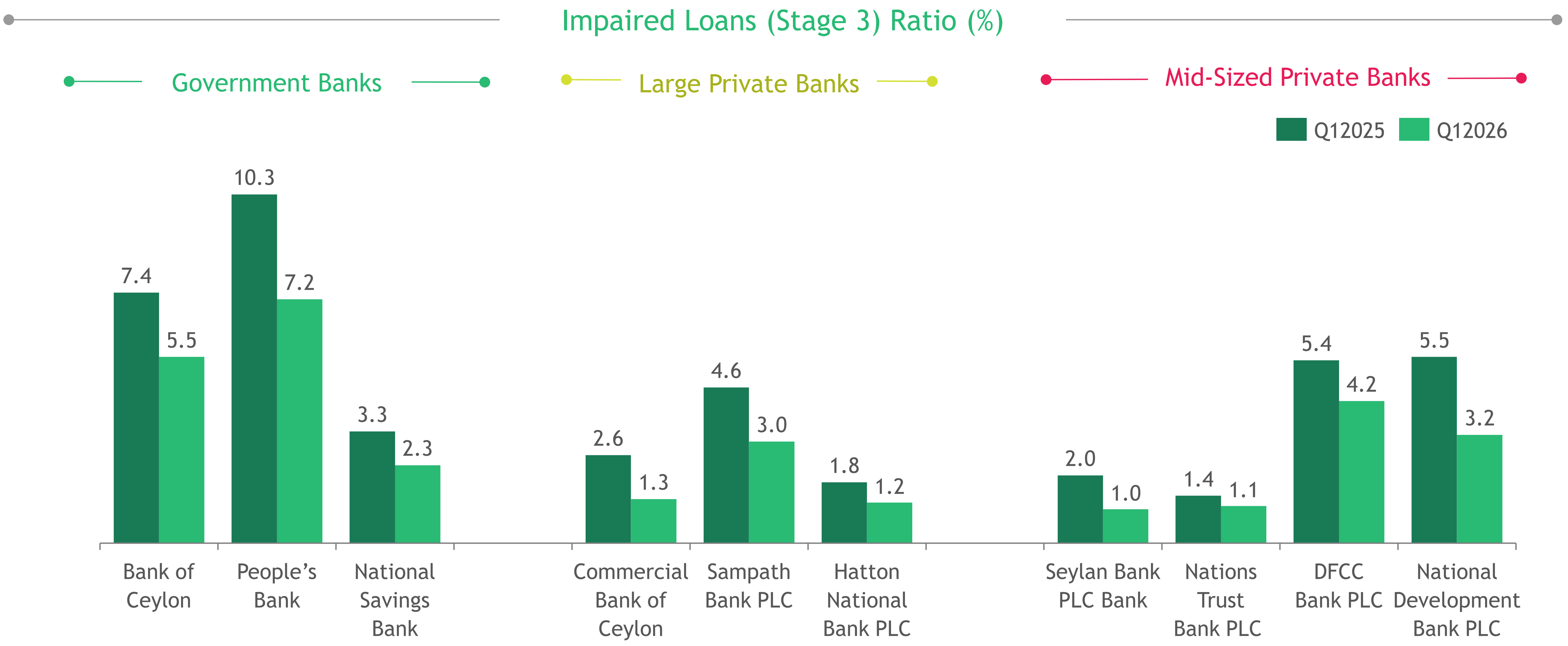
	Large Pvt. Banks	Mid Sized Pvt. Banks
3-Yr Return	50.0%	55.8%

Note: Large Private Bank index includes 3 Private-Banks and Mid Sized Private Banks includes 4 Private-Banks; Index weighted as per market capitalization of banks Index period from March 2021 to March 2025 (Indexed to 100)
Source: Capital IQ; BCG ValueScience Center

Banking sector overview

All banks witnessed YoY improvement in impaired loans in Q1CY26

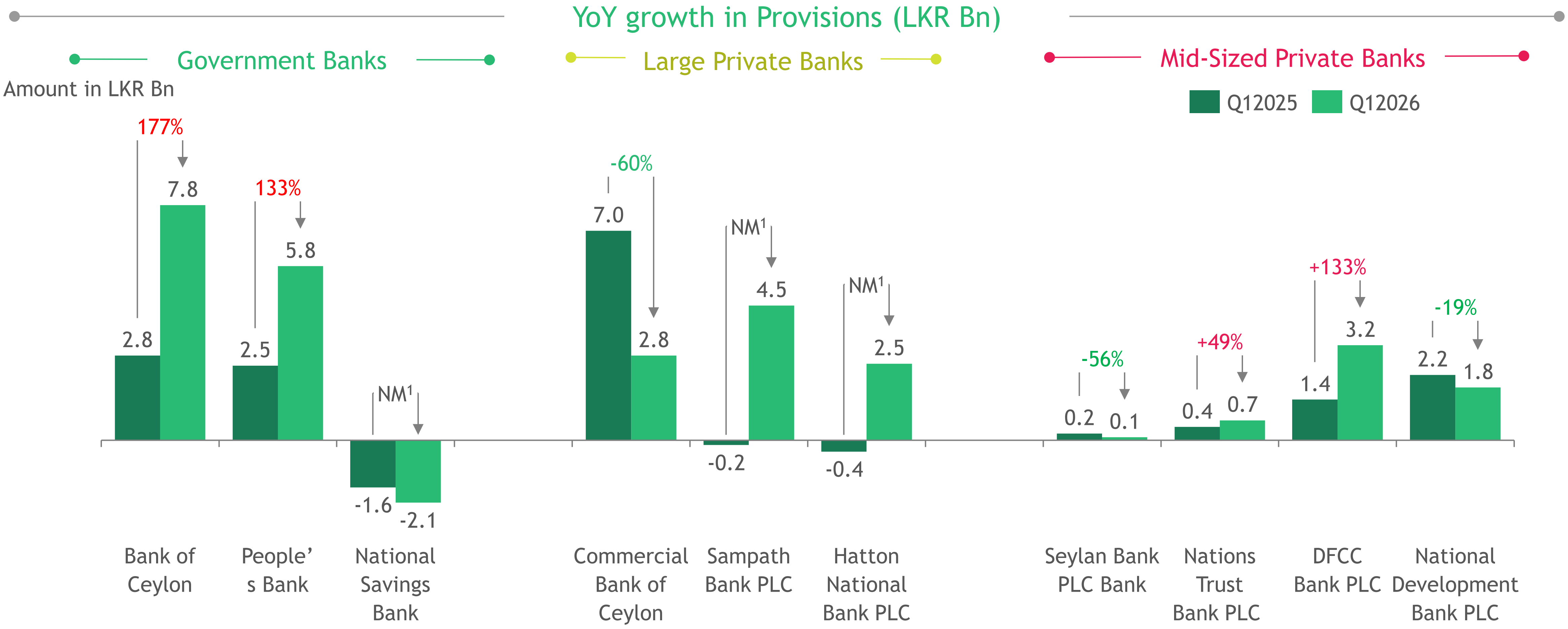
Select Banks



Source: Annual Report, BCG Analysis

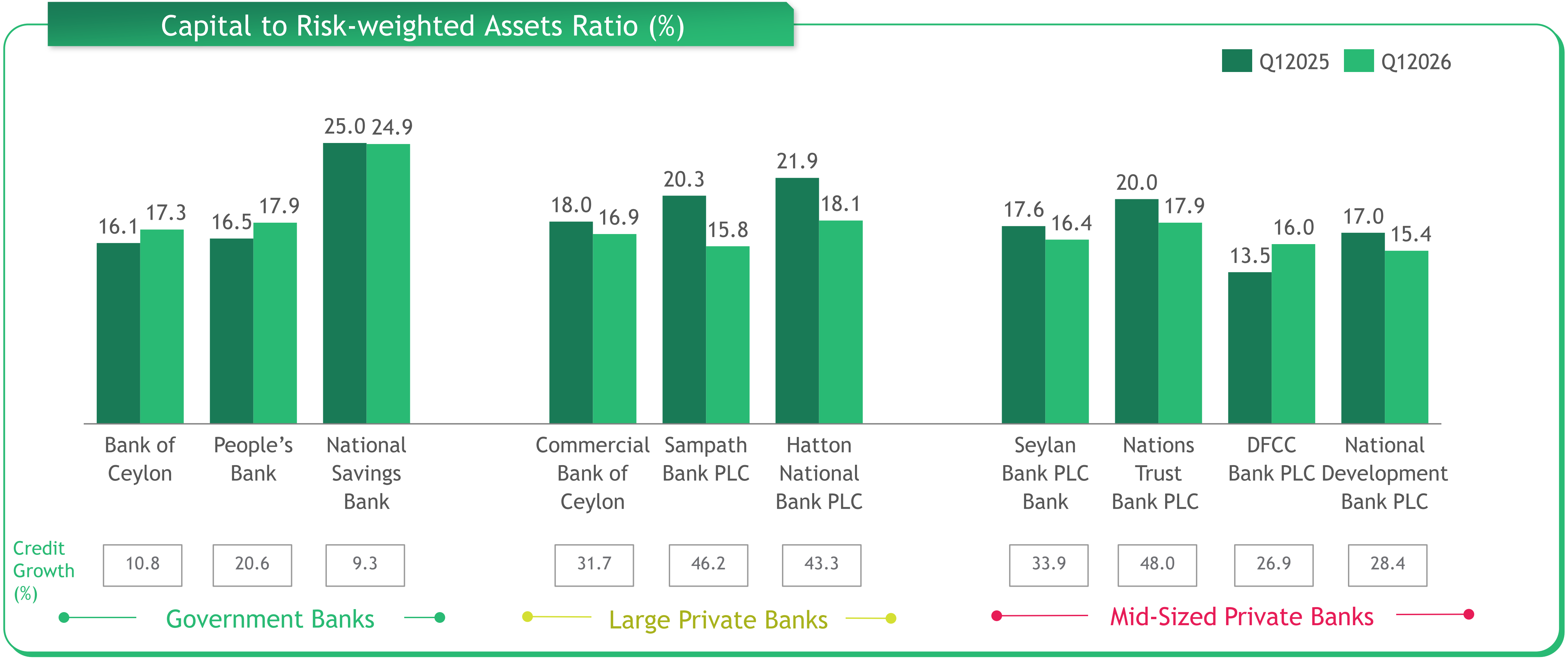
Higher Provisions across most banks as the effects of over provisioning during the crisis subside

Select Banks



Source: Annual Report, BCG Analysis
1. Provision growth not meaningful due to negative base

Banks adequately capitalized with significant buffer to support future credit demand



Source: Annual Report, Investor presentation, BCG Analysis

Banking sector overview

- Macro Indicators
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- Key Performance Indicators – Banking Sector
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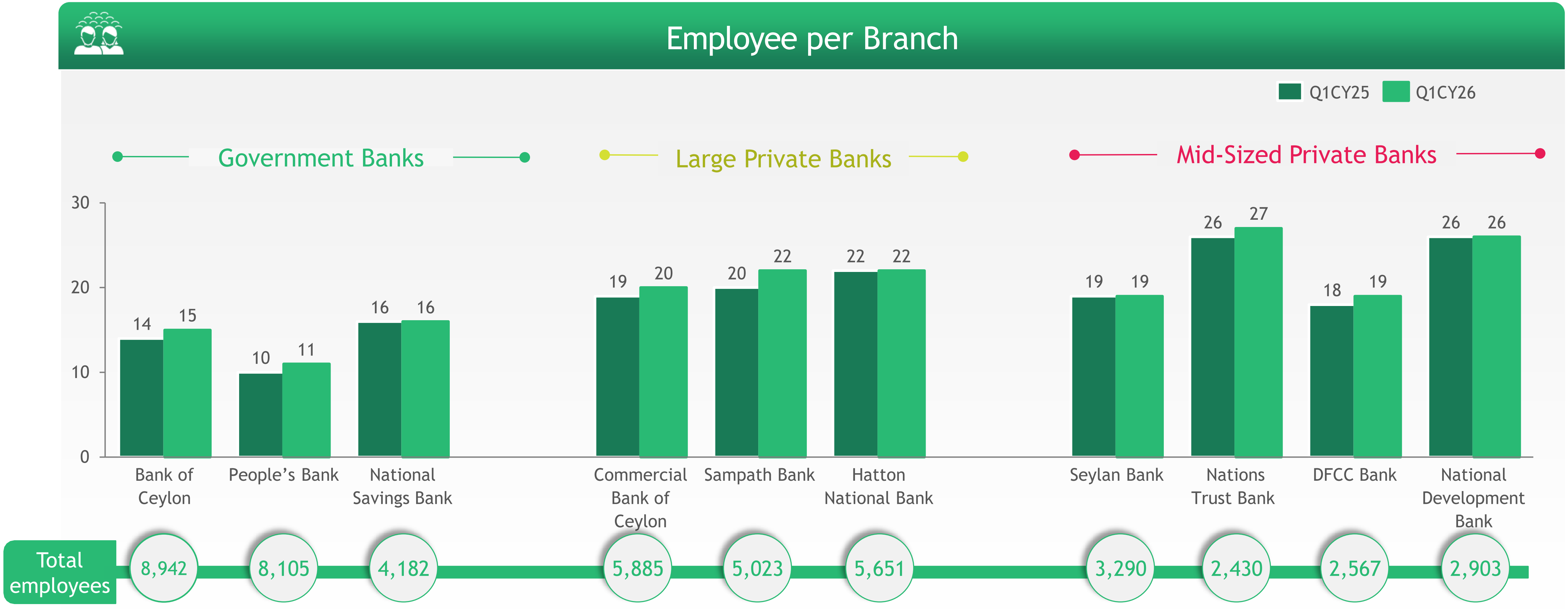
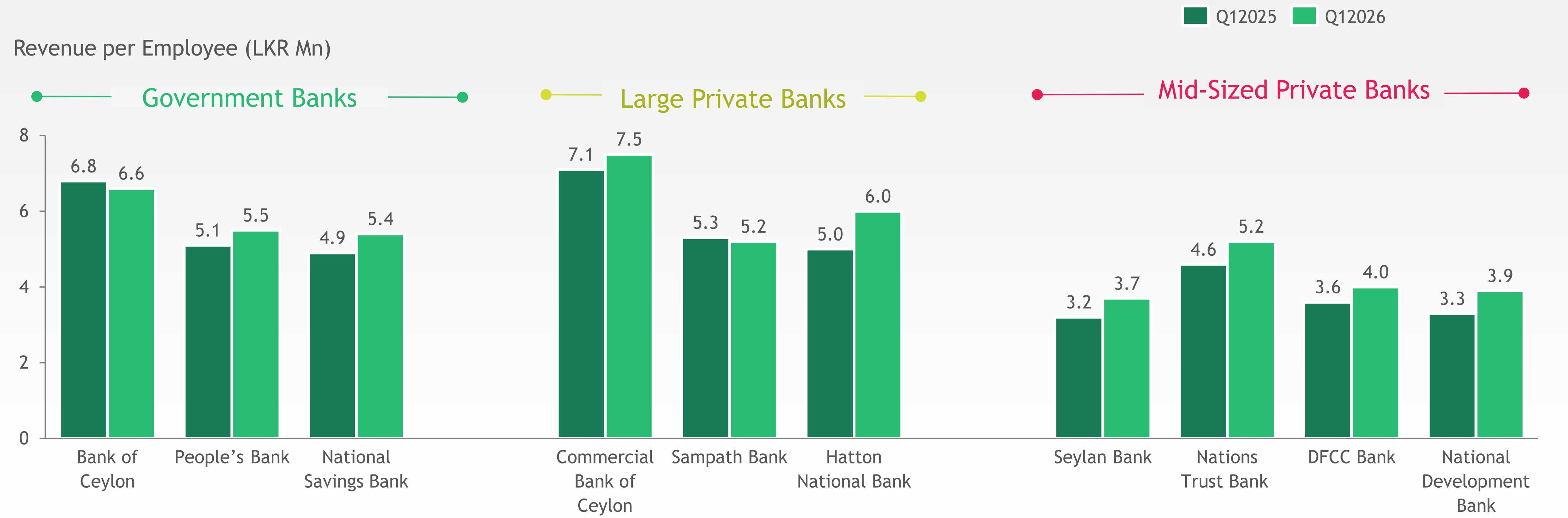
Banking sector workforce: Employees per branch across segments



1. Analysis has been made based on 3 Government Banks, 3 Large Private Banks and 4 Mid-Sized Private Bank. 2. Only permanent employees considered for analysis;
Source: Annual reports, BCG analysis

Mid-sized Private Banks post strongest productivity gains YoY, narrowing gap with large Private peers

Employee productivity (Revenue[1] per employee)



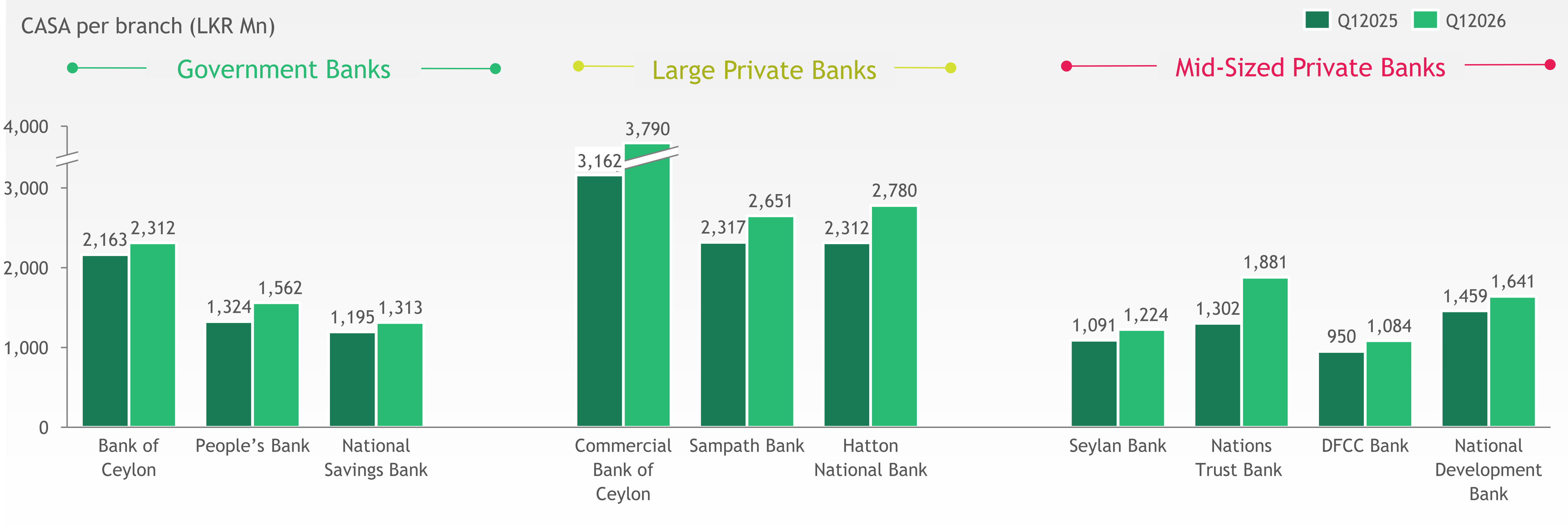
1. NII + Net fee and commission income is considered as Revenue

Note: Analysis has been made based on 3 Government Banks, 3 Large Private Banks and 4 Mid-Sized Private Bank; Only permanent employees considered for analysis

Source: Annual reports, BCG analysis

CASA per Branch improves across all Banks in Q1CY26, but a 3x productivity gap persists between leaders and laggards

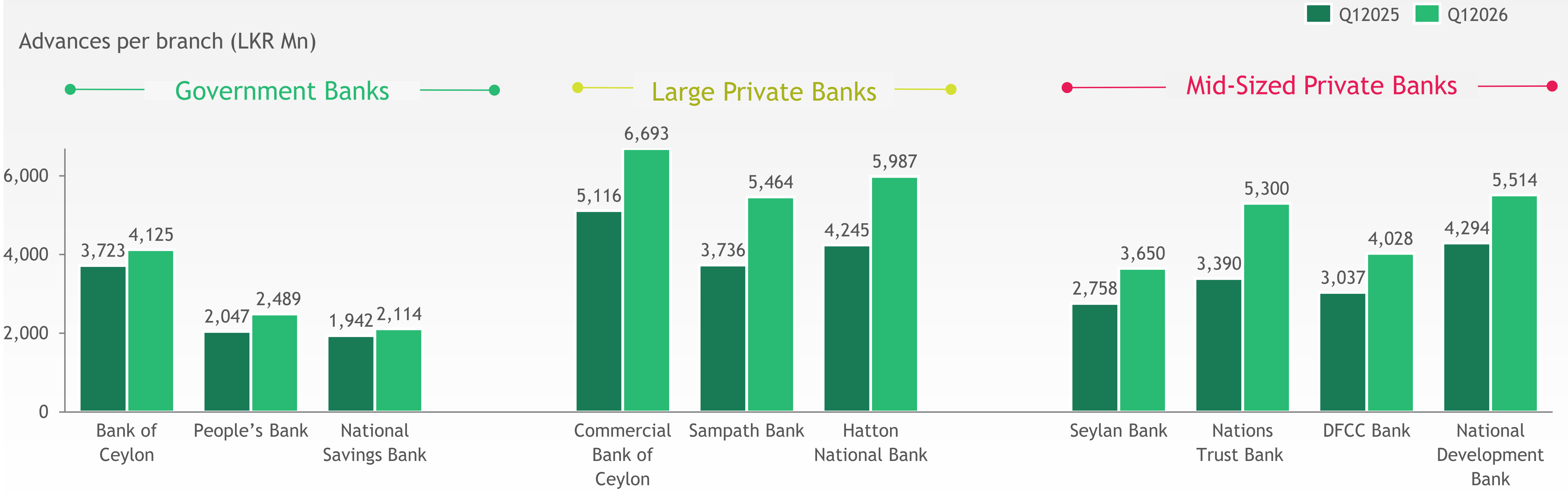
Branch Productivity (CASA per branch)



1. Analysis has been made based on 3 Government Banks, 3 Large Private Banks and 4 Mid-Sized Private Bank
Source: Annual reports, BCG analysis

All Banks grow Advances per Branch, but Large Private Banks pull further ahead

Branch Productivity (Advances per branch)

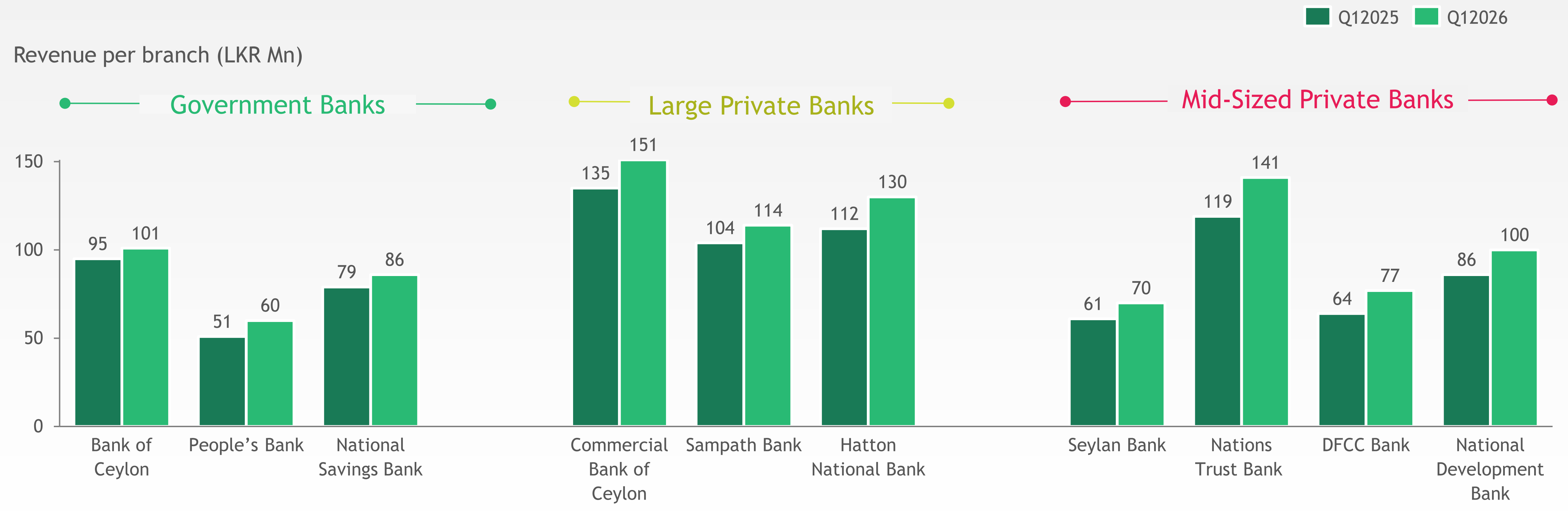


1. Analysis has been made based on 3 Government Banks, 3 Large Private Banks and 4 Mid-Sized Private Bank

Source: Annual reports, BCG analysis

Top Mid-Sized Banks close the Revenue per Branch gap with Large Private leaders in Q1CY26

Branch Productivity (Revenue[1] per branch)



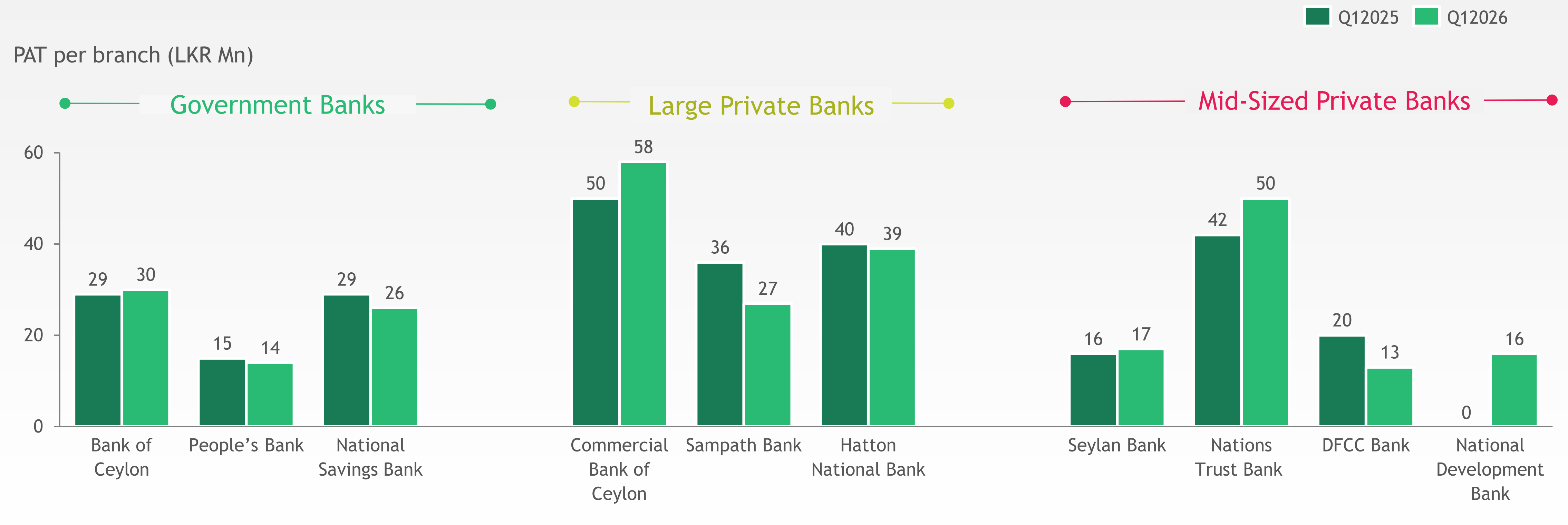
1. NII + Net fee and commission income is considered as Revenue

Note: Analysis has been made based on 3 Government Banks, 3 Large Private Banks and 4 Mid-Sized Private Banks

Source: Annual reports, BCG analysis

Large pvt. banks maintain the highest PAT per branch

Branch Productivity (PAT per branch)



1. Analysis has been made based on 3 Government Banks, 3 Large Private Banks and 4 Mid-Sized Private Bank

Source: Annual reports, BCG analysis

Banking sector overview

Digital Performance

Website traffic disparities	• HNB (638.5K), BOC (546.6K), and Commercial Bank (500.3K) lead in monthly website visits in Q1CY26, while NDB Bank (153.0K) and Seylan (167.2K) significantly under-index, showing a ~4x traffic gap between leaders and lower-performing banks.
SEO & organic search as the primary traffic driver	• Organic search remains the dominant acquisition channel, contributing 45%–69% of traffic for most banks. Sampath (64%), NSB (69%), and Nations Trust (58%) show the strongest SEO reliance, while HNB (41%) and NDB (38%) are comparatively more direct-driven.
Low dependence on paid search & social media	• Paid search remains negligible (0–2%) across nearly all banks, and social media contributes minimally (0–8%), indicating low investment in paid campaigns. DFCC is an outlier with 13% Display Ads contribution, the highest among peers.
Mobile-First banking strategy – Acquisition v/s Retention	• People's Bank (44K downloads; 1,026K MAU) leads in app acquisition scale, while HNB stands out across all retention metrics (DAU: 166K; Day-7: 16%; Day-30: 13%), indicating the strongest user stickiness. Commercial Bank lags significantly on retention (Day-7: 6%; Day-30: 2%).
High dependency on organic search	• Commercial Bank leads in organic visibility with 818.2K organic traffic and 19.6K keywords, followed by BOC (706.1K traffic; 17.9K keywords). Nations Trust (3.0K keywords; 99K traffic) trails significantly across all SEO metrics. • BOC leads on top-3 ranked keywords (1,123) and position 4–10 coverage (1,756), while Seylan's unusually high backlinks (337.6K) translate into comparatively lower organic traffic (138.4K), suggesting weaker conversion of link equity into search visibility.

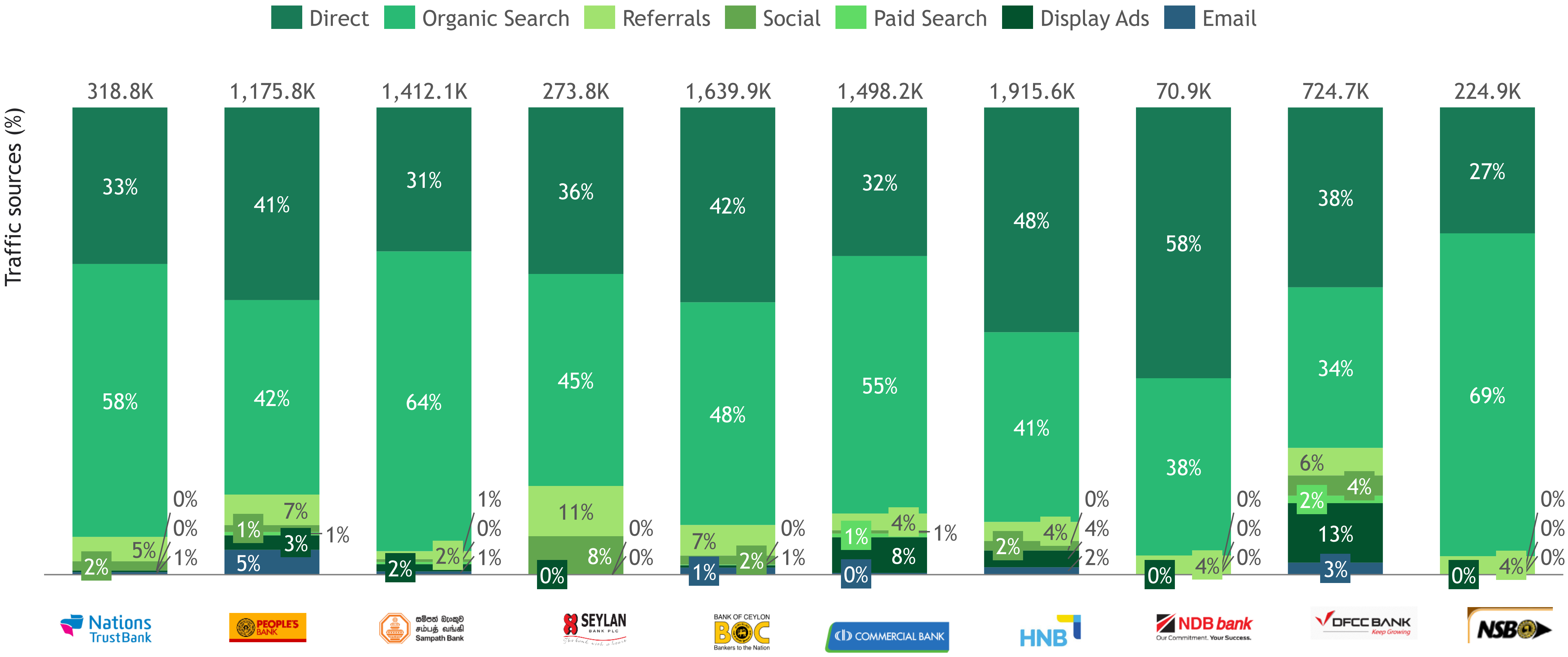
Source: Similarweb, SEMrush, Sensor Tower; Q1CY26 (Jan–Mar 2026)

High Disparity in Website Traffic | HNB leads in monthly visits, followed by BOC and Commercial Bank, while NDB and Seylan significantly under-index on digital traffic

		Nations TrustBank	People's Bank	Sampath Bank	Seylan	BOC	Commercial Bank	HNB	NDB bank	DFCC Bank	NSB
Traffic metrics	Monthly Visits	191.0K	421.6K	471.0K	167.2K	546.6K	500.3K	638.5K	153.0K	290.3K	213.4K
	Monthly Unique Visitors	62.5K	146.0K	200.2K	77.2K	201.4K	236.1K	202.6K	64.5K	112.7K	84.0K
	Visits per Unique Visitor	3.05	2.89	2.35	2.17	2.71	2.12	3.15	2.37	2.58	2.54
User Behavior	Visit Duration (mm:ss)	03:44	04:05	01:25	01:56	04:05	01:21	04:14	02:05	05:06	02:24
	Pages per Visit	4.90	8.58	2.66	2.62	4.37	2.42	4.79	3.94	4.96	4.45
	Bounce Rate (%)	35.07%	25.87%	51.15%	57.87%	29.00%	47.81%	24.06%	37.75%	31.55%	40.71%

Source: Similarweb – Jan-Mar CY26 (Q1CY26); Numbers reflect averages for the time period

Digital Traffic Mix | Banks rely heavily on Organic search and Direct; Minimal Paid & Social contribution



Source: Similarweb - Jan - Mar CY26 (Q1)

Organic Search Performance | Commercial Bank leads in organic visibility, driven by high traffic and keyword authority

	Nations TrustBank	People's Bank	Sampath Bank	Seylan	BOC	Commercial Bank	HNB	NDB bank	DFCC Bank	NSB
Authority Score	39	45	42	40	46	49	43	40	39	42
Organic Search Traffic (K)	99.0K	391.9K	447.0K	138.4K	706.1K	818.2K	571.4K	103.7K	121.8K	175.4K
Organic Keywords (K)	3.0K	12.8K	14.5K	5.0K	17.9K	19.6K	10.0K	5.2K	8.0K	5.0K
Backlinks (K)	7.9K	96.3K	37.8K	337.6K	60.6K	266.1K	60.5K	19.3K	41.4K	10.9K
Referring Domains (#)	1.0K	2.6K	3.1K	2.7K	3.4K	2.9K	2.8K	1.2K	1.2K	1.8K
Keywords Position 1-3 (% & No of KW)	6%(190)	5%(698)	5%(708)	4%(187)	6%(1,123)	6%(1,090)	6%(633)	5%(242)	4%(317)	7%(332)
Keywords Position 4-10 (% & No of KW)	15%(441)	13%(1,715)	8%(1,111)	10%(520)	10%(1,756)	8%(1,531)	12%(1,172)	8%(404)	9%(697)	10%(523)

Source: Semrush, Domain Overview. Mar CY26; Sri Lanka

Mobile App Performance I People's Bank leads in app acquisition (MAU), while HNB stands out in Downloads and Retention

	Acquisition			Retention	
	Monthly Downloads	*Monthly Active Users*	*Daily Active Users*	*Day 7 Retention*	*Day 30 Retention*
Nations TrustBank	4K	57K	12K	15%	9%
PEOPLE'S BANK	44K	1,026K	156K	9%	5%
සම්පත් බැංකුව சம்பத் வங்கி Sampath Bank	36K	490K	135K	12%	9%
SEYLAN BANK PLC	10K	94K	15K	10%	5%
BANK OF CEYLON BOC Bankers to the Nation	11K	887K	147K	8%	5%
COMMERCIAL BANK	32K	115K	8K	6%	2%
HNB	40K	616K	166K	16%	13%
NDB bank Our Commitment. Your Success.	5K	68K	12K	11%	8%
DFCC BANK Keep Growing	8K	86K	20K	-	-
NSB	20K	308K	57K	11%	6%

Source: Sensor Tower; Jan-Mar CY26 (Downloads, MAU, DAU); Mar CY26 (Retention), Sri Lanka.
Definition- 1)Monthly/Daily Active users include new users plus returning users, whereas downloads reflect only new installers within the selected time period. 2)Day-7 Retention: % of new users who return seven days after install. 3)Day-30 Retention: % of new users who return thirty days after install.

Banking sector overview

Key Recent Regulatory Measures

Outsourcing of Business Operations of Licensed Banks	• Licensed banks must adopt a sound and prudent framework for outsourcing of business operations, covering all existing and proposed arrangements. • Key functions that cannot be outsourced include deposit acceptance, compliance, KYC/CDD, treasury, risk management, strategic planning, and loan sanctioning. • Banks must establish a dedicated Monitoring Unit at Head Office to manage, review, and report all outsourcing arrangements.
Amendments to Basel III Capital Requirements	• Amends Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for licensed commercial and specialized banks. • Introduces revised risk weights for gold-collateralized claims: LTV ≤70% attracts 10% risk weight; LTV 70–100% attracts 40%; LTV >100% attracts 100%. • Reflects a tiered, LTV-based approach to credit risk computation for gold-backed lending, replacing the prior flat treatment

Source: Central bank of Sri Lanka, Press search

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- Key Regulatory Measures
- **Individual Player Performance**

Snapshot of Bank-wise performance in last 12 months

Select Banks

Segment	Bank	Period	Advances[3] LKR Tn	Change	Deposits LKR Tn	Change	CASA Ratio (%)	Change	NIM[1] (%)	Change	CIR[2] (%)	Change	Stage 3 Loans Ratio(%)	Change	ROA[1] (%)	Change
Govt. Banks	Bank of Ceylon (BOC, Bankers to the Nation)	Q1CY26	2.4	▲ 11%	4.5	▼ 0.03%	30%	▲ 195 bps	3.9%	▼ 30 bps	29%	▼ 29 bps	5.5%	▼194 bps	1.3%	▼ 12 bps
		Q1CY25	2.2		4.5		28%		4.2%		29%		7.4%		1.4%	
	People's Bank	Q1CY26	1.9	▲ 21%	3.3	▲ 9%	36%	▲ 241 bps	4.4%	▲ 23 bps	40%	▼ 96 bps	7.2%	▼ 307 bps	1.1%	▼ 23 bps
		Q1CY25	1.5		3.0		33%		4.2%		41%		10.3%		1.3%	
	NSB National Savings Bank	Q1CY26	0.6	▲ 9%	1.6	▲ 2%	22%	▲ 154 bps	4.8%	▲ 14 bps	41%	▲ 676 bps	2.3%	▼ 100 bps	1.5%	▼ 23 bps
		Q1CY25	0.5		1.6		20%		4.7%		34%		3.3%		1.8%	
Large Pvt.	Commercial Bank	Q1CY26	2.0	▲ 32%	2.8	▲ 19%	40%	▲ 67 bps	4.7%	▼ 20 bps	29%	▲ 182 bps	1.3%	▼ 124 bps	2.2%	▲ 3 bps
		Q1CY25	1.5		2.3		40%		4.9%		27%		2.6%		2.1%	
	සම්පත් බැංකුව சம்பத் வங்கி Sampath Bank	Q1CY26	1.3	▲ 46%	1.7	▲ 11%	36%	▲ 106 bps	4.1%	▼ 30 bps	45%	▲ 620 bps	3.0%	▼ 160 bps	1.2%	▼ 66 bps
		Q1CY25	0.9		1.5		35%		4.4%		39%		4.6%		1.9%	
	HNB	Q1CY26	1.5	▲ 43%	2.0	▲ 17%	35%	▲ 136 bps	4.6%	▼ 1 bps	37%	▲ 74 bps	1.2%	▼ 64 bps	1.7%	▼ 29 bps
		Q1CY25	1.1		1.7		34%		4.6%		36%		1.8%		2.0%	
Mid-Sized Pvt.	NDB bank (Our Commitment. Your Success.)	Q1CY26	0.6	▲ 28%	0.7	▲ 14%	25%	▼ 33 bps	4.0%	▼ 1 bps	59%	▼1580 bps	3.2%	▼ 235 bps	0.8%	▲ 75 bps
		Q1CY25	0.5		0.6		26%		4.0%		75%		5.5%		0.0%	
	Seylan Bank PLC	Q1CY26	0.6	▲ 34%	0.7	▲ 15%	28%	▼ 30 bps	4.5%	▼ 8 bps	50%	▲ 284 bps	1.0%	▼ 97 bps	1.3%	▼ 13 bps
		Q1CY25	0.5		0.6		29%		4.6%		47%		2.0%		1.5%	
	DFCC Bank (Keep Growing)	Q1CY26	0.5	▲ 27%	0.6	▲ 21%	24%	▼ 250 bps	4.0%	▼ 24 bps	44%	▲ 464 bps	4.2%	▼ 120 bps	0.8%	▼ 80 bps
		Q1CY25	0.4		0.4		26%		4.3%		40%		5.4%		1.6%	
	Nations TrustBank	Q1CY26	0.5	▲ 48%	0.5	▲ 30%	31%	▲ 166 bps	6.0%	▼ 75 bps	33%	▲ 41 bps	1.1%	▼ 28 bps	2.6%	▼ 33 bps
		Q1CY25	0.3		0.4		30%		6.7%		32%		1.4%		2.9%	

xxx Change vs. last year

1. RoA and NIM are calculated as % of average opening and closing assets 2. CIR is calculated as Opex by Total Income (NII + Other Income+ Net Fee & Commission Income) 3. Financial assets at amortized cost, Loans and advances to customers

Note: Reported Net Profit of DFCC Bank for Q1CY25 is 7.8 Bn of which 5.0 Bn profit for the period is from discontinued operations, net of tax; hence at 7.8 Bn PAT, ROA for Q1CY25 comes out to be 4.5%

Source: Financial Statements; BCG analysis

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