

CAPITAL TRUST SECURITIES

SECTOR REPORT | NOVEMBER 2026

Banking Sector: 3Q 2026 Review

Loans and Interest Income Kept Growing; FVTPL Losses and Higher Costs Cut Quarterly Profit. What It Means for the 13 Listed Banks

At a glance

LKR 161.0 Bn
9-month profit of the 13 listed banks, +9.5% on 2025

−17.8%
sector profit in the September 2026 Quarter vs the June 2026 Quarter, on FVTPL Losses

0.80x
sector Price to Book, and 5.1x earnings

13 Listed Banks, but the Big Three Earn 69% of the Profit

Share of 9-month 2026 profit, **LKR 161.0 Bn** in all



LARGE BANKS 3

COMB — Commercial Bank

9M PROFIT	VS 9M 2025	PBV
51.4 LKR Bn	+8%	0.95x

HNB — Hatton National Bank

9M PROFIT	VS 9M 2025	PBV
32.4 LKR Bn	−3%	0.71x

SAMP — Sampath Bank

9M PROFIT	VS 9M 2025	PBV
26.5 LKR Bn	+15%	0.86x

MID-SIZE BANKS 4

NTB — Nations Trust Bank

9M PROFIT	VS 9M 2025	PBV
20.0 LKR Bn	+34%	0.95x

SEYB — Seylan Bank

9M PROFIT	VS 9M 2025	PBV
9.1 LKR Bn	+9%	0.70x

NDB — National Development Bank

9M PROFIT	VS 9M 2025	PBV
7.6 LKR Bn	+34%	0.54x

DFCC — DFCC Bank

9M PROFIT	VS 9M 2025	PBV
7.4 LKR Bn	−13%	0.53x

SMALLER BANKS 6

PABC

9M PROFIT	3.6 LKR Bn
VS 9M 2025	+19%
PBV	0.72x

ABL

9M PROFIT	1.7 LKR Bn
VS 9M 2025	+3%
PBV	0.49x

UBC

9M PROFIT	707 LKR Mn
VS 9M 2025	+110%
PBV	0.66x

CBNK

9M PROFIT	254 LKR Mn
VS 9M 2025	−19%
PBV	0.60x

SDB

9M PROFIT	166 LKR Mn
VS 9M 2025	−35%
PBV	0.49x

HDFC

9M PROFIT	235 LKR Mn
VS 9M 2025	+161%
PBV	0.58x

Company Interim Financial Statements, Quarter ended 30 September 2026. Group figures, profit attributable to equity holders. PBV at the close on 20 November 2026.

Profit Fell 17.8% in the Quarter as FVTPL Gains Turned into Losses

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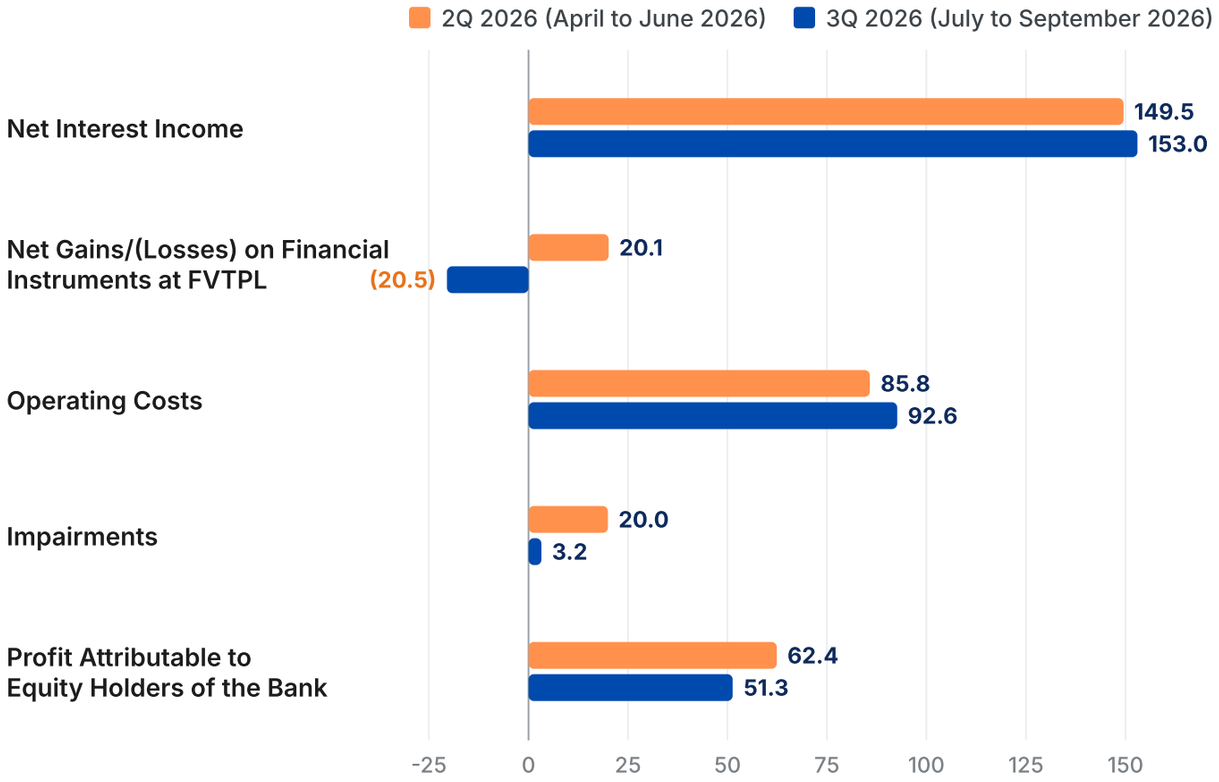
June 2026 Quarter vs September 2026 Quarter, LKR Bn



Sector Totals, LKR Bn

	3Q 2026	VS 2Q 2026	VS 3Q 2025
Net Interest Income	153.0	+2.4%	+16.8%
Net Fee Income	36.1	–	+14.1%
Net Gains/(Losses) on Financial Instruments at FVTPL	(20.5)	to a loss	to a loss
Operating Costs	92.6	+8.0%	+18.4%
Impairments	3.2	-83.8%	+1.8%
Profit Attributable to Equity Holders of the Bank	51.3	-17.8%	-1.9%

IN ONE LINE

Lending and Interest Income kept growing, but a **LKR 40.6 Bn** swing in Net Gains/(Losses) on Financial Instruments at FVTPL and higher costs outweighed far lower provisions.

Company Interim Financial Statements, Quarter ended 30 September 2026. Group figures, profit attributable to equity holders. Figures in brackets are losses. Figures sum the 13 banks. 2Q is April to June 2026; 3Q is July to September 2026.

Bank by Bank: Strong Lending Everywhere, but Profit and Margins Split the Sector

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BANK	NII YOY	PROFIT QOQ	PROFIT YOY	9M PROFIT YOY	NIM	STAGE 3	COST TO INCOME	TIER 1	ROE	PBV
COMB	+19%	−4%	−1%	+8%	4.45%	1.47%	40.0%	12.5%	17.3%	0.95x
HNB	+25%	−11%	−5%	−3%	4.50%	1.09%	36.1%	14.3%	14.5%	0.71x
SAMP	+26%	−21%	+15%	+15%	4.22%	1.90%	44.3%	12.3%	17.7%	0.86x
NTB	+20%	−60%	−28%	+34%	5.40%	0.72%	33.0%	12.7%	22.3%	0.95x
DFCC	+11%	+48%	+23%	−13%	3.64%	3.44%	50.9%	10.4%	9.2%	0.53x
SEYB	0%	−5%	+6%	+9%	3.99%	1.02%	49.8%	11.1%	14.5%	0.70x
NDB	−11%	−13%	−21%	+34%	3.57%	3.00%	49.1%	9.5%	9.7%	0.54x
PABC	+11%	−25%	+25%	+19%	4.16%	1.44%	51.5%	14.3%	13.9%	0.72x
UBC	+35%	−76%	+24%	+110%	3.50%	8.00%	77.3%	10.1%	4.9%	0.66x
ABL	+2%	−14%	−24%	+3%	4.30%	1.30%	52.4%	12.2%	9.5%	0.49x
CBNK	+33%	−3%	+1%	−19%	4.65%	5.79%	71.1%	17.0%	3.3%	0.60x
SDB	−9%	+26%	−40%	−35%	5.46%	6.25%	–	13.6%	2.1%	0.49x
HDFC	−2%	+285%	+105%	+161%	4.33%	15.40%	79.5%	29.2%	0.7%	0.58x

Stronger within the sector Weaker within the sector Shading ranks each bank relative to the other 12 in that column. PBV is shown without shading.

Company Interim Financial Statements, Quarter ended 30 September 2026. Group figures, profit attributable to equity holders. NIM, Stage 3, Cost to Income and Tier 1 as reported by each bank at 30 September 2026. ROE and PBV at the close on 20 November 2026. SDB did not report a Cost to Income ratio.

Net Interest Income (NII) Grew 2.4% in the Quarter as Deposit Costs Caught Up with Loan Yields

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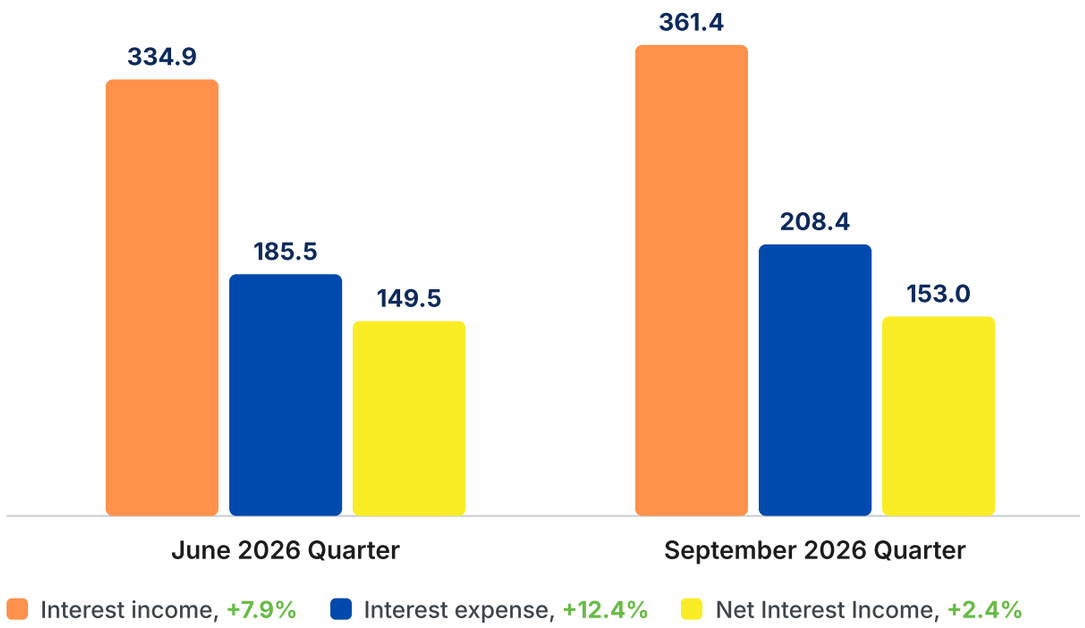
Interest Income and Interest Expense, LKR Bn



3Q 2026 NII	VS 3Q 2025	9 MONTHS
LKR 153.0 Bn	**+16.8%**	**LKR 444.6 Bn**
+2.4% QoQ	from LKR 131.0 Bn	+15.4% YoY

- Interest expense rose **12.4%** to LKR 208.4 Bn: higher rates after the May 2026 Policy Rate hike, and continued deposit growth.
- Interest income rose **7.9%** to LKR 361.4 Bn on a larger loan book, but deposits repriced faster than loans.
- Compared with a year ago, NII is still up **16.8%**: the loan book grew strongly through the first half, before the full effect of higher rates came through.

Net Interest Income (NII) Rose at 9 of 13 Banks Over the Year; UBC and CBNK Grew Fastest, NDB and SDB Fell

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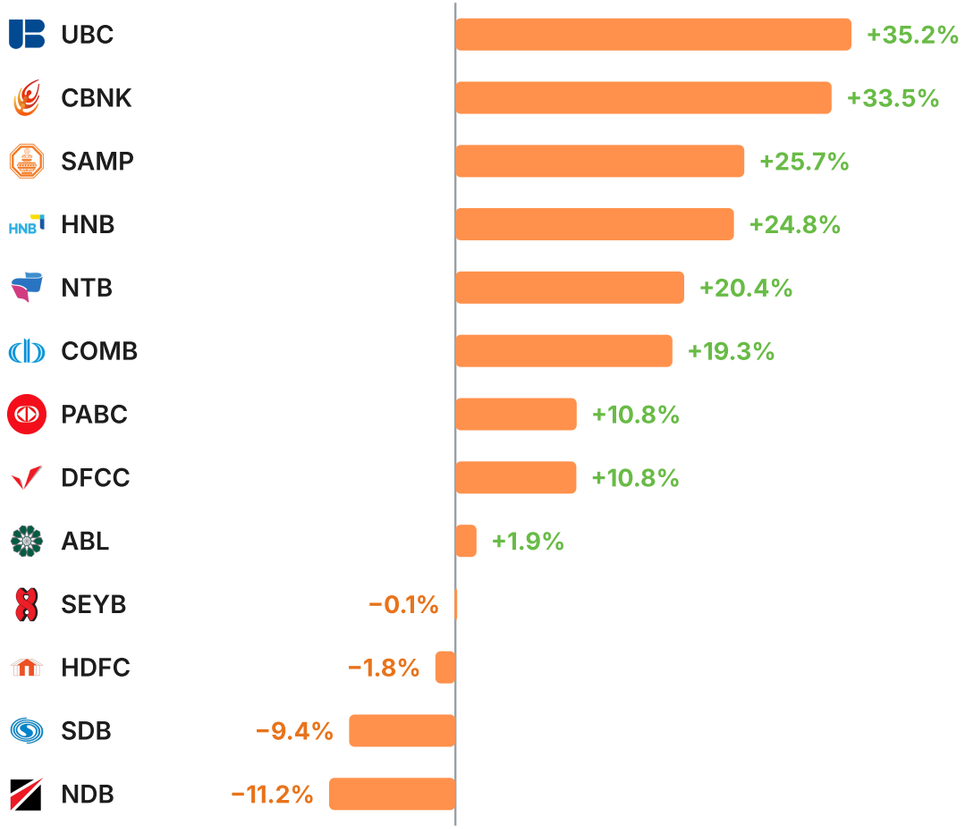
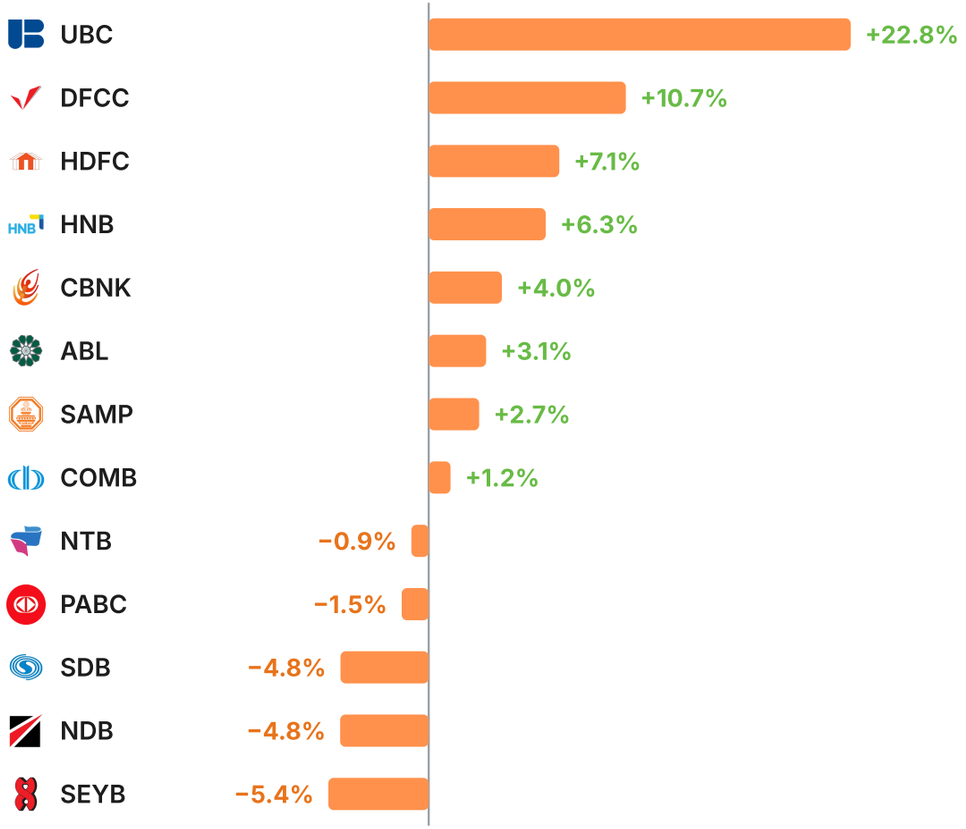
vs 3Q 2025 (July to September 2025)



vs 2Q 2026 (April to June 2026)

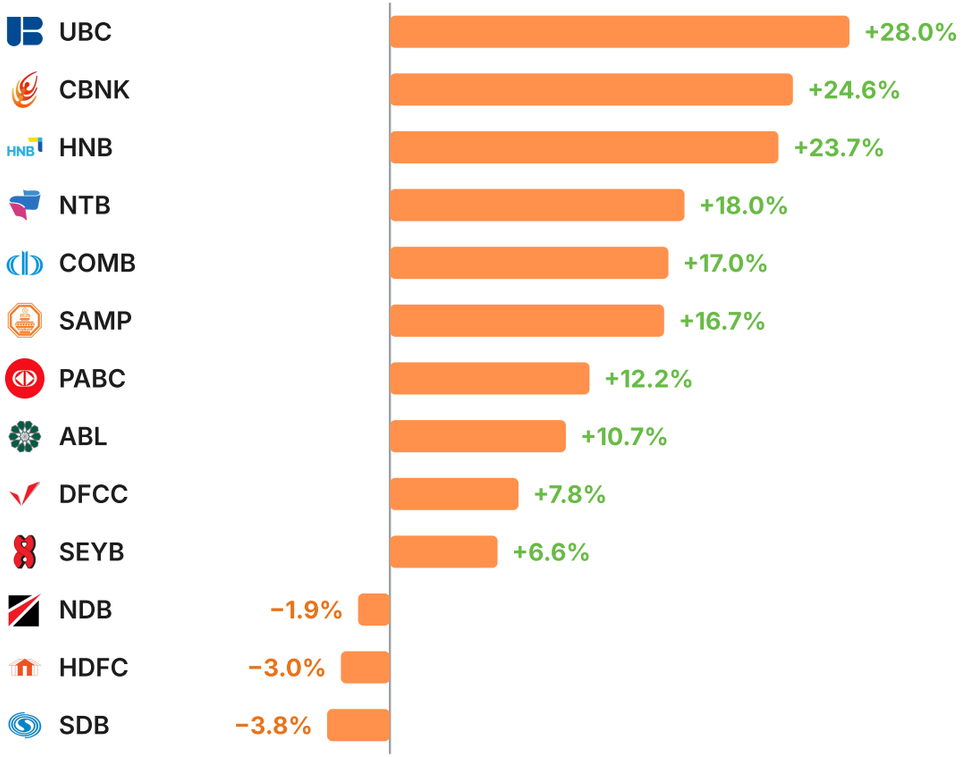


Banks whose NII fell in the Quarter (NTB, SEYB, NDB, PABC, SDB) were hit mainly by higher funding costs.

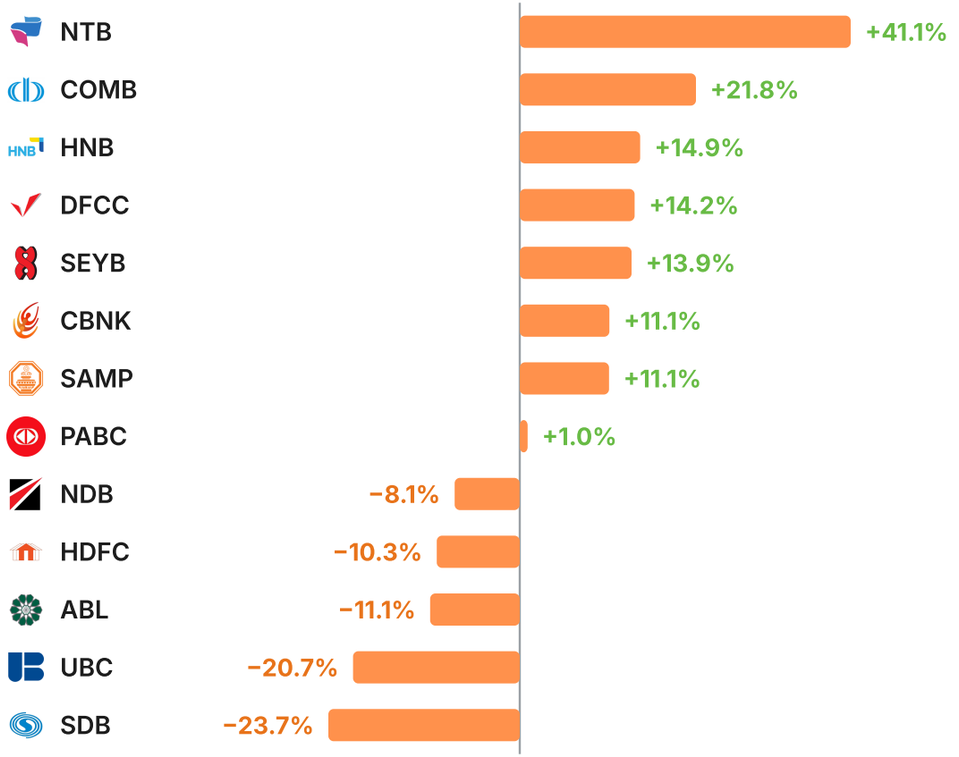
Company Interim Financial Statements, Quarter ended 30 September 2026. Group figures, profit attributable to equity holders.

Over 9 Months Net Interest Income (NII) Rose 15.4%, and Fee Income Grew 14.1% in the Quarter

9-Month Net Interest Income, Change vs 2025



Net Fee and Commission Income, 3Q 2026 vs 3Q 2025

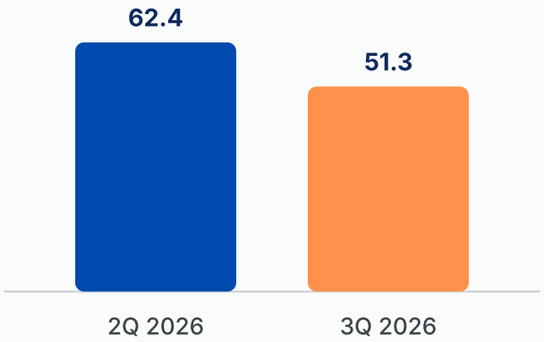


Fees grew on lending-related charges, cards, remittances, trade finance and digital banking. NDB, UBC, ABL, SDB and HDFC earned less in fees than a year ago.

Profit Fell 17.8% in the Quarter and 1.9% on a Year Ago, but Is Up 9.5% Over 9 Months

VS 2Q 2026 (APRIL TO JUNE 2026)

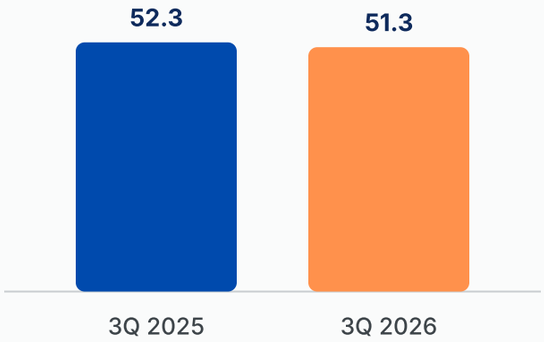
-17.8%



FVTPL Gains in June 2026, helped by FX and derivative revaluation after the rupee weakened, reversed into losses.

VS 3Q 2025 (JULY TO SEPTEMBER 2025)

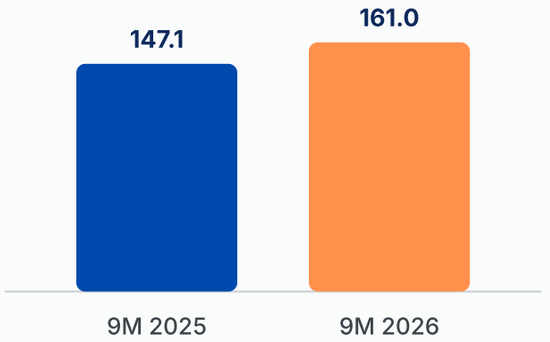
-1.9%



Higher Operating Costs and FVTPL Losses offset higher Net Interest Income.

9 MONTHS (JANUARY TO SEPTEMBER 2026)

+9.5%



Growth in Net Interest Income and Fee Income more than covered higher impairments and costs.

Profit attributable to equity holders, LKR Bn, sum of the 13 listed banks.

Profit Fell at 10 of 13 Banks in the Quarter; DFCC, SDB and HDFC Were the Exceptions

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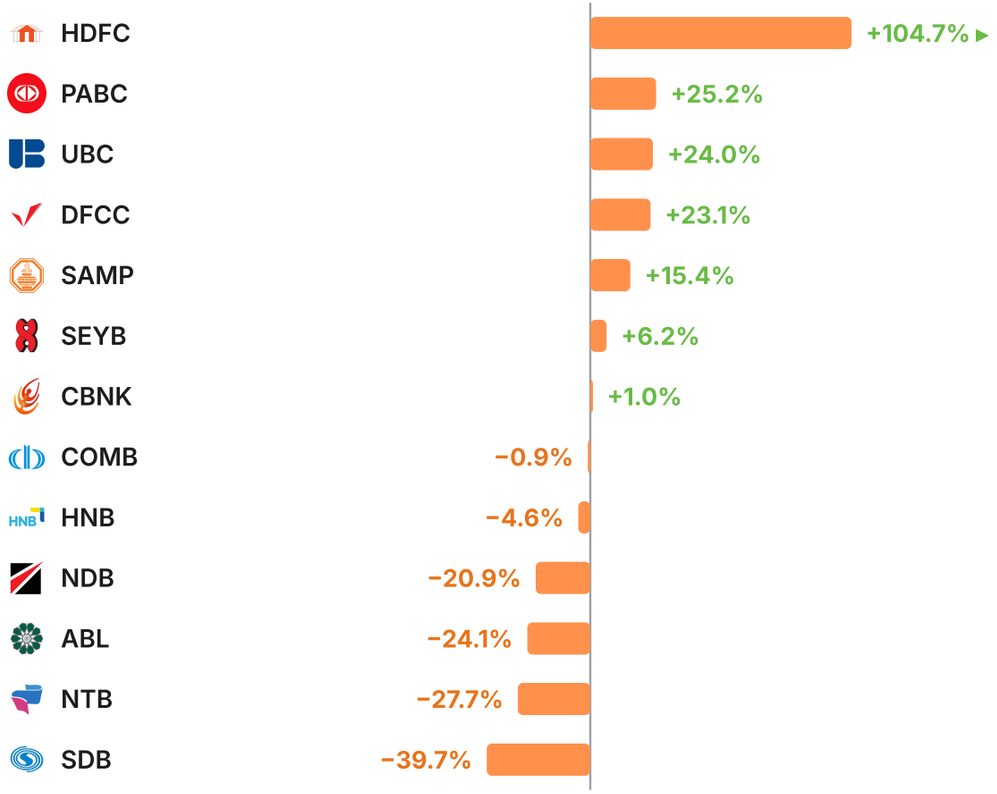
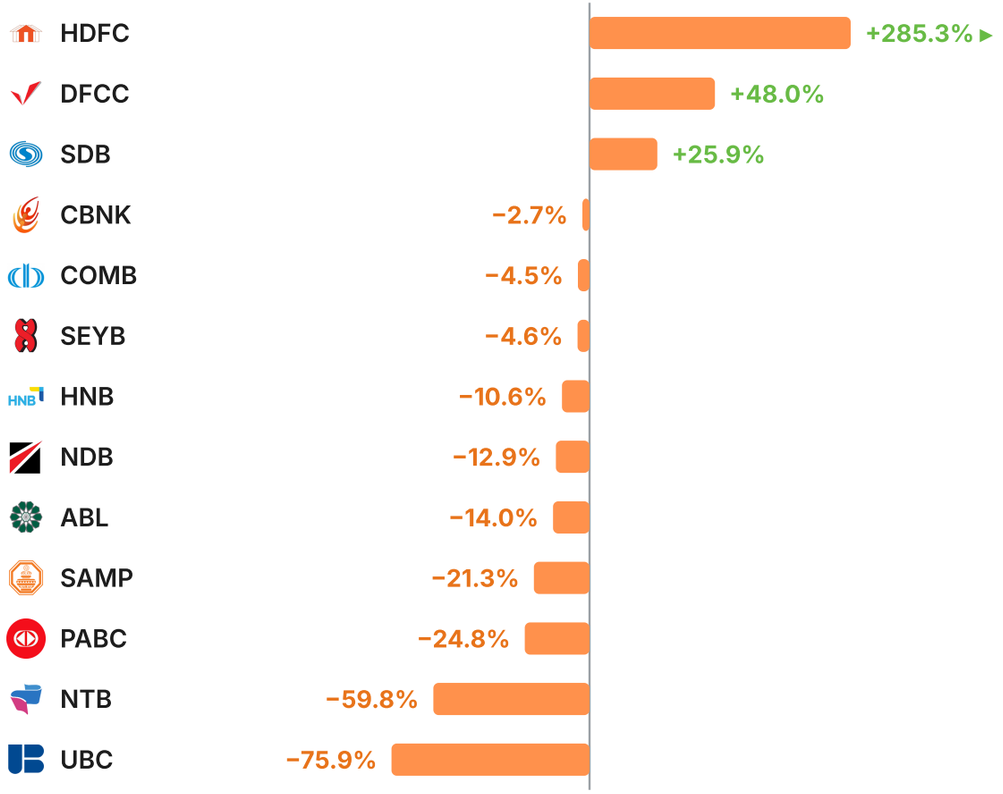
vs 3Q 2025 (July to September 2025)



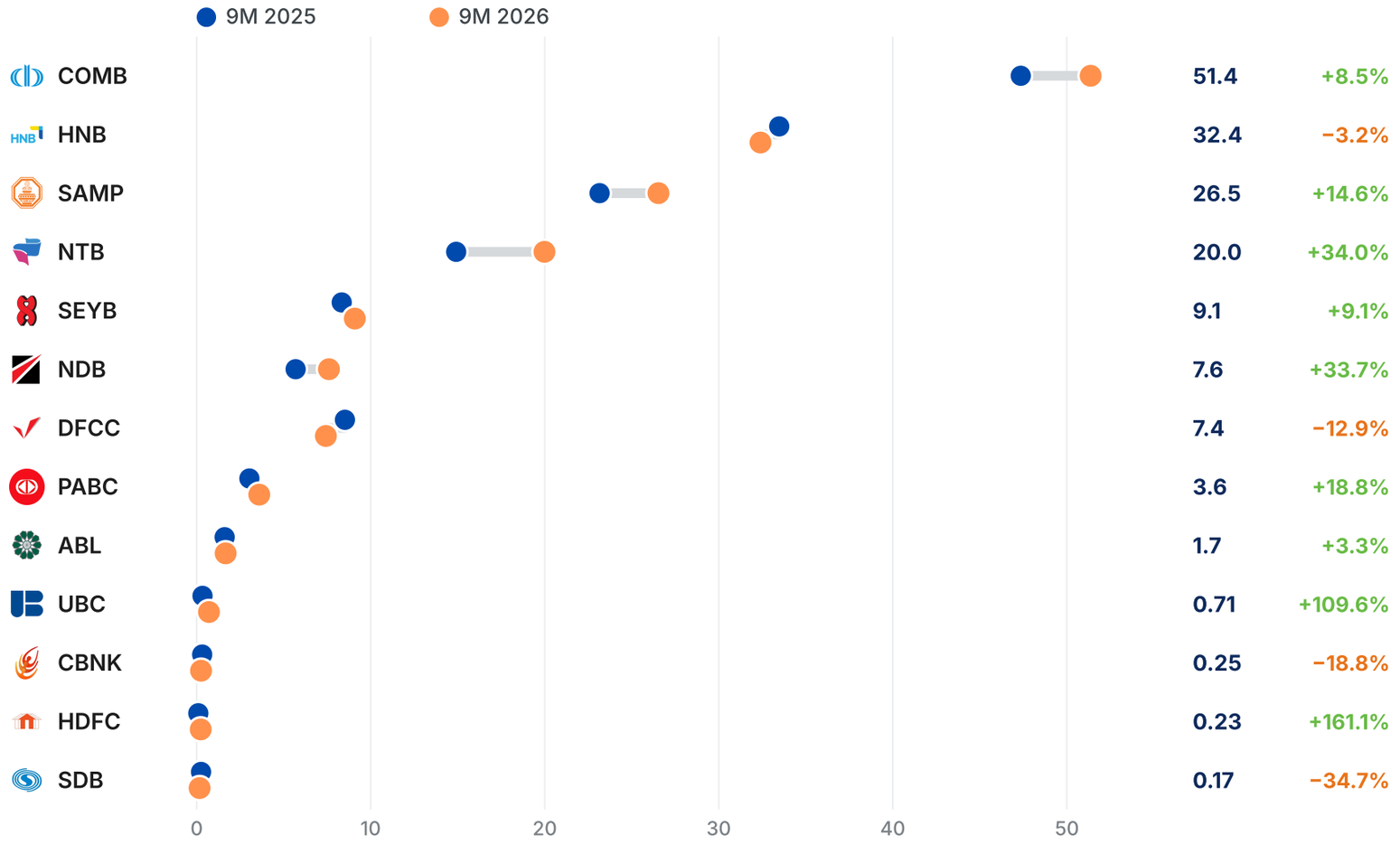
vs 2Q 2026 (April to June 2026)



DFCC rose 48% in the Quarter as lower impairments and a tax reversal offset FVTPL Losses and higher costs. Bars stop at 100%; HDFC's rise is from a small base (LKR 34 Mn to 131 Mn).

Company Interim Financial Statements, Quarter ended 30 September 2026. Group figures, profit attributable to equity holders.

Over 9 Months, 9 of 13 Banks Earned More than a Year Ago; COMB Passed LKR 51 Bn



COMB	51.4	+8.5%
HNB	32.4	−3.2%
SAMP	26.5	+14.6%
NTB	20.0	+34.0%
SEYB	9.1	+9.1%
NDB	7.6	+33.7%
DFCC	7.4	−12.9%
PABC	3.6	+18.8%
ABL	1.7	+3.3%
UBC	0.71	+109.6%
CBNK	0.25	−18.8%
HDFC	0.23	+161.1%
SDB	0.17	−34.7%

Who Slipped

- **HNB** −3.2%: impairments of LKR 6.6 Bn, compared with a net reversal a year ago.
- **DFCC** −12.9%: it built prudential buffers in earlier quarters, so a strong September 2026 Quarter did not lift the 9 months.
- **CBNK** and **SDB** also earned less than a year ago.
- **Biggest gains** among the larger banks: NTB **+34.0%**, NDB **+33.7%**, PABC **+18.8%** and SAMP **+14.6%**.

Company Interim Financial Statements, Quarter ended 30 September 2026. Group figures, profit attributable to equity holders. LKR Bn.

A LKR 40.6 Bn Swing: FVTPL Gains of 20.1 Bn in June 2026 Became Losses of 20.5 Bn

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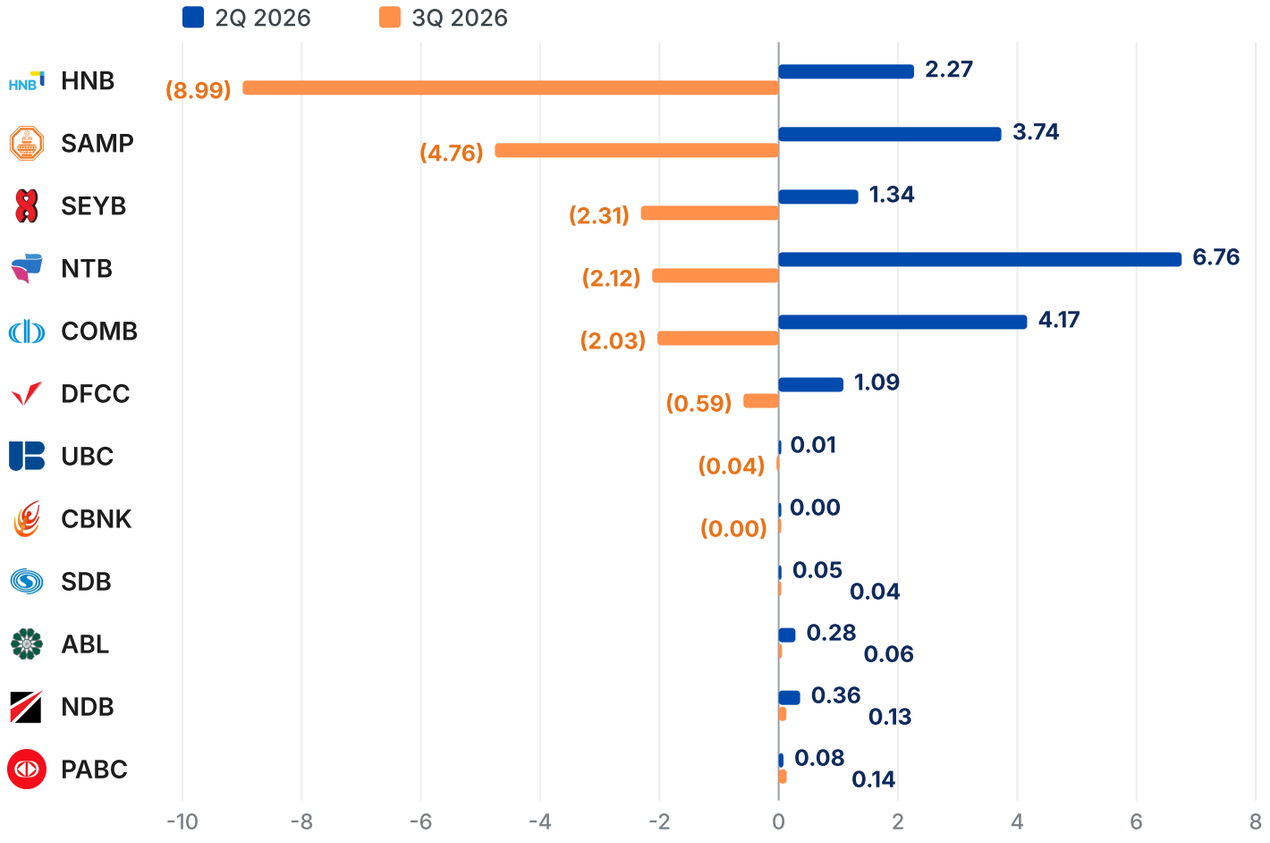
Net Gains/(Losses) on Financial Instruments at FVTPL, LKR Bn



DERIVATIVE ASSETS, SECTOR

LKR 24.1 Bn

from 51.7 Bn in June 2026

ASPI, 3Q 2026

−6.5%

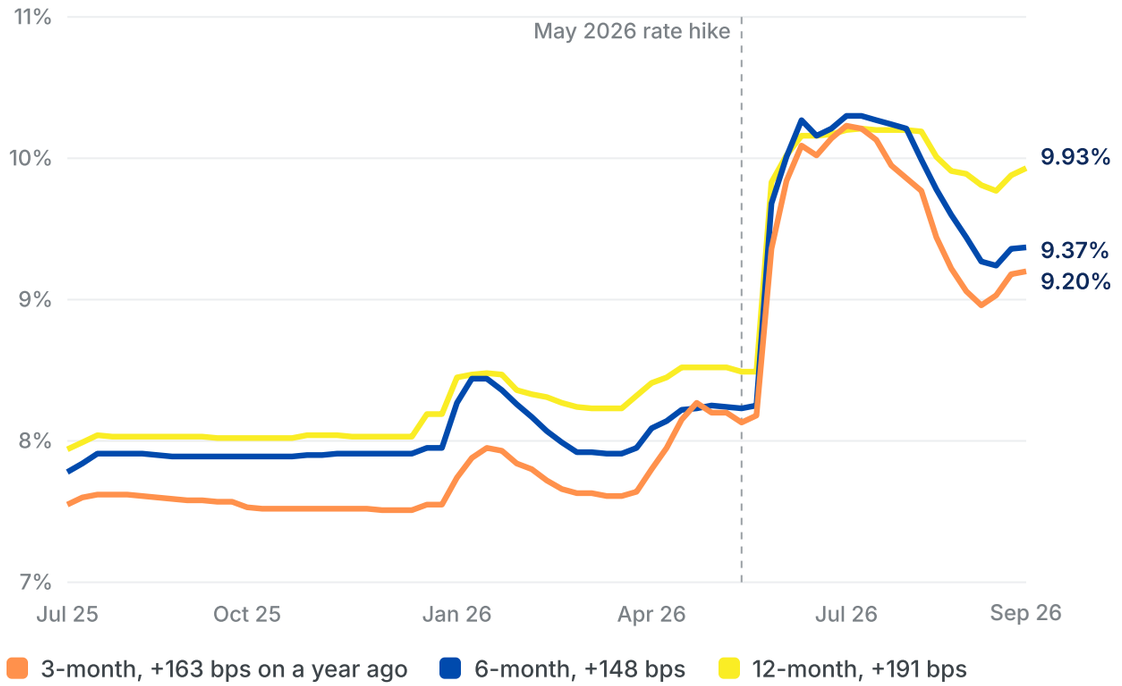
and −8.0% this year

- Most banks reported FVTPL Losses, most likely on **derivatives marked to market**: Derivative Assets fell by more than half, reversing June 2026's large gains.
- Weaker share prices added to the losses at banks with equity exposure.
- Part of the loss was offset by exchange gains in **Net Other Operating Income**, which rose to LKR 19.2 Bn from 5.6 Bn; taken together, the swing was about LKR 27.1 Bn.
- **PABC** was the exception, with FVTPL Gains up to LKR 135 Mn; NDB, ABL and SDB stayed in profit.
- **Biggest swings:** HNB **LKR 11.3 Bn**, NTB **8.9 Bn**, SAMP **8.5 Bn** and COMB **6.2 Bn**.

Company Interim Financial Statements, Quarter ended 30 September 2026. Group figures, profit attributable to equity holders. HDFC reports no gains or losses on financial instruments at FVTPL; HDFC and SDB hold no Derivative Assets. ASPI change to 30 September 2026.

Higher Yields Hit Bond Portfolios

Treasury Bill Yields, Weekly



Rising Yields cut the market value of the Government securities banks already hold. The November 2026 Policy Rate hike may push Yields higher still.

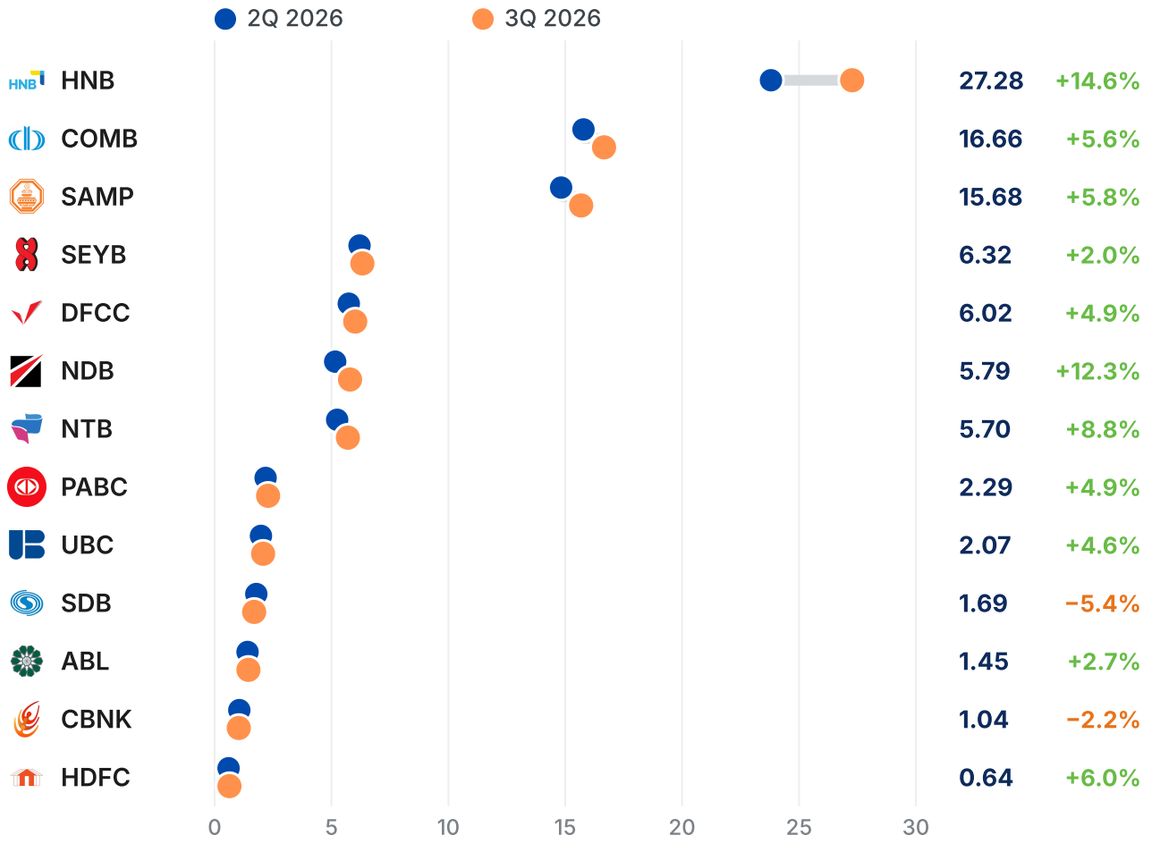
Net Gains/(Losses) on Financial Instruments at FVTPL, LKR Mn

BANK	3Q 2025	3Q 2026	DIFFERENCE
HNB	(736)	(8,990)	(8,254)
SAMP	355	(4,758)	(5,113)
SEYB	(98)	(2,312)	(2,215)
NTB	564	(2,122)	(2,686)
COMB	2,160	(2,034)	(4,194)
DFCC	1,168	(591)	(1,759)
UBC	(26)	(37)	(12)
CBNK	12	(0)	(12)
SDB	178	41	(137)
ABL	90	58	(32)
NDB	326	130	(196)
PABC	86	135	49

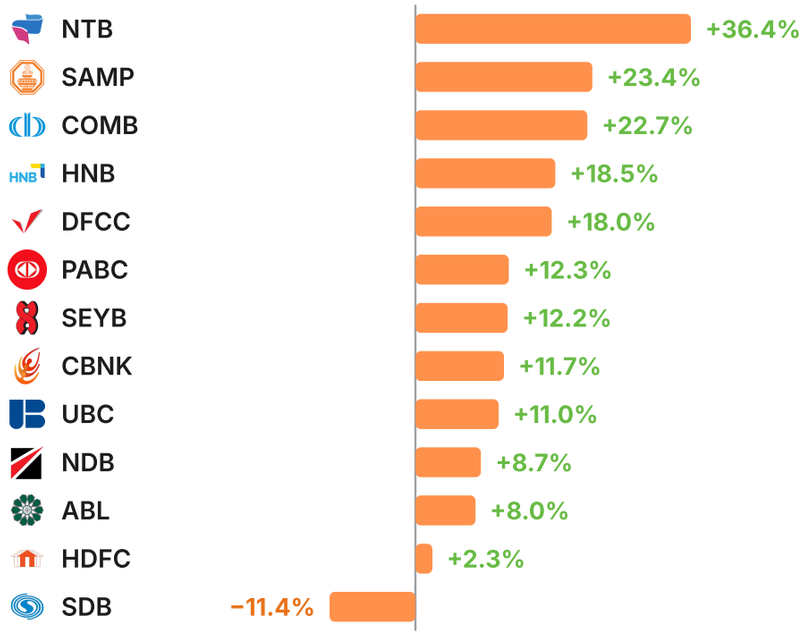
Company Interim Financial Statements, Quarter ended 30 September 2026. Group figures, profit attributable to equity holders. Treasury bill Yields: weekly auction results to 25 September 2026.

Costs Rose 8.0% in the Quarter and 18.4% on a Year Ago, Led by Staff Costs

Operating Expenses, LKR Bn



vs 3Q 2025 (July to September 2025)

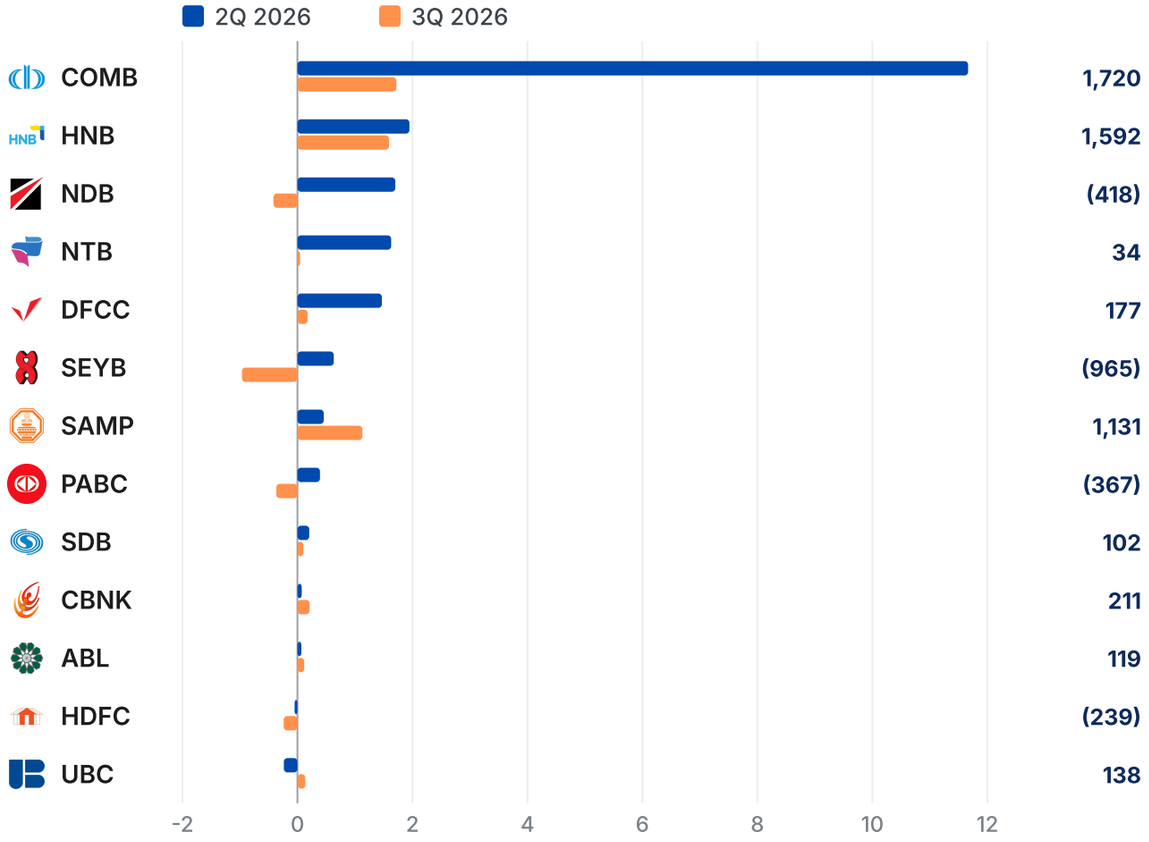


- Annual salary revisions and investment in operations drove the rise.
- **DFCC** absorbed Standard Chartered's retail business in Sri Lanka, and **NTB** HSBC's retail book.

Company Interim Financial Statements, Quarter ended 30 September 2026. Group figures, profit attributable to equity holders.

Provisions Fell to LKR 3.2 Bn from 20.0 Bn in the Quarter, but 9-Month Charges Nearly Doubled

Impairment Charges, LKR Bn (Reversals Below Zero)



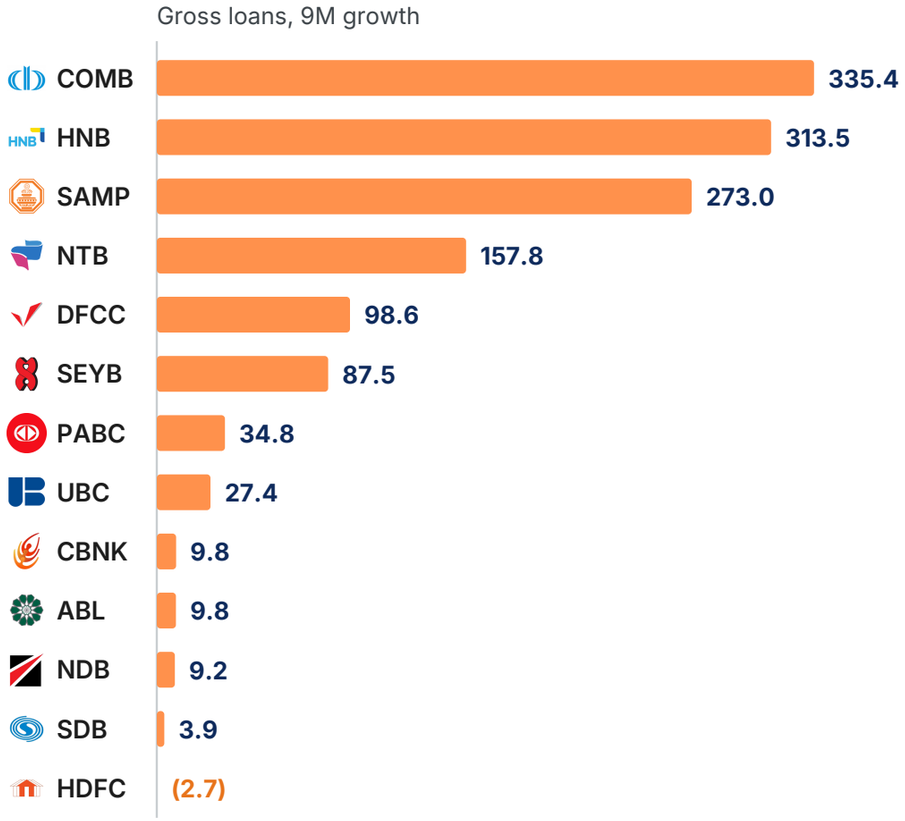
9 Months, LKR Mn

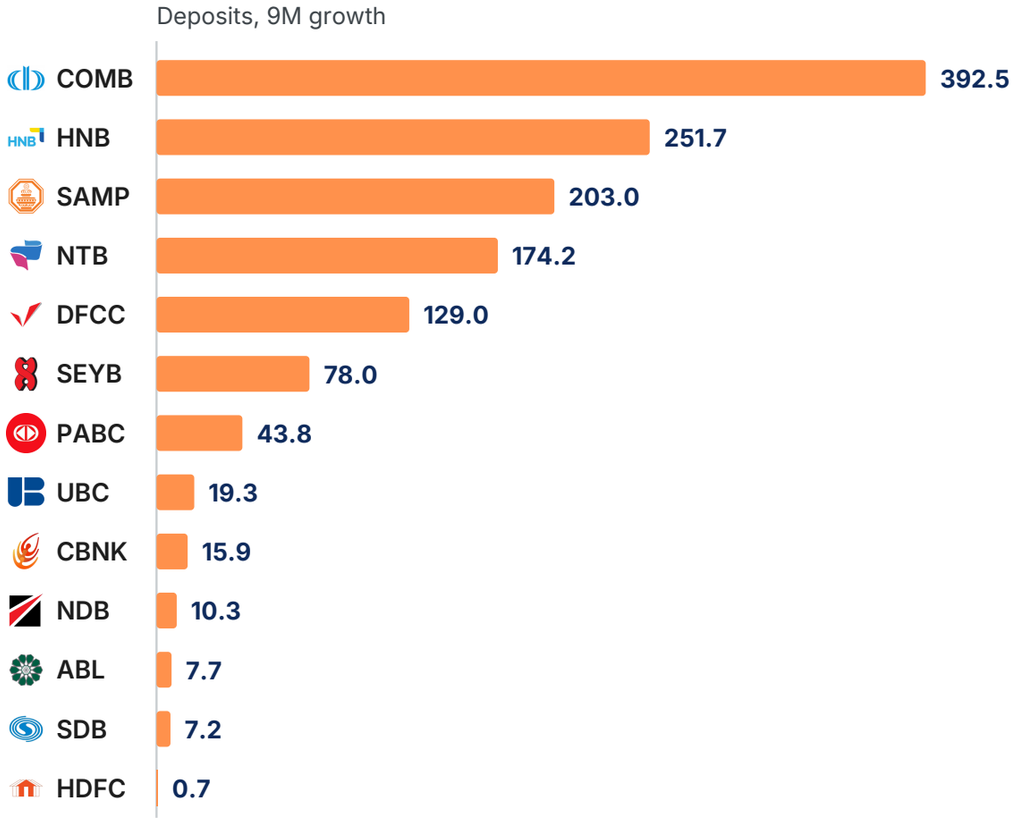
BANK	9M 2025	9M 2026	CHANGE
COMB	14,060	16,569	2,508
HNB	(6,937)	6,622	13,560
SAMP	1,444	5,952	4,508
DFCC	4,367	4,807	440
NDB	5,886	3,038	(2,849)
NTB	(356)	2,286	2,642
SDB	619	480	(139)
CBNK	162	310	149
ABL	(112)	279	391
PABC	497	32	(465)
UBC	295	(57)	(352)
SEYB	645	(233)	(878)
HDFC	(99)	(322)	(223)
Sector	20,473	39,764	19,292

Most of the rise came in earlier quarters, as banks provided cautiously for the Middle East conflict. SEYB, NDB, PABC and HDFC wrote back provisions in 3Q.

Company Interim Financial Statements, Quarter ended 30 September 2026. Group figures, profit attributable to equity holders. Figures in brackets are net reversals; Change is 9M 2026 less 9M 2025, a rise in charges in orange.

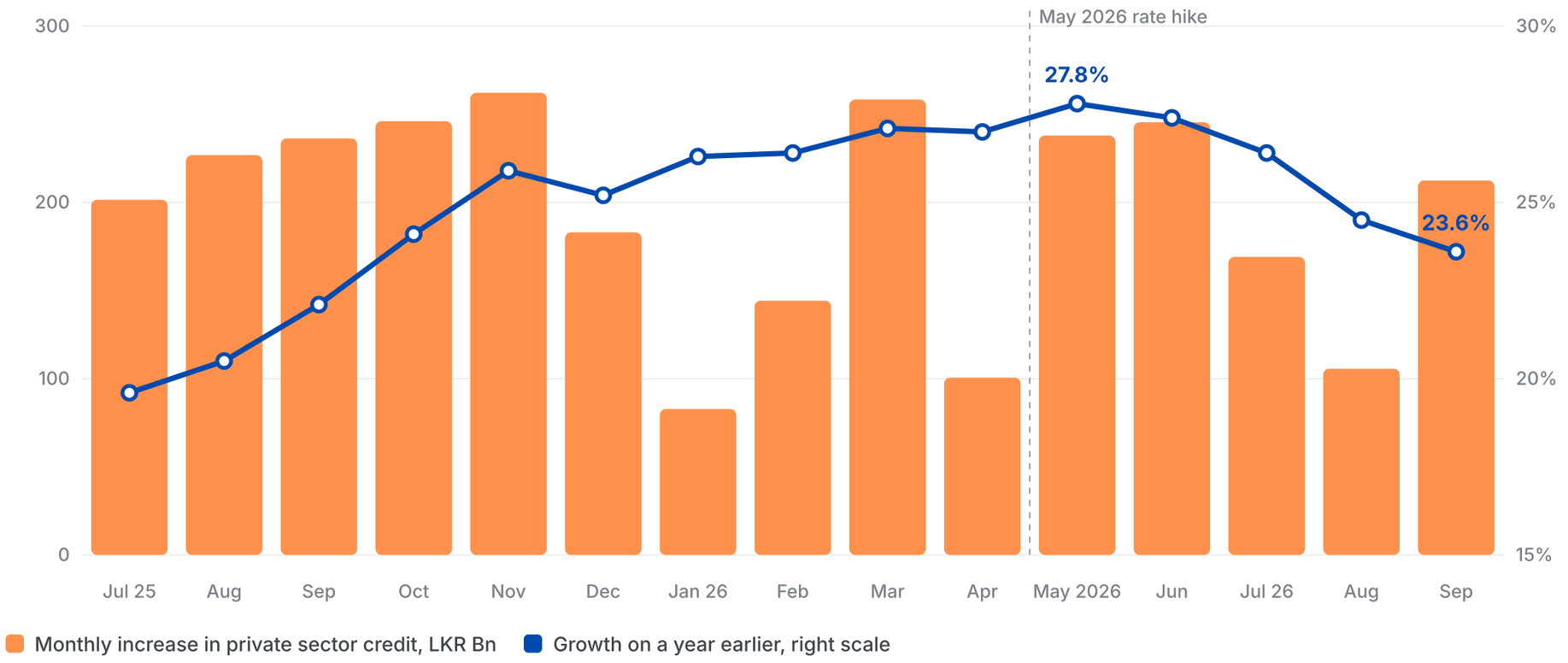
Loans Grew LKR 1.36 Tn and Deposits LKR 1.33 Tn in 9 Months





LKR Bn. Every bank except HDFC grew its loan book; every bank grew deposits. COMB added the most to both.

Credit Growth Has Slowed Since the May 2026 Rate Hike, to 23.6% a Year from 27.8%



- Credit is still expanding, but more slowly since policy was tightened in May 2026.
- After the second hike on **20 November 2026**, higher borrowing costs and tighter lending standards could slow it further.

Central Bank of Sri Lanka, monetary statistics to September 2026.

Stage 3 Ratios Fell at Most Banks; COMB, PABC, ABL, SDB and HDFC Ticked Up in the Quarter

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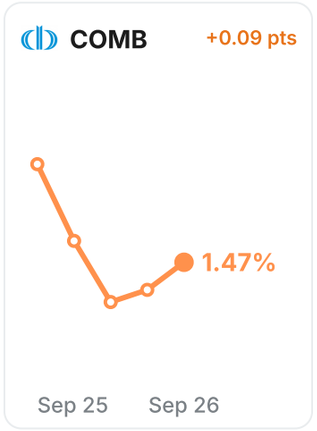
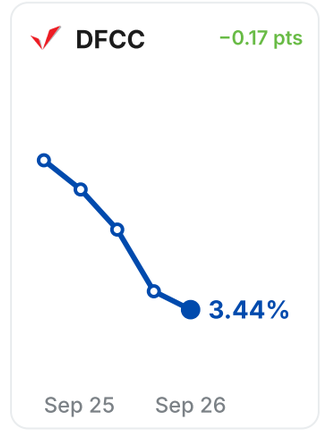


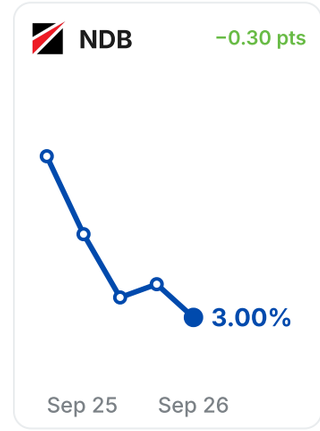


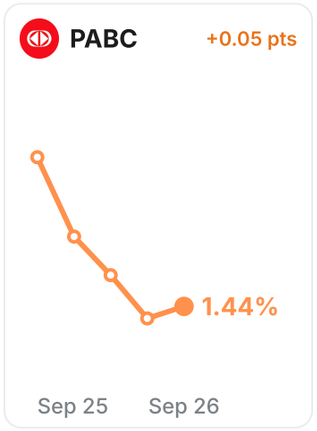




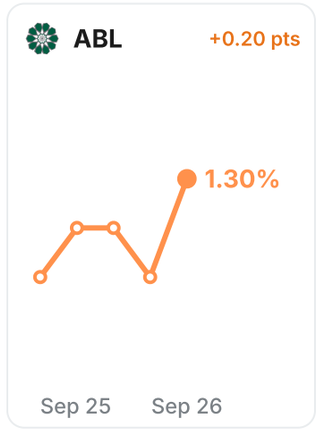




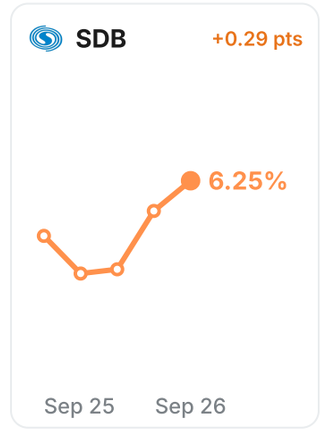


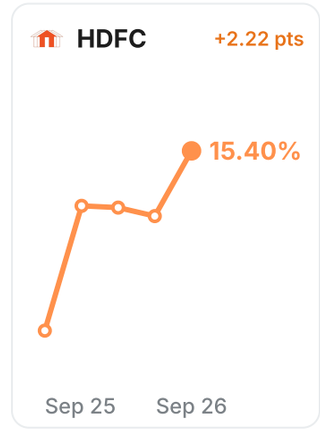










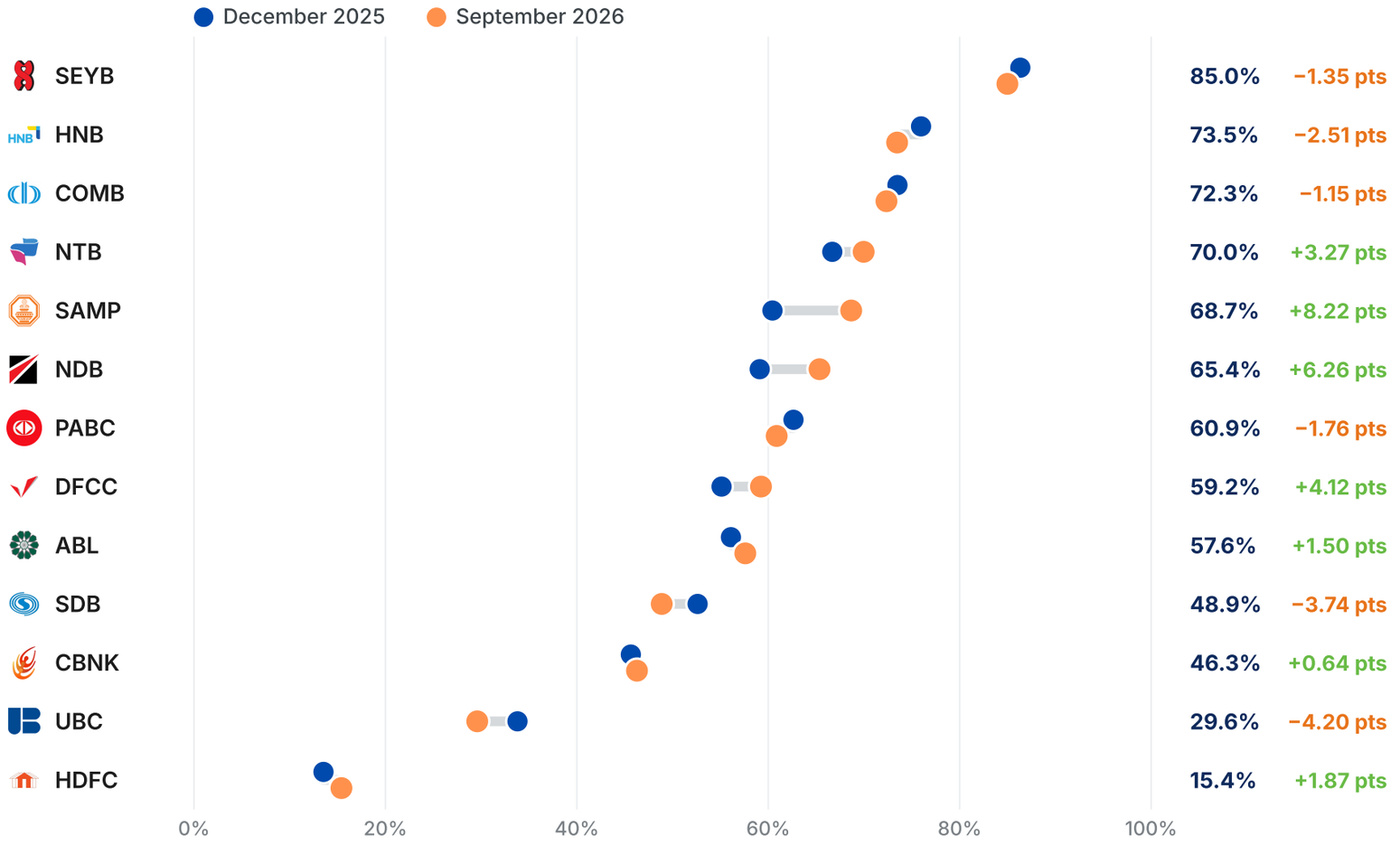


Loan growth and stronger recoveries kept bringing Stage 3 ratios down. The upticks point to early pressure, and the November 2026 rate hike could add to it.

Lower than June 2026 — Higher

Company Interim Financial Statements, Quarter ended 30 September 2026. Group figures, profit attributable to equity holders. Stage 3 loans as a share of gross loans, as reported by each bank, Quarter ends from September 2025 to September 2026.

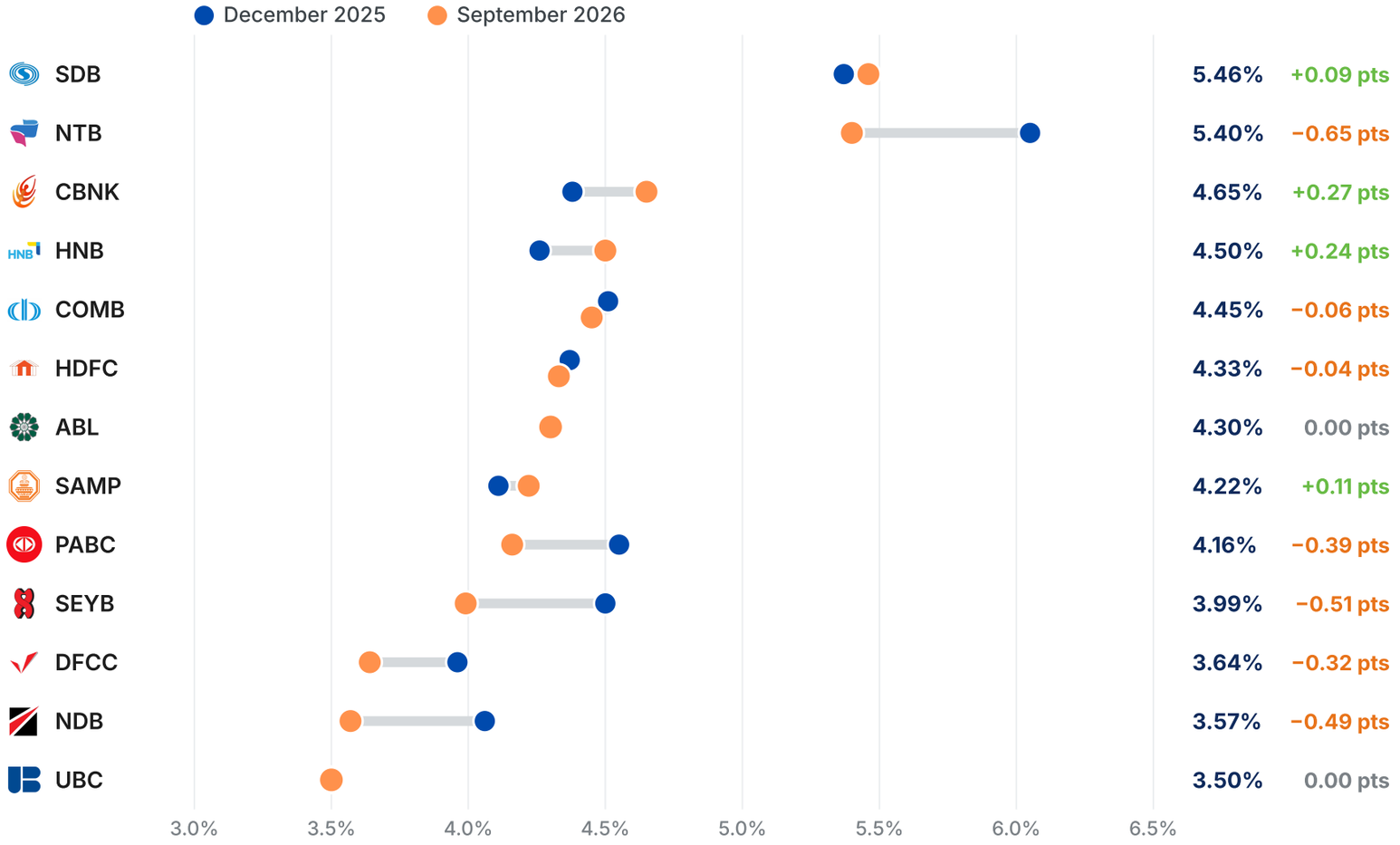
Provision Cover Is Mixed: SEYB, HNB and COMB Hold the Thickest Buffers, UBC and HDFC the Thinnest



- Coverage is Stage 3 impairment as a share of Stage 3 loans.
- **SAMP** (+8.2 pts), **NDB** and **DFCC** provided more for impaired loans this year.
- Cover fell at HNB, COMB, SEYB, PABC, UBC and SDB.

Company Interim Financial Statements, Quarter ended 30 September 2026. Group figures, profit attributable to equity holders.

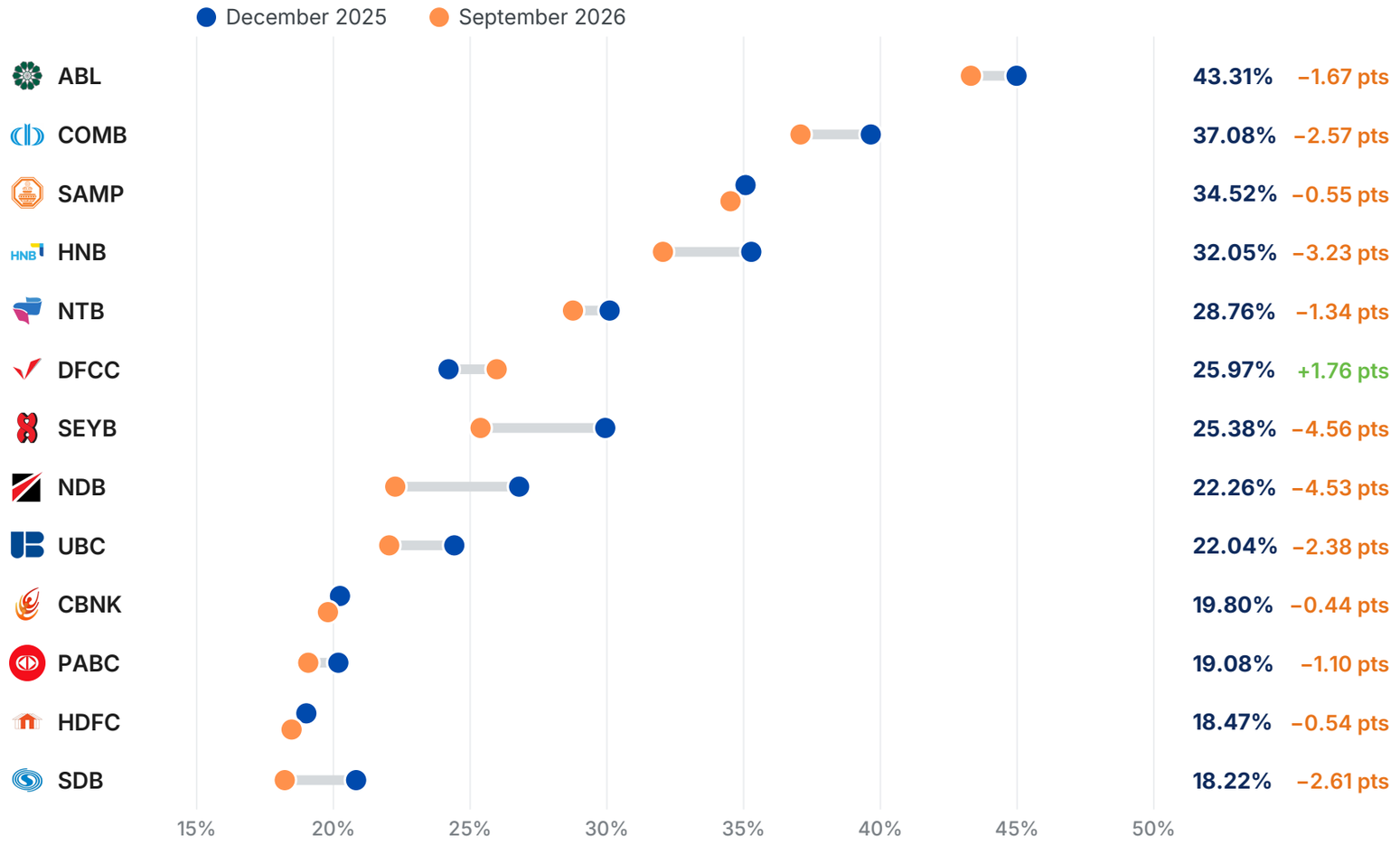
Margins Narrowed at 7 of 13 Banks This Year; NTB Is Still the Widest of the Larger Banks



- Higher funding costs, and deposits growing as fast as loans, squeezed margins.
- **NTB** fell to 5.40% from 6.05% but leads the larger banks; **UBC** is lowest at 3.50%.
- **What next:** deposit rates usually reprice before loan rates, so margins may narrow further after the November 2026 hike, then recover as loans reprice.

Company Interim Financial Statements, Quarter ended 30 September 2026. Group figures, profit attributable to equity holders. NIM as reported by each bank.

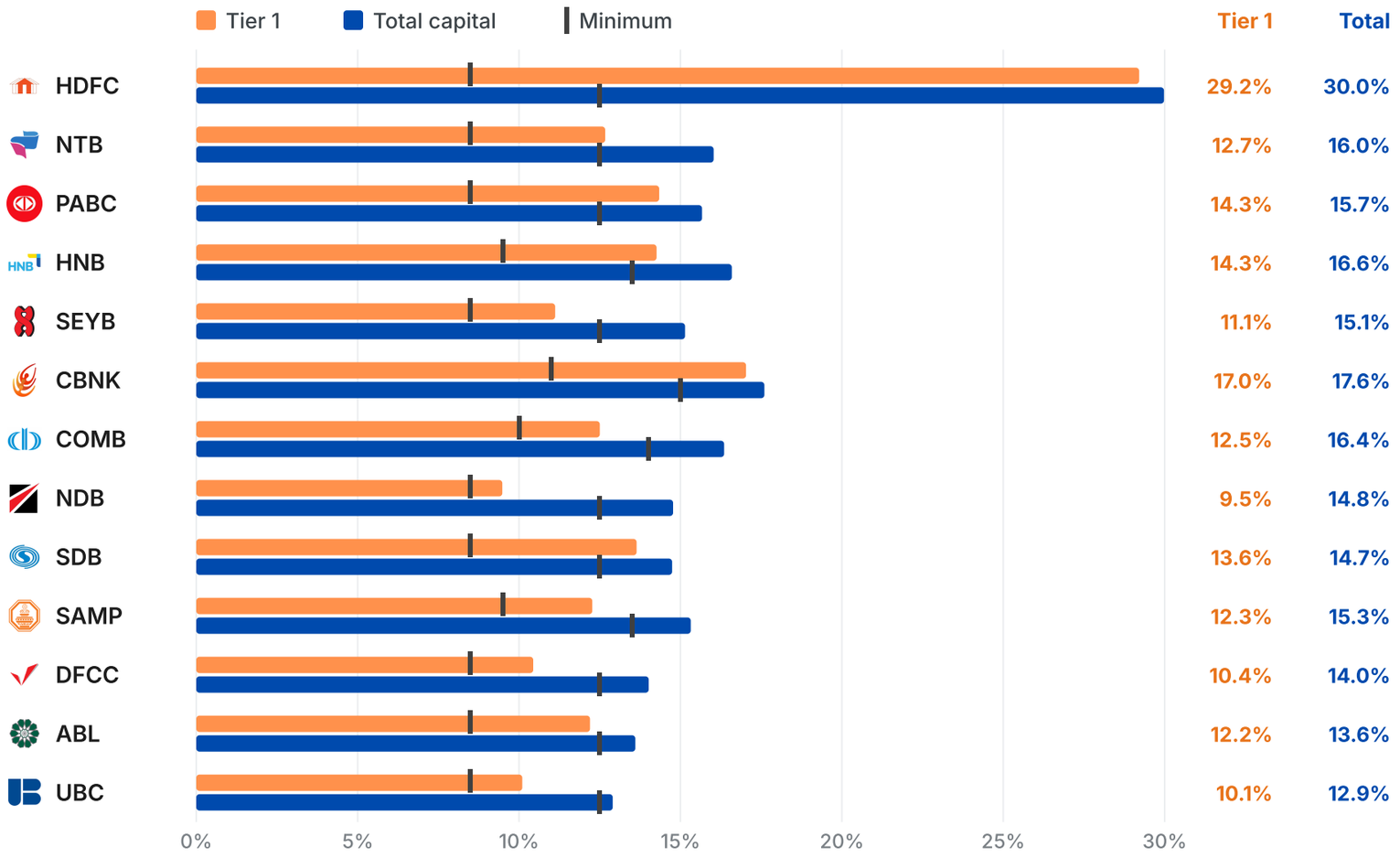
Current and Savings Account (CASA) Ratios Fell at 12 of 13 Banks This Year; ABL and COMB Are Highest



- **CASA** is Current and Savings Account deposits as a share of total deposits. They pay little or no interest, so a higher ratio means cheaper funding.
- After the May 2026 Policy Rate hike, most new money went into Fixed Deposits. The ratio fell at 12 of 13 banks, and across the sector to 31.5% from 33.8%.
- **SEYB** and **NDB** fell most, by about 4.5 pts each, as their CASA balances shrank. **DFCC** was the only bank to rise, in the year it absorbed Standard Chartered's retail business.
- **ABL** (43.31%) and **COMB** (37.08%) hold the most low-cost deposits. **SDB, HDFC, PABC** and **CBNK** are below 20%.
- **What next:** the November 2026 hike may draw more money into Fixed Deposits. Banks with a higher ratio should hold their margins better.

Company Interim Financial Statements, Quarter ended 30 September 2026. Bank figures. CASA is current (demand) and savings deposits as a share of total deposits, calculated the same way for all 13 banks, so it can differ from the ratio a bank publishes. SDB and HDFC hold no current accounts.

Every Bank Is Above Its Minimum; UBC and NDB Have the Thinnest Buffers



UBC TOTAL CAPITAL

12.9%

0.4 pts above its 12.5% minimum

NDB TIER 1

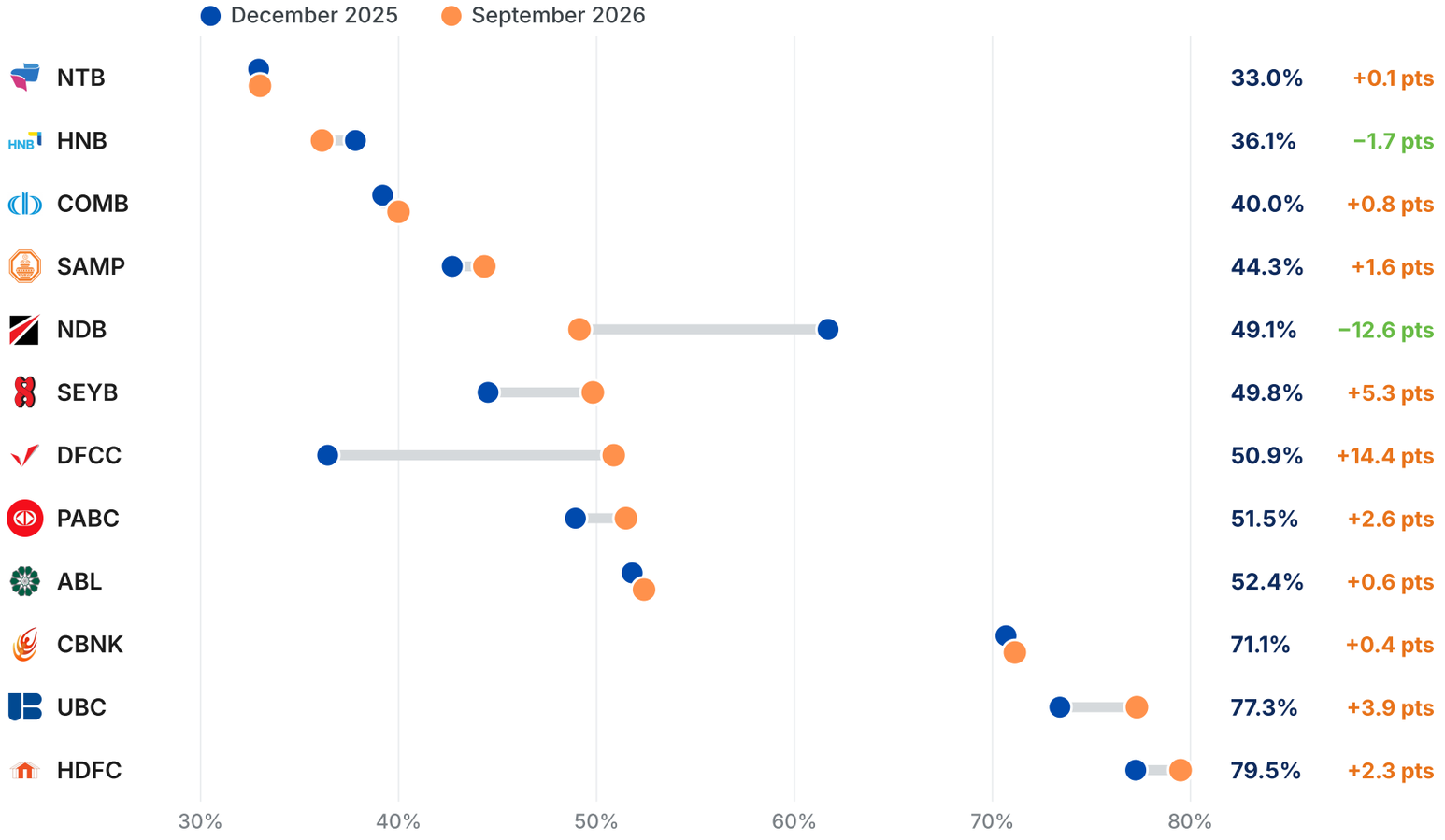
9.48%

0.98 pts above its 8.5% minimum

- Tier 1 ratios fell at most banks from June 2026, as FVTPL Losses and higher costs ate into profit.
- **NTB** is raising LKR 13.8 Bn through a rights issue (3 for 22 at LKR 305.00) to strengthen its core capital.

Company Interim Financial Statements, Quarter ended 30 September 2026. Group figures, profit attributable to equity holders. Minimums include each bank's capital buffers.

Cost to Income Rose at 10 of 12 Banks; DFCC's Jumped to 50.9% from 36.4%



NTB	33.0%	+0.1 pts
HNB	36.1%	−1.7 pts
COMB	40.0%	+0.8 pts
SAMP	44.3%	+1.6 pts
NDB	49.1%	−12.6 pts
SEYB	49.8%	+5.3 pts
DFCC	50.9%	+14.4 pts
PABC	51.5%	+2.6 pts
ABL	52.4%	+0.6 pts
CBNK	71.1%	+0.4 pts
UBC	77.3%	+3.9 pts
HDFC	79.5%	+2.3 pts

- Higher overheads and weaker FVTPL Gains/(Losses) pushed the ratio up at most banks.
- **HNB** (36.1%) and **NDB** (49.1%) improved.
- **NTB** is the most efficient at 33.0%; **HDFC** the least at 79.5%.

Company Interim Financial Statements, Quarter ended 30 September 2026. Group figures, profit attributable to equity holders. Lower is better.
SDB did not report the ratio.

The Central Bank Tightened Again: Higher Rates and Reserves Will Slow Lending

CAPITAL TRUST SECURITIES

OVERNIGHT POLICY RATE
9.00% +25 bps
raised on 20 November 2026

STATUTORY RESERVE RATIO
3.00% +100 bps
from 9 December 2026

INFLATION, OCTOBER 2026
8.3% target 5%
CCPI, year on year

Why the Central Bank Acted

- The Middle East conflict and higher world food prices pushed inflation to 8.3%.
- Dollar purchases to build reserves added rupee liquidity, which could keep credit growing faster than intended.

What It Means for Banks

- A higher Reserve Ratio leaves less of each deposit free to lend.
- Higher borrowing costs may slow loan growth and Interest Income.
- Margins may narrow first, as deposits reprice before loans.
- Higher Yields may add to bond losses, and asset quality may come under pressure.

What to Watch

9 December 2026
The higher Reserve Ratio takes effect, taking liquidity out of the banks.

Margins
How far NIMs narrow as deposits reprice after the November 2026 hike.

Asset quality
Stage 3 at the five banks where it rose this Quarter: COMB, PABC, ABL, SDB and HDFC.

NTB rights issue
LKR 13.8 Bn of new core capital, at LKR 305.00 a share.

Central Bank of Sri Lanka, Monetary Policy Review No. 6, 20 November 2026. Capital Trust Securities analysis.

The Sector Trades at 5.1x Earnings and 0.80x Book, with a 3.9% Dividend Yield

SHARE	PRICE, LKR	YTD	EPS TTM	PER TTM	BVPS (NAV)	PBV	DPS	DIV. YIELD	ROE
COMB.N	214.00	+6.6%	38.78	5.52x	224.75	0.95x	10.50	4.9%	17.3%
COMB.X	188.00	−1.3%	38.78	4.85x	224.75	0.84x	10.50	5.6%	17.3%
HNB.N	393.75	−1.2%	80.56	4.89x	554.63	0.71x	20.00	5.1%	14.5%
HNB.X	341.75	+7.2%	80.56	4.24x	554.63	0.62x	20.00	5.9%	14.5%
SAMP.N	148.25	+1.2%	30.66	4.83x	173.18	0.86x	10.30	6.9%	17.7%
NTB.N	310.00	−1.0%	72.96	4.25x	326.48	0.95x	7.00	2.3%	22.3%
NTB.X	349.33	−9.4%	72.96	4.79x	326.48	1.07x	7.00	2.0%	22.3%
DFCC.N	131.00	−11.5%	22.79	5.75x	246.64	0.53x	7.50	5.7%	9.2%
SEYB.N	98.00	−6.7%	20.34	4.82x	140.09	0.70x	4.00	4.1%	14.5%
SEYB.X	68.10	−9.9%	20.34	3.35x	140.09	0.49x	4.00	5.9%	14.5%
NDB.N	111.25	−21.2%	19.98	5.57x	204.98	0.54x	2.04	1.8%	9.7%
PABC.N	53.70	−10.4%	10.34	5.19x	74.45	0.72x	1.00	1.9%	13.9%
ABL.N	23.80	−20.7%	4.60	5.18x	48.36	0.49x	1.30	5.5%	9.5%
UBC.N	12.60	−15.4%	0.94	13.46x	19.03	0.66x	0.00	0.0%	4.9%
CBNK.N	7.10	−26.0%	0.39	18.27x	11.81	0.60x	0.00	0.0%	3.3%
SDB.N	44.40	−23.6%	1.93	23.00x	91.19	0.49x	0.00	0.0%	2.1%
HDFC.N	69.90	+20.7%	0.80	87.18x	120.35	0.58x	0.00	0.0%	0.7%

SECTOR PER
5.10x

SECTOR PBV
0.80x

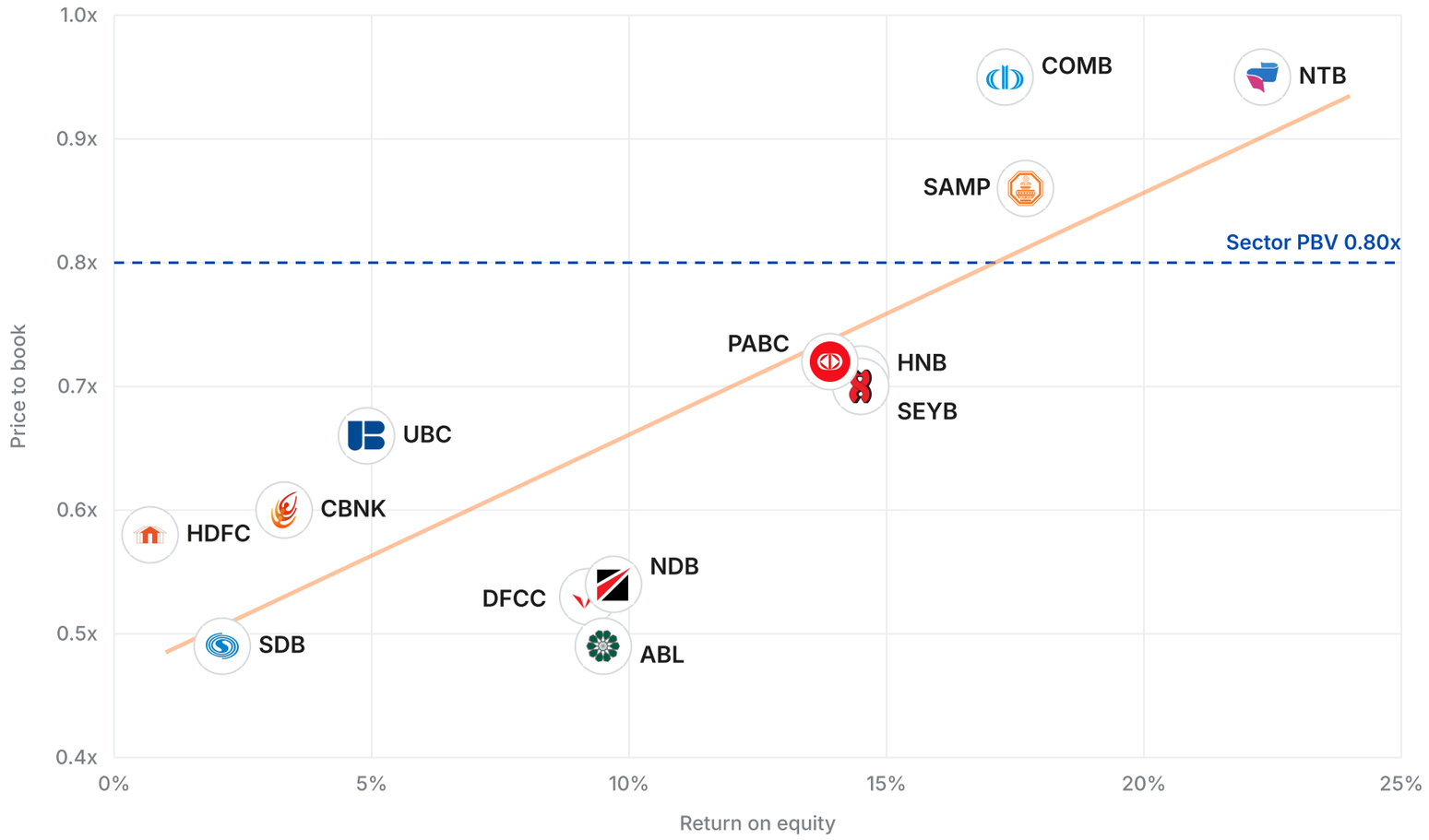
SECTOR DIVIDEND YIELD
3.9%

Non-voting shares (.X) trade at a discount to voting shares at COMB, HNB and SEYB, and so carry higher Yields. NTB.X trades above NTB.N.

NTB Rights Issue: 3 new Non-Voting shares for every 22 held, at LKR 305.00, for holders at 18 November 2026. EPS, BVPS, PER, PBV and ROE are before the issue, which adds 13.6% more shares.

Prices at the close on 20 November 2026. EPS on trailing twelve months to September 2026; DPS for 2025; BVPS at 30 September 2026.
Capital Trust Securities Weekly Stock Focus.

Higher Returns, Higher Multiples: NTB, SAMP and COMB Lead on ROE and Trade Nearest Book Value



- The market pays more for banks that earn more on their equity.
- All the voting shares trade **below book value**.
- Banks under the orange line trade cheaply for their returns, on this measure alone; above it, richly.

TO WATCH

Margins after the November 2026 hike, Stage 3 trends at the banks where they rose, and whether the June 2026 FVTPL Gains return.

Voting shares, prices at the close on 20 November 2026; ROE on trailing twelve months. Capital Trust Securities Weekly Stock Focus.

CAPITAL TRUST SECURITIES

Banking Sector: 3Q 2026 Review

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This report was prepared by Capital Trust Securities (Pvt) Ltd from the interim financial statements of the listed banks for the Quarter ended 30 September 2026, Central Bank of Sri Lanka data and market prices at the close on 20 November 2026. The data and opinions have been compiled from sources believed to be reliable and in good faith, but no representation or warranty is made as to their accuracy or completeness. Opinions are our judgement as of the date of this report and may change without notice. It is for information only and is not investment advice or an offer to buy or sell any security.